

**MEMO# 32003**

October 9, 2019

# Information About SEBI's New Regulations for Foreign Portfolio Investors

[32003]

October 9, 2019 TO: ICI Global Investing Subcommittee

ICI Global Regulated Funds Committee

ICI Global Tax Committee

SEC Rules Committee

Tax Committee RE: Information About SEBI's New Regulations for Foreign Portfolio Investors

On September 23, 2019, the Securities and Exchange Board of India (SEBI) adopted new regulations for Foreign Portfolio Investors (FPIs) which replace the existing SEBI FPI regulations adopted in 2014. The new FPI regulations are broadly in line with the proposed recommendations of the Working Group constituted under the chairmanship of HR Khan, which was established to provide recommendations to SEBI on how to rationalize and simplify the framework for foreign investment into India.

The new FPI regulations are attached. SEBI is expected to release Operating Guidelines, which will contain additional information on the implementation of the regulations and certain procedural details, within the next few weeks. The new FPI regulations contain three significant changes that address concerns raised by ICI and industry more broadly:

1. Broad-based criteria: The 2014 FPI regulations require Category II FPIs to meet broad-based criteria. The new FPI regulations eliminate the broad-based requirement for all fund structures and pooled vehicles.
2. Re-categorization of FPIs: Under the 2014 FPI regulations, FPIs were categorized into three categories, with regulated funds falling into Category II or III (with more burdensome documentation requirements for Category II and III, respectively). Under the new FPI regulations, regulated entities from FATF jurisdictions are given Category I status, and Category III FPIs are merged into the remainder of the entities in Category II. Existing FPIs will be re-categorized automatically.
3. Simplification of documents: The documentation required for registration and KYC under the 2014 FPI regulations was substantial. The new FPI regulations significantly streamline the documentation requirements as a result of the FPI re-categorization. Under the new FPI regulations, both Category I and II FPIs will need to complete only an FPI Application Form and a Declaration and Undertaking (both of which have been

simplified). A Common Application Form is being developed.

Attached is a PowerPoint prepared by Deutsche Bank Securities Services that was presented on a member call on this issue, which you may find useful in understanding the changes. We intend to hold another member call once the Operating Guidelines are released.

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[Attachment No. 1](#)

[Attachment No. 2](#)

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