

MEMO# 31387

September 17, 2018

Letter to SEBI on Interim Report Recommendations Regarding KYC for FPIs

[31387]

September 17, 2018 TO: ICI Members

ICI Global Members

ICI Global Investing Subcommittee

ICI Global Regulated Funds Committee

International Operations Advisory Committee

SEC Rules Committee

Security Valuation Operations Committee

Tax Committee SUBJECTS: RE: Letter to SEBI on Interim Report Recommendations
Regarding KYC for FPIs

As we previously informed you, in April 2018 the Securities and Exchange Board of India (SEBI) issued a circular outlining new know your client (KYC) requirements for foreign portfolio investors (FPIs). These revised requirements have raised significant concerns for FPIs that are regulated funds, as well as other investors in India.[\[1\]](#)

On September 8, SEBI issued for public comment the “Interim recommendation on Know Your Client Requirements for Foreign Portfolio Investors” submitted by a working group that was established to redraft SEBI FPI Regulations, 2014, under the Chairmanship of Shri Harun R. Khan (Deputy Governor, retd., Reserve Bank of India).[\[2\]](#) This working group was formed prior to the issuance of the April Circular in order to recommend revisions to the FPI regulations that would improve and ease access to the Indian markets for FPIs. Due to the volume of concerns expressed regarding the April Circular, SEBI requested the working group to examine the issues raised and provide recommendations for improvement. The working group recommended a number of relaxations to the revised requirements, and certain of the recommendations address issues that were raised in our August letter.

We filed the attached response to the interim report recommendations on September 14. Due to the nature of SEBI’s request and the one-week consultation period, we expressed support for those recommendations that would be beneficial for the regulated fund industry and limited our responses and requests for further changes to the issues raised in the interim report. We requested the following changes:

- Disclosure of personal information: We once again requested that, due to identity

theft concerns, SEBI not require senior managing officials to provide their social security number or passport number; we provided alternative recommendations for SEBI obtaining this information and/or verifying the SMO's identity.

- Identification of BO of listed entities: The working group recommended that certain listed companies be excluded from the requirement to identify a beneficial owner. We recommend that SEBI revise this to apply to listed entities, so that entities such as trusts would be included in this exclusion.
- Compliance deadline: We request that the compliance date for existing FPIs be the later of (1) six months from the time the revised circular is published or (2) the date of the FPI's next registration renewal.

We will continue to keep members apprised of developments on this matter.

Eva M. Mykolenko
Associate Chief Counsel - Securities Regulation

[Attachment](#)

endnotes

[1] The Circular is available at https://www.sebi.gov.in/legal/circulars/apr-2018/know-your-client-requirements-for-foreign-portfolio-investors-fpis-_38618.html. ICI Global submitted a letter expressing our primary concerns with the Circular on August 1, and certain of the compliance requirements were subsequently delayed by SEBI from October 10 to December 31. Our letter is available at <https://www.iciglobal.org/iciglobal/pubs/memos/memo31311> and our memorandum regarding the change in compliance date is available at <https://www.iciglobal.org/iciglobal/pubs/memos/memo31361>.

[2] The consultation is available at: https://www.sebi.gov.in/reports/reports/sep-2018/interim-report-of-working-group-on-kyc-requirements-for-fpis_40279.html.