

MEMO# 31361

August 30, 2018

Securities and Exchange Board of India Extends Deadline for FPIs to Comply with New KYC Norms Until December 31

[31361]

August 30, 2018 TO: ICI Global Investing Subcommittee
ICI Global Regulated Funds Committee
International Operations Advisory Committee
SEC Rules Committee
Securities Operations Advisory Committee
Tax Committee RE: Securities and Exchange Board of India Extends Deadline for FPIs to Comply with New KYC Norms Until December 31

On August 21 the Securities and Exchange Board of India (SEBI) issued a Circular extending until December 31, 2018, the deadline for existing Foreign Portfolio Investors (FPIs) to comply with some of the KYC requirements that were adopted in the SEBI Circular issued on April 10.[\[1\]](#) ICI Global had submitted a letter to SEBI on August 1 expressing significant concerns with certain elements of the new KYC norms and urging SEBI, at a minimum, to delay the compliance deadline for FPIs.[\[2\]](#)

Specifically, our letter expressed concerns with the requirement to (1) provide personal information about a senior managing official (SMO) that has been designated as the beneficial owner (when one has not otherwise been identified), and (2) club (aggregate) the investments of FPIs based on a common SMO as a beneficial owner raise serious concerns for regulated funds depending on their structure and are, in our view, neither necessary nor further the goal of SEBI to develop a rigorous KYC program. With respect to the first issue, we requested that SEBI limit the personal information collected to such individual's name, address, age and nationality, or alternatively require an FPI to make a declaration that it will provide such information if and when requested, without delay. With respect to the second issue, we explained that clubbing on the basis of a common SMO does not make sense because it has no relation to economic interest in or control of the FPI; we requested that SEBI specify that investments of regulated funds with a common SMO are not required to be clubbed.

SEBI has not announced any changes to the substantive requirements, although we understand that the issues we raised, as well as others raised by interested parties, are under consideration. We will keep members apprised of any further developments.

Eva M. Mykolenko
Associate Chief Counsel - Securities Regulation

endnotes

[1] The August 21, 2018, SEBI Circular is available at https://www.sebi.gov.in/legal/circulars/aug-2018/amendment-to-sebi-circular-no-cir-imd-fpic-cir-p-2018-64-dated-april-10-2018-on-know-your-client-requirements-for-foreign-portfolio-investors-fpis-_40065.html.

[2] ICI Global's letter to SEBI is available at <https://www.iciglobal.org/pdf/31311a.pdf>. The April 10, 2018, SEBI Circular is available at https://www.sebi.gov.in/legal/circulars/apr-2018/know-your-client-requirements-for-foreign-portfolio-investors-fpis-_38618.html.

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.