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# Registration of FPI in India

2023

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# Foreign Portfolio Investors (FPI) in India



FPIs have amassed holdings in Indian securities exceeding the \$1 trillion mark, a milestone underscoring the country's growing allure among global investors. As of the end of September 2024, FPIs' assets under custody in India reached \$1.1 trillion (Rs 84.4 trillion), with \$930 billion (Rs 78 trillion) invested in equities and the remainder allocated to debt and hybrid instruments, according to data from NSDL.

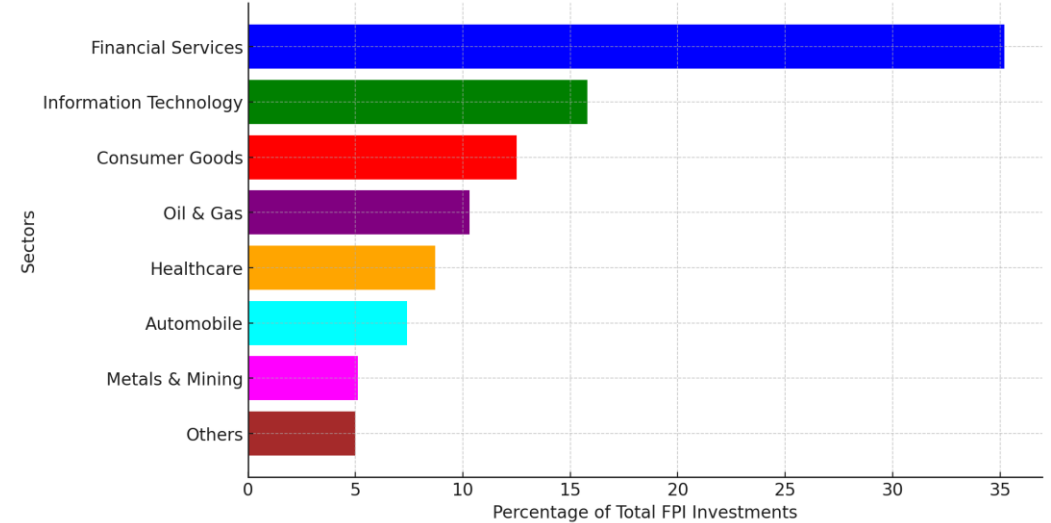
The Indian markets have delivered high long-term returns, second only to the US. India first opened its doors to FPIs in 1992 (then known as foreign institutional investors, or FIIs), in the wake of the 1991 balance of payments crisis. At the start of NSDL's data records in 2012, total FPI assets under custody stood at \$243 billion (Rs 13.4 trillion). This figure surpassed \$350 billion in 2014 and broke the \$500 billion barrier in 2017.\*

The United States accounts for the highest share of FPIs investing in India during the fiscal year 2023-24, highlights a report by the SEBI. As per the report, as of March 31, 2024, the total number of registered FPIs in India reached 11,219. It emphasized the distribution of FPIs across different countries. The United States topped the list with 3,457 registered FPIs, followed by Luxembourg with 1,393 and Canada with 804.\*\*

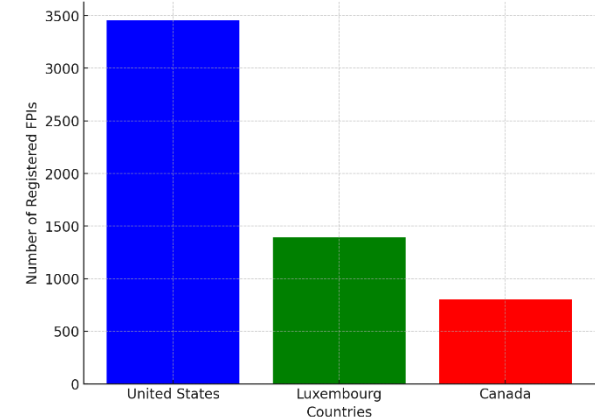
\*Source: Business Standard

\*\*Source: Livemint

Sector-wise FPI Investment in India (as of Jan 15, 2025)



Country-wise FPI Investments in India (as of March 31, 2024)



# FPI Regulatory Framework



SEBI (Foreign Portfolio Investors) Regulations, 2019 were notified in September 2019 to provide framework for registration and procedures regarding foreign investors

## FPI REGULATIONS

- Cat. I Foreign Portfolio Investor
- Cat. II Foreign Portfolio Investor

*Registration of FPI*

- Comply with FPI regulations
- Disclosures to SEBI & DDP
- Obtain PAN & undertake KYC

*General Obligations*

# Important Terminologies

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**“Foreign Portfolio Investor”** is an individual, institution, or fund that invests in financial assets of a foreign country. FPIs invest in stocks, bonds, mutual funds, and other securities to earn returns.

**“Designated Depository Participant”** is a custodian of securities that is registered with the SEBI. DDPs are responsible for registering and certifying FPIs.

