



Enhancement of Investment limit in Government Securities for Foreign Portfolio Investors

The Reserve Bank of India (RBI) vide its Circular RBI/2017-18/12 dated 03 July 2017 has announced an increase in Medium Term Framework (MTF) limits for Foreign Portfolio Investors (FPI) in Central Government securities (G-secs) in consultation with the Government of India. In consultation with RBI, Securities and Exchange Board of India (SEBI) has issued circular IMD/FPIC/CIR/P/2017/74 dated 4 July 2017 regarding the allocation and monitoring of FPI debt investment limits in Government securities.

The gist of the above circulars is as below:

- The overall cap of 5% for G-Secs and 2% for State Development Loans (SDLs) shall remain unchanged.
- Limit for FPIs in G-secs shall be enhanced to INR 1,877 billion.
- Limit for Long Term FPIs (Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks) in G-secs shall be revised to INR 543 billion.
- The debt limit category of State Development Loans (SDL) shall be as under:

Particulars	SDL - General	SDL – Long term
Investment Category	All categories of FPIs	Long term FPIs
Limit for investments	INR 285 billion	INR 46 billion

- Revised FPI debt limits are as follows:

Type of Instrument	Existing Limits (INR billion)	Revised Limits (INR billion)
Government Debt (General)	1,849.01	1,877
Government Debt – Long Term FPIs	460.99	543
State Development Loans - General	270	285
State Development Loans - Long term	-	46
Total	2,580	2,751

- Future increases in the limit for FPIs investment in G-Secs will be allocated in the following ratio - 75% for 'Long-Term' category of FPIs and 25% for 'General' category.
- The practice of transferring unutilized limits of the Long-Term category to the General category of FPIs shall be discontinued.
- To have consistent approach to FPI investments in SDLs with that for G-secs, future increases in SDLs would be in the ratio of 75% for SDL-Long Term and 25% for SDL-General category of FPIs.
- All other existing terms and conditions, including the security-wise limits, investment of coupons being permitted outside the limits and investments being restricted to securities with a minimum residual maturity of three years, shall continue to apply.

This circular shall come into effect from 4 July 2017.

Source: www.rbi.org.in and www.sebi.gov.in

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