



CIRCULAR

F. No. IFSCA-IF-10PR/2/2024-Capital Markets

May 02, 2024

To,

All Fund Management Entities in International Financial Services Centres (IFSCs)

Dear Sir / Madam,

Sub.: Facilitating investments by NRIs and OCIs into Indian securities through Schemes / Funds in an IFSC

1. The IFSCA (Fund Management) Regulations, 2022 (“Regulations”) allow Fund Management Entities (FMEs) to launch various schemes / funds in IFSC. In case these schemes / funds invest in listed Indian securities, they are required to be registered as Foreign Portfolio Investors (“FPIs”) under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 (“SEBI FPI Regulations”). Further, SEBI’s ‘*Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors*’ dated December 19, 2022 (“*SEBI Master Circular*”), in Part A(1)(ii)(b) specifies a threshold for the aggregate contribution of the Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs) and Resident Indians (RIs) in the corpus of an FPI.

2. IFSCA has been in discussions with SEBI and other authorities to facilitate increased investments by NRIs and OCIs in the Indian securities through IFSC based FPIs. Pursuant to these discussions, the SEBI Board, in its meeting held on April 30, 2024, has approved the following alternative routes for increased participation by NRIs and OCIs in Indian securities through IFSC based FPIs:

a. Alternative route 1:

NRI/OCI/RI investors may contribute up to 100% in the corpus of IFSC based FPIs where such FPIs will be, *inter alia*, required to submit copies of PAN (or other suitable documents in the absence of the same), of all their NRI/OCI/RI individual constituents, along with their economic interests in the FPI, to the DDP. The modalities for this alternative shall be specified by SEBI.

b. Alternative route 2:

NRI/OCI/RI investors may contribute up to 100% in the corpus of IFSC based FPIs without the FPI required to submit the above-mentioned documents, provided it satisfies conditions detailed in paragraph 3 below.

3. With respect to the **Alternative route 2**, FMEs intending to invest in Indian securities through the FPI route, by setting up Retail Schemes, Restricted Schemes and Exchange Traded Funds in an IFSC, shall comply with the following conditions:

- a. The eligibility of FME for such scheme / fund shall be as specified by SEBI;
- b. The FME shall independently take investment decisions without being influenced by the investors in the scheme / fund;
- c. The FME shall ensure that the contribution of all investors in such scheme / fund shall be accepted into a single pool without any segregated portfolios, wherein all investors shall have *pari-passu* and *pro-rata* rights in such scheme / fund. Accordingly, such scheme / fund shall also be restricted from co-investments;

- d. The scheme / fund shall have at least 20 investors with no single investor accounting for more than 25% of the corpus of the fund;
 - e. The scheme / fund shall not invest more than 20% of its assets under management in the securities of a single investee company.
 - f. In the event of any breach of the conditions at (d) and (e) during the initial 3 months or any passive breach thereafter, the FME shall take immediate steps to rectify the same, not later than 3 months of such breach;
 - g. The FME shall comply with the additional disclosures as specified by SEBI, in case the concentration of investments by the scheme / fund breaches the threshold as specified by SEBI at the corporate group level of the investee company;
 - h. All other applicable provisions of IFSCA (Fund Management) Regulations, 2022, SEBI (FPI) Regulations, 2019 and circulars issued thereunder shall continue to apply to such scheme / fund.
4. This circular is issued in exercise of the powers conferred under sections 12 and 13 of the International Financial Services Centres Authority Act, 2019, read with regulation 146 of the Regulations, and shall come into force with immediate effect.

A copy of this Circular is available on the website of International Financial Services Centres Authority at www.ifsca.gov.in.

Yours faithfully

Sd/-

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