



भारतीय प्रतिभूति और विनिमय बोर्ड Securities and Exchange Board of India

CIRCULAR

CIR/IMD/FIIC/19/2014
October 09, 2014

To
All Foreign Portfolio Investors
through their Designated Depository Participants

The Depositories (NSDL and CDSL)

Sir / Madam,

Sub: Clarification on Government Debt Investment Limits

1. SEBI had issued a circular CIR/IMD/FIIC/ 17/2014 dated July 23, 2014 whereby the investment limit in government securities available to all FPIs was enhanced by USD 5 billion by correspondingly reducing the amount available to long term FPIs from USD 10 billion to USD 5 billion within the overall limit of USD 30 billion. It was also stated in the aforesaid circular that all future investments in this USD 25 billion debt limit shall be required to be made in government bonds with a minimum residual maturity of three years.
2. It is clarified that all investments by Long Term FPIs (Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks) in the USD 5 billion Government debt limit shall continue to be made in Government bonds having a minimum residual maturity of 1 year.
3. Accordingly, the Government debt investment limits shall be as follows :

S. No.	Type of limit	Cap (US\$ bn)	Cap (INR Crore)	Eligible Investors	Remarks
1	Government Debt	25	124,432	FPIs	Available on demand. The incremental investment limit of USD 5 billion (INR 24,886 cr) shall be required to be invested in government bonds with a minimum residual maturity of three years. Further, all future investment against the limit vacated when the current investment by an



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S. No.	Type of limit	Cap (US\$ bn)	Cap (INR Crore)	Eligible Investors	Remarks
					FPI runs off either through sale or redemption shall also be required to be made in government bonds with a minimum residual maturity of three years.
3	Government Debt – Long Term	5	29,137	FPIs which are registered with SEBI under the categories of Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks	Available on demand. Eligible investors may invest only in dated securities of residual maturity of one year and above.
	Total	30	153,569		

4. In accordance with SEBI circular CIR/IMD/FIIC/15/2013 dated September 13, 2013, FPIs shall be permitted to invest in the USD 25 billion Government debt limit till the overall investment reaches 90% after which the auction mechanism would be initiated for allocation of the remaining limits.
5. In the event the overall FPI investment exceeds 90% in either of the debt limit categories (as indicated by the debt utilisation status updated daily on the websites of NSDL and CDSL), the following procedure shall be followed:
 - a. The depositories (NSDL and CDSL) shall direct the DDPs to halt all FPI purchases in debt securities in that category
 - b. The depositories shall then inform NSE (since the last auction was held on BSE) regarding the unutilised debt limits for conduct of auction. Upon receipt of information from the depositories, NSE shall conduct an auction for the allocation of unutilised debt limits on the second working day
 - c. The auction would be held only if the free limit is greater than or equal to INR 100 cr. The auction shall be conducted in the following manner :

Particulars	Details
Duration of bidding:	2 hours (15:30 to 17:30 hrs)
Access to platform	Trading members or custodians
Minimum bid	INR 1 crore
Maximum bid	One-tenth of free limit being auctioned



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Particulars	Details
Tick Size	INR 1 crore
Allocation Methodology	Price time priority
Pricing of bid	Minimum flat fee of INR 1000 or bid price whichever is higher
Time period for utilization of the limits	15 days from the date of allocation

- d. Once the limits have been auctioned, the FPIs will have an utilisation period of 15 days within which they have to make the investments. The limits not utilised within this period would come back to the pool of free limits.
- e. Upon sale/redemption of debt securities, the FPI will have a re-investment period 5 days. If the reinvestment is not made within 5 working days, then the limits shall come back to the pool of free limits.
- f. The subsequent auction would be held 20 days after the previous auction, subject to the fulfilment of the condition mentioned at Point (C) above. The auction mechanism shall be discontinued and the limits shall be once again available for investment on tap when the debt limit utilisation falls below 85%.
- g. In order to provide operational flexibility to FPIs, it is clarified that there would be no other re-investment restrictions

This circular shall come into effect immediately. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992.

A copy of this circular is available at the web page "Circulars" on our website www.sebi.gov.in. Custodians are requested to bring the contents of this circular to the notice of their FPI clients.

Yours faithfully,

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