



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI/2020-21/105

A.P. (DIR Series) Circular No. 12

February 26, 2021

To

All Authorised persons

Madam / Sir,

Investment by Foreign Portfolio Investors (FPI) in Defaulted Bonds - Relaxations

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide [Notification No. FEMA. 396/2019-RB dated October 17, 2019](#), as amended from time to time, and the relevant directions issued thereunder. A reference is also invited to [A.P. \(DIR Series\) Circular No. 31 dated November 26, 2015](#) wherein FPIs were permitted to acquire NCDs/bonds, which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond, and to [A.P. \(DIR Series\) Circular No. 31 dated June 15, 2018](#) (hereinafter, Directions), as amended from time to time.

2. Attention of AD Category-I banks is also invited to para 12 of [Statement on Developmental and Regulatory Policies dated February 05, 2021](#), wherein it was announced that FPI investment in defaulted corporate bonds will be exempted from the short-term limit and the minimum residual maturity requirement under the MTF.

3. Currently, FPI investments in corporate bonds are subject to a minimum residual maturity requirement, short-term investment limit (paragraph 4 (b)(ii)) and the investor limit (paragraph 4(f)(i)) in terms of the Directions. However, FPI investments in security receipts and debt instruments issued by Asset Reconstruction Companies and debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016 are exempt from these requirements. It has now been decided to exempt investments by FPI in NCDs/bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond from the aforesaid requirements.

वित्तीय बाज़ार विनियमन विभाग, केन्द्रीय कार्यालय भवन, नौवीं मंजिल, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई - 400001. भारत

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हिन्दी आसान है, इसका प्रयोग बढ़ाइए

4. The updated [Directions](#) are attached.

5. These directions are 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

(Dimple Bhandia)
Chief General Manager