

**MEMO# 31528**

December 20, 2018

## **SEBI Issues New Circular on Clubbing (Aggregation) of Investment Limits by Foreign Investors**

[31528]

December 20, 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: International/Global RE: SEBI Issues New Circular on Clubbing (Aggregation) of Investment Limits by Foreign Investors

As we previously informed you, on September 21, 2018, the Securities and Exchange Board of India (SEBI) issued two circulars specifying revised norms on eligibility conditions for foreign portfolio investors (FPIs) and know your client (KYC) requirements for FPIs.<sup>[1]</sup> These circulars revised the provisions that were adopted by SEBI in April 2018, which raised significant concerns for FPIs that are regulated funds, as well as other investors in India.<sup>[2]</sup> One issue that remained unclear and outstanding was the requirements for clubbing (aggregating) investments of FPIs for purposes of monitoring foreign investment limits, and SEBI indicated that a further circular would be issued shortly.

On 13 December, SEBI issued a circular regarding the clubbing of investment limits by FPIs.<sup>[3]</sup> In the circular, SEBI has specified that investment limits are to be clubbed (aggregated) on the basis of (1) common control of more than 50 percent (i.e., if there are more than 50 percent common owners of two or more FPIs, the investments by all such FPIs need to be clubbed together to monitor for the 10 percent investment limit in an Indian company), and (2) common control (i.e., if the same person or same set of persons have control of two or more FPIs). Clubbing is not to be done on the basis of a common senior managing official. SEBI further provided an exemption from clubbing based on common control for certain public retail funds such as mutual funds, insurance companies, and pension funds.

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**endnotes**

[1] The circulars are available at [https://www.sebi.gov.in/legal/circulars/sep-2018/know-your-client-requirements-for-foreign-portfolio-investors-fpis-\\_40408.html](https://www.sebi.gov.in/legal/circulars/sep-2018/know-your-client-requirements-for-foreign-portfolio-investors-fpis-_40408.html) and [https://www.sebi.gov.in/legal/circulars/sep-2018/know-your-client-requirements-for-foreign-portfolio-investors-fpis-\\_40408.html](https://www.sebi.gov.in/legal/circulars/sep-2018/know-your-client-requirements-for-foreign-portfolio-investors-fpis-_40408.html).

[2] 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](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/ci.memo31311.global>.

[3] The circular is available at [https://www.sebi.gov.in/legal/circulars/dec-2018/clarification-on-clubbing-of-investment-limits-of-foreign-portfolio-investors-fpis-\\_41281.html](https://www.sebi.gov.in/legal/circulars/dec-2018/clarification-on-clubbing-of-investment-limits-of-foreign-portfolio-investors-fpis-_41281.html).