**“Custodian”** is a person registered with SEBI who provides custodial services. Custodians are responsible for safeguarding assets, maintaining accounts, and collecting benefits for clients.

**“Designated bank”** means a scheduled bank in India, which has been authorised by the Reserve Bank of India to act as a banker to foreign portfolio investors;

**“Offshore derivative instrument”** means any instrument, by whatever name called, which is issued overseas by a foreign portfolio investor against securities held by it in India, as its underlying;

# Registration of Foreign Portfolio Investors



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## **ELIGIBILITY CRITERIA OF FPI**

Reg. 4

The eligibility criteria to register as a FPI shall be as follows:

Applicant for FPI registration shall:

- Not be a resident Indian;
- Not be a NRI or overseas citizen of India;
- Resident Indian/ NRI/ overseas citizen of India, if permitted by SEBI from time to time
- Resident Indian may be constituent of the applicant if :
  - ✓ The Resident Indian is an eligible fund manager of the applicant or is a Sponsor or Manager of the applicant, or
  - ✓ The Resident Indian is an eligible investment fund as per Income Tax Act, 1961, or
  - ✓ The applicant is an AIF setup in IFSC.
- Resident of a country whose securities market regulator is signatory to IOSC's Multilateral MoU or Bilateral MoU with SEBI;
- Government or government related investor, if approved by Government of India;
- Bank of a country whose central bank is member of BIS
- Applicant contributing 25% or more shall not be from sanctioned list of FATF

# Categories of FPI (1/2)



The Applicant seeking registration as FPI may apply in one of the categories – CAT-1 / CAT-2

## **CATEGORY I** Reg. 5(a)

Following entities may apply for registration under CAT-1:

1. Government & government related investors such as central banks, sovereign wealth funds, international or multilateral organizations or agencies including entities controlled or at least 75% directly or indirectly owned by such Government and Government related investor;
2. Pension funds and university funds;
3. Regulated entities such as insurance/ reinsurance entities, banks, asset management companies, investment managers, investment advisors, portfolio managers etc.;
4. Entities from FATF member countries, which are regulated funds, unregulated funds whose investment manager is registered as a Cat I FPI or university related endowments of 5 yrs or older universities
5. Entities whose investment manager is from FATF country & the investment manager is registered as Cat. I FPI

# Categories of FPI (2/2)



## **CATEGORY II**

Reg. 5(b)

All investors not covered under Cat. I, FPI such as :

1. appropriately regulated funds not eligible as Category-I foreign portfolio investor;
2. endowments and foundations;
3. charitable organizations;
4. corporate bodies;
5. family offices;
6. Individuals;
7. appropriately regulated entities investing on behalf of their client, as per conditions specified by the Board from time to time;
8. Unregulated funds in the form of limited partnership and trusts

\*IFSCA regulated entities are considered appropriately regulated.



# Certificate of Registration



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## **REGISTRATION AND GRANT OF CERTIFICATE FOR FPI**

Reg. 3 and 7

1. For registration as FPI, one has to obtain a certificate granted by a Designated Depository Participant (DDP).
2. DDP will grant certificate of registration on behalf of SEBI as per Schedule 1, if the applicant is eligible and fulfils the requirements of SEBI (FPI) regulations.
3. DDP will dispose application within 30 days from receipt of application
4. Fees: \$2500 for Cat. I and \$250 for Cat. II registration will be remitted to SEBI by DDP after grant of registration

## **SUSPENSION, CANCELLATION OR SURRENDER**

Reg. 8

1. Registration may be cancelled by SEBI or surrendered by the FPI;
2. Suspension and cancellation shall be dealt as per SEBI (Intermediaries) Regulations, 2008;
3. Deemed surrender: when FPI fails to pay fees for continuance of registration & does not hold any derivative, cash or security position in India;

# Restrictions & Conditions on Investment

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## **PERMISSIBLE INVESTMENTS (Reg. 20)**

Following are the permissible investments for FPI:

- (a) shares, debentures & warrants issued by a body corporate; listed or to be listed on a recognized stock exchange in India;
- (b) units of schemes launched by mutual funds under SEBI (Mutual Fund) Regulations, 1996;
- (c) units of schemes floated by a Collective Investment Scheme as per SEBI (CIS) Regulations, 1999;
- (d) derivatives traded on a recognized stock exchange;
- (e) units of REITs, INFITs and units of Cat. III AIFs registered with SEBI
- (f) Indian Depository Receipts;
- (g) any debt securities or other instruments as permitted by the RBI for FPIs to invest in from time to time; and
- (h) such other instruments as specified by the Board from time to time.

