



SEBI issues Consultation Paper to streamline the process of monitoring of Offshore Derivative Instruments (ODIs)/ Participatory Notes (PNs)

The Securities Exchange Board of India (SEBI) has issued Consultation Paper in order to enhance the transparency in the process of issuance and monitoring of ODIs being issued by Foreign Portfolio Investors (FPI) registered with SEBI. To achieve this objective, the following steps are being proposed:

- **Levy of Regulatory fees on FPIs issuing ODIs**

With effect from 1 April 2017, regulatory fees of USD 1000 be levied on each ODI issuing FPI. These fees shall be applicable for a period of every three years for each ODI subscriber coming through such FPI. A number of ODI subscribers invest through multiple sources. Levy of regulatory fees will discourage the ODI subscribers from taking the ODI route and encourage them to directly take registration as FPIs.

The proposal for implementation of fees on ODI issuing FPIs will require changes in SEBI (FPI) Regulations, 2014.

- **Prohibit ODIs from being issued against derivatives except for those used for hedging**

SEBI proposes to prohibit ODIs from being issued against derivatives for speculative purpose. It will be incumbent on ODI issuing FPI to ensure that ODI's are issued against those derivatives which are purely for hedging purpose and not for naked speculation. The ODI issuing FPI shall put in place necessary system to ensure the same.

ODIs issuers shall be given time till 31 December 2020 to wind up the ODIs issued against derivatives which are not for hedging purpose

Public comments / suggestions are invited on the above proposals by 12 June 2017 at the email address odi-feedback@sebi.gov.in

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