



REGULATORY UPDATES

Facilitating Investments by Non-Resident Indians (“NRI”) And Overseas Citizens of India (“OCI”) into Indian Securities Through Schemes / Funds

The IFSCA (Fund Management) Regulations, 2022 (“Regulations”) allow Fund Management Entities (FMEs) to launch various schemes/funds in IFSC. When these schemes/funds invest in listed Indian securities, they are required to be registered as Foreign Portfolio Investors (“FPIs”) under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 (“SEBI FPI Regulations”) which have prescribed certain threshold for aggregate contribution by NRIs, OCIs and Resident Indians (“RI”).

The Securities and Exchange Board of India has approved the following alternative routes for increasing participation by NRIs and OCIs in Indian securities through IFSC-based FPIs:

1. Alternative Route 1:

NRI/OCI/RI investors may contribute up to 100% in the corpus of IFSC-based FPIs where such FPIs will be, inter alia, required to submit copies of PAN or another suitable alternative, of all their NRI/OCI/RI individual constituents, along with their economic interests in the FPI, to the Designated Depository Participants.

2. Alternative Route 2:

NRI/OCI/RI investors may contribute up to 100% in the corpus of IFSC-based FPIs without the FPI required to submit the above-mentioned documents by setting up Retail Schemes, Restricted Schemes, and Exchange Traded Funds subject to the following conditions:

- a. They shall meet SEBI's eligibility requirements for the scheme or fund.
- b. They shall make independent investment decisions free from the influence of the scheme or fund's investors.
- c. They shall ensure that all investors' contributions are accepted into a single pool without the need for segregated portfolios, giving them all pari-passu and pro rata rights in the scheme or fund.
- d. The fund or scheme shall have a minimum of 20 investors, with no single investor holding more than 25% of the fund's corpus.

- e. The fund or scheme shall not allocate more than 20% of its assets under management in the securities of a single investee company.
- f. The FME shall take immediate action to rectify any violations of the conditions at (d) and (e) during the initial three months, or any passive violations thereafter not later than 3 months of such breach.
- g. The FME shall comply with the additional disclosures as prescribed by SEBI if the scheme's or fund's concentration of investments exceeds the threshold at the corporate group level of the investee company.
- h. All other applicable provisions of IFSCA (Fund Management) Regulations, 2022, SEBI (FPI) Regulations, 2019 and circulars issued thereunder shall continue to apply to such scheme/fund.

Please refer below the links for the respective circular issued by the IFSCA in this regard:


<https://ifsc.gov.in/Viewer?Path=Document%2FLegal%2Ffacilitating-investments-by-nris-and-ocis-into-indian-securities-through-schemes-or-funds-in-an-ifsc02052024065353.pdf&Title=Facilitating%20investments%20by%20NRIs%20and%20OCIs%20into%20Indian%20securities%20through%20Schemes%20%2F%20Funds%20in%20an%20IFSC&Date=02%2F05%2F2024>


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