## **ADDITIONAL CONDITIONS APPLICABLE ON SECONDARY MARKET:**

The additional conditions which are applicable only on secondary market are as follows:

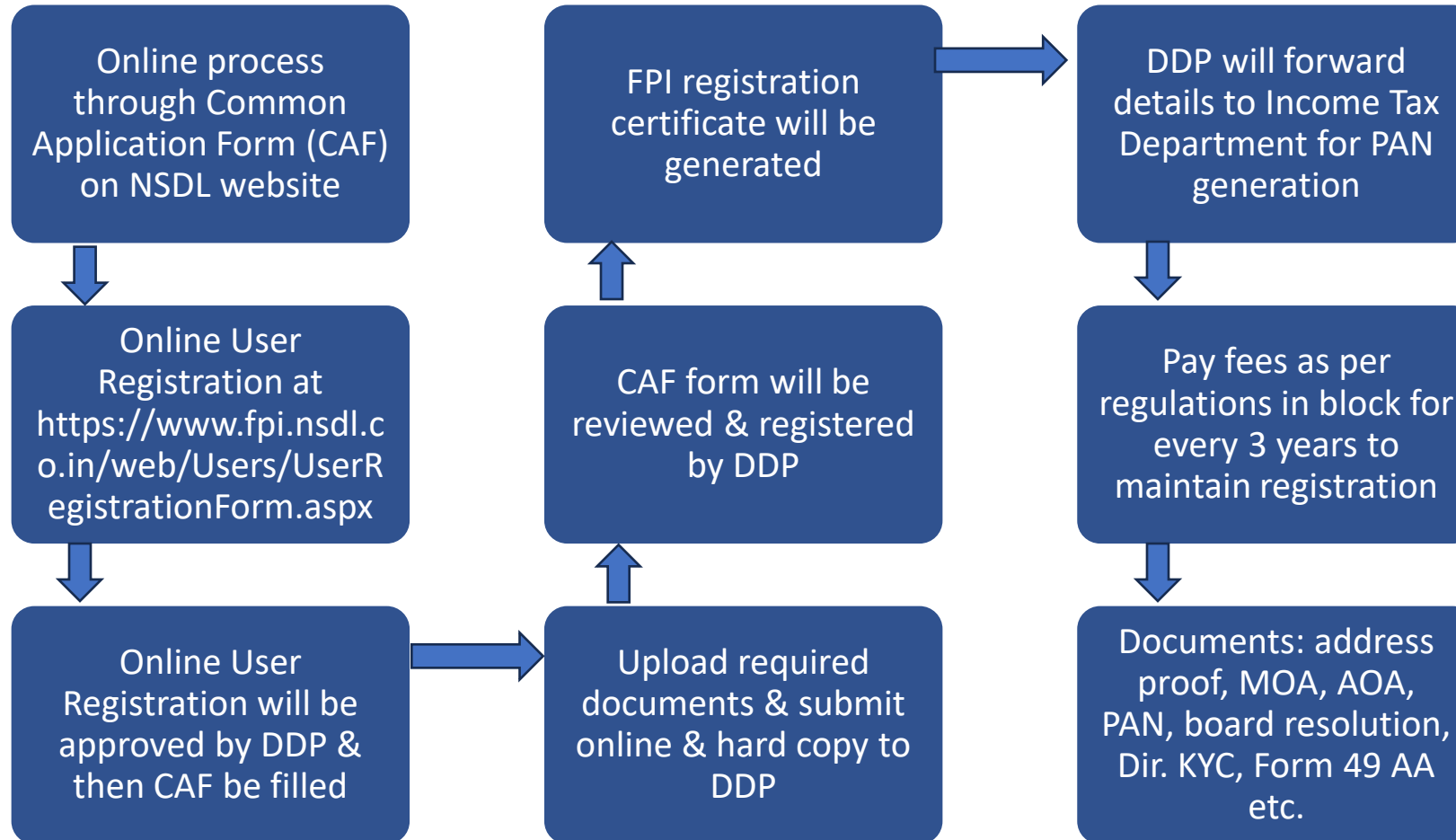
1. FPI to transact only on basis of taking or giving delivery of securities purchased or sold, except derivatives on recognised stock exchange, short selling as per SEBI or transactions with merchant bankers for market making or subscribing to unsubscribed portion of the issue as per SEBI (ICDR)
2. FPI transactions only through stock-brokers, unless govt securities, RBI regulated securities, SAST, delisting regulations, buy-back, disinvestment by state or central govt etc. (Reg. 20(4)(d))

## **INVESTMENT RESTRICTION:**

The investment made by FPI along with its Investor group shall be less than 10 % of the total paid-up equity capital of a listed Indian company on a fully diluted basis.

**“Investors group”** means a group of entities that are registered as FPI and share common ownership and control.

# FPI Registration Process Chart



# How India Juris Can Help



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## Scope of Work (End-to-End Support)

- Advising on various issues related to FPI operations and registration
- Documentation relating to FPI Registration.
- Assistance in making applications as per the applicable guidelines.
- Assistance on compliance related issues.
- Coordination with the concerned regulatory authority for FPI Registration.
- Assist in securing FPI Registration.
- Legal support during the registration process.
- End-to-end support

**Professional fee-** India Juris shall charge most competitive fixed professional fee for the assignment. All out of pocket expenses are charged extra in addition to above fee at actuals.

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## Registration of FPI in India

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