



भारतीय प्रतिभूति और विनियम बोर्ड Securities and Exchange Board of India

CIRCULAR

CIR/IMD/FIIC/3/2013
February 08, 2013

To
All Foreign Institutional Investors
Through their designated Custodians of Securities

Dear Sir/Madam

Sub: Increase in FII debt limit for Government and Corporate Debt category

1. The Reserve Bank of India vide circular RBI/2012-13/391, dated January 24, 2013, had enhanced the limit for investment by FIIs in the Government Debt Long Term category by US\$ 5 billion to US\$ 15 billion and the Corporate non-infrastructure debt category by US\$ 5 billion.
2. In terms of the aforesaid RBI circular, the changes are summarized below:
 - a) In the Government Debt Long Term category, the provision regarding 3 years residual maturity at the time of first purchase shall no longer be applicable. However, within this category, FIIs shall not be allowed to invest in short term paper like treasury bills.
 - b) In terms of the aforesaid circular, the limit of US\$ 5 billion in the Corporate Non-Infrastructure Debt category shall not be available for investment in Certificate of Deposits (CD) and Commercial Papers (CP). Investments in Certificate of Deposits are not permitted within the limit of US\$ 20 billion.
 - c) The US \$ 1 billion limit for QFIs shall continue to be over and above the revised limit of US\$ 25 billion available for FII investment in Corporate non-infrastructure debt category.
 - d) For the US\$ 12 billion sub-category for investment in Corporate Long Term Infra bonds the following changes have been made:
 - i. The restriction of 1 year lock-in period has been removed
 - ii. The 5 year initial maturity restriction has been removed

At the time of first purchase by FIIs, the residual maturity shall be 15 months.

- e) For the sub-category of US\$ 10 billion reserved for FII investments in Infrastructure Debt Funds (IDFs), the restriction of 1 year lock-in has been removed. The requirement of residual maturity of 15 months at the time of first purchase remains unchanged.
- f) Vide circular CIR/IMD/FII&C/18/2012 dated July 20, 2012, SEBI had permitted QFIs to invest in those debt mutual fund schemes that hold at least 25 percent of their assets



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(either in debt or equity or both) in the infrastructure sector under the US\$ 3 billion investment limit for debt mutual fund schemes. These schemes were required to invest in infrastructure debt having a minimum residual maturity of 5 years. This restriction of 5 years residual maturity has been removed while the restriction of 3 years initial maturity has been introduced.

3. All the above changes in lock-in, initial maturity and residual maturity requirements shall apply for investments by FIIs and Sub-Accounts in debt securities to be made after the date of this circular.
4. The table summarizing the revised positions for FII/ Sub-Account investments in Government securities and Corporate Debt securities is as follows:

S. No.	Type of Instrument	Cap (US\$ bn)	Restrictions				
			Initial Maturity	Residual Maturity	Lock-in	Investor Class	Comments
1	Government Debt – Old	10	NA	NA	Nil	FIIs	
2	Government Debt – Long Term	15	NA	NA	Nil	FIIs	Investments in short term paper like treasury bills not permitted
3	Corporate Debt Old	21	Nil	Nil	Nil	US\$ 20 bn for FIIs	Not available for investments in Certificate of Deposits
						US\$ 1 bn for QFIIs	
4	Corporate Debt Long Term	5	Nil	Nil	Nil	FIIs	Not available for investment in Certificate of Deposits (CD) and Commercial Papers (CP)
5	Corporate Debt Long Term Infra	25					
<i>Sub-Category</i>							
5.a	Corporate debt long term infra	12	Nil	15 months	Nil	FIIs	
5.b	QFI in mutual fund debt scheme which invest in infrastructure debt	3	3 years	NA	Nil	QFIIs	
5.c	Investment in IDF	10	Nil	15 months	Nil	FIIs	
	Total	76					

Abbreviations used : NA = Not Applicable ; bn = Billion

5. Allocation of Debt Limits

- a. The incremental limit in Government Debt Long Term category i.e US \$ 5 billion (equivalent to approximately Rs.26,925 cr – converted at the RBI reference rate of



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US \$ 1 = Rs. 53.8515 as on January 24, 2013) shall be auctioned along with the unutilized debt limits in that category as on January 31, 2013 (Rs.7034 cr), during the next auction scheduled to be held on February 20, 2013. Therefore, the total unutilized limit of Rs.33,959 cr in the Government Debt Long Term category will be auctioned on February 20, 2013.

- b. The incremental Corporate non-infrastructure limit of US \$ 5 billion (equivalent to approximately Rs.26,925 cr – converted at the RBI reference rate of US \$ 1 = Rs. 53.8515 as on January 24, 2013) shall be auctioned as a separate category during the next auction scheduled to be held on February 20, 2013.
6. The aforesaid auction shall be conducted through electronic bidding process, in terms of SEBI circular CIR/IMD/FIIC/12/2012 dated April 27, 2012.
7. The time period for utilization of the Government debt limits (for both old and long term limits) allocated through bidding process shall be 30 days while the time period for utilization of the corporate debt limits allocated through the bidding process shall be 60 days in terms of the SEBI circular CIR/IMD/FIIC/22/2012 dated November 07, 2012.
8. The re-investment period, i.e. 5 working days for Government Debt and 15 working days for Corporate Debt shall remain the same as per the SEBI Circular CIR/IMD/FIIC/18/2010 dated November 26, 2010.

This circular shall come into effect immediately. This circular is issued in exercise of powers conferred under SEBI Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

A copy of this circular is available at the web page “F.I.I.” on our website www.sebi.gov.in. The custodians are requested to bring the contents of this circular to the notice of their FII clients.

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