

# TAX FLASH NEWS

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## 'Fully Accessible Route' for Investment by Non-residents in Government Securities

Pursuant to the announcement made in the Union Budget 2020-21 that certain specified categories of Central Government securities would be opened fully for non-resident investors without any restrictions, apart from being available to domestic investors as well, the Reserve Bank of India (RBI) has notified a separate route viz., Fully Accessible Route (FAR) for investment by non-residents in securities issued by the Government of India in terms of A.P. (DIR Series) Circular No. 25, dated 30 March 2020.

The salient features of the Scheme is as under:

- Eligible Investors shall mean “any person resident outside India” as defined in section 2(w) of the Foreign Exchange Management Act, 1999 and includes Foreign Portfolio Investors (FPIs), Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs);
- ‘Specified securities’ shall mean Government Securities as periodically notified by the RBI under the FAR route; The specified securities, once so designated, shall remain eligible for investment under the FAR until maturity. Further, these securities will continue to be eligible for investment by residents. Currently, certain notified G-Sec and all new issuances of 5-year, 10-year and 30-year tenors will be eligible for investment as ‘specified securities’ under the FAR. RBI may add tenors or change tenors of new securities to be designated as ‘specified securities’ from time to time
- Investment Limits: There shall be no quantitative limit on investment by eligible investors in specified securities. All investment made by eligible investors in specified securities will be under FAR. Further, investments made under FAR shall also not be subject to limits specified for FPI investment in debt;
- Existing investments by eligible investors in specified securities shall be reckoned under FAR;
- FPIs, NRIs, OCIs and other entities permitted to invest in Government securities under the Debt regulations can invest under this route as hitherto under existing arrangements;
- Eligible investors other than FPIs, NRIs and OCIs as mentioned above, may invest through International Central Securities Depositories (process to be notified);
- Transition for FPIs: FPIs who currently hold investments in specified securities shall, within one year from the date on which the FAR comes into effect i.e. 1 April 2020, readjust their investments under the Medium Term Framework (MTF) to comply with the requirements specified for FPI investment in Debt;

The above move is aimed to deepen the bond market by boosting the flow of foreign funds into the financial system.

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### Ahmedabad

Commerce House V, 9th Floor,  
902, Near Vodafone House, Corporate  
Road,  
Pralhad Nagar,  
Ahmedabad – 380 051.  
Tel: +91 79 4040 2200

### Bengaluru

Embassy Golf Links Business Park,  
Pebble Beach, 'B' Block,  
1st & 2nd Floor,  
Off Intermediate Ring Road, Bengaluru –  
560071  
Tel: +91 80 6833 5000

### Chandigarh

SCO 22-23 (1st Floor),  
Sector 8C, Madhya Marg,  
Chandigarh – 160 009.  
Tel: +91 172 664 4000

### Chennai

KRM Towers, Ground Floor,  
1, 2 & 3 Floor, Harrington Road,  
Chetpet, Chennai – 600 031.  
Tel: +91 44 3914 5000

### Gurugram

Building No.10, 8th Floor,  
DLF Cyber City, Phase II,  
Gurugram, Haryana – 122 002.  
Tel: +91 124 307 4000

### Hyderabad

Salarpuria Knowledge City,  
6th Floor, Unit 3, Phase III,  
Sy No. 83/1, Plot No 2,  
Serilingampally Mandal,  
Ranga Reddy District,  
Hyderabad – 500 081.  
Tel: +91 40 6111 6000

### Jaipur

Regus Radiant Centre Pvt Ltd.,  
Level 6, Jaipur Centre Mall,  
B2 By pass Tonk Road,  
Jaipur – 302 018.  
Tel: +91 141 - 7103224

### Kochi

Syama Business Centre,  
3rd Floor, NH By Pass Road,  
Vytilla, Kochi – 682 019.  
Tel: +91 484 302 5600

### Kolkata

Unit No. 604,  
6th Floor, Tower – 1,  
Godrej Waterside,  
Sector – V, Salt Lake,  
Kolkata – 700 091.  
Tel: +91 33 4403 4000

### Mumbai

1st Floor, Lodha Excelus,  
Apollo Mills,  
N. M. Joshi Marg,  
Mahalaxmi,  
Mumbai – 400 011.  
Tel: +91 22 3989 6000

### Noida

Unit No. 501, 5th Floor,  
Advant Navis Business Park,  
Tower-A, Plot# 7, Sector 142,  
Expressway Noida,  
Gautam Budh Nagar,  
Noida – 201 305.  
Tel: +91 0120 386 8000

### Pune

9th floor, Business Plaza,  
Westin Hotel Campus, 36/3-B,  
Koregaon Park Annex,  
Mundhwa Road, Ghorpadi,  
Pune – 411 001.  
Tel: +91 20 6747 7000

### Vadodara

Ocean Building, 303, 3rd Floor,  
Beside Center Square Mall,  
Opp. Vadodara Central Mall,  
Dr. Vikram Sarabhai Marg,  
Vadodara – 390 023.  
Tel: +91 265 619 4200

### Vijayawada

Door No. 54-15-18E,  
Sai Odyssey,  
Gurunanak Nagar Road, NH 5,  
Opp. Executive Club, Vijayawada,  
Krishna District,  
Andhra Pradesh – 520 008.  
Tel: +91 0866 669 1000

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