



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/2014-15/448

A. P. (DIR Series) Circular No. 71

February 03, 2015

To,

All Authorised Persons

Madam/ Sir,

Foreign investment in India by Foreign Portfolio Investors

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to Schedule 5 to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide [Notification No. FEMA.20/2000- RB dated May 3, 2000](#), as amended from time to time and to [A.P. \(DIR Series\) Circular No. 13 dated July 23, 2014](#) in terms of which all future investment in government securities by registered Foreign Portfolio Investors (FPIs) shall be required to be made in government bonds with a minimum residual maturity of three years.

2. Attention of AD Category-I banks is invited to the announcement in the [Sixth Bi-Monthly Monetary Policy Statement, 2014-15, issued on February 03, 2015](#) in terms of which all future investment by FPIs in the debt market in India will be required to be made with a minimum residual maturity of three years.

3. Accordingly, all future investments by an FPI within the limit for investment in corporate bonds shall be required to be made in corporate bonds with a minimum residual maturity of three years. Further, all future investments against the limits vacated when the current investment runs off either through sale or redemption, shall be required to be made in corporate bonds with a minimum residual maturity of three years.

4. FPIs shall not be allowed to make any further investment in liquid and money market mutual fund schemes.

5. There will, however, be no lock-in period and FPIs shall be free to sell the securities (including those that are presently held with less than three years residual maturity) to domestic investors.
6. The aforesaid directions come into force with immediate effect. Further operational guidelines, if any, will be issued by SEBI.
7. All other existing conditions for investment by FPIs in the debt market remain unchanged.
8. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
9. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(B. P. Kanungo)
Principal Chief General Manager