

**MEMO# 20146**

June 29, 2006

## **Draft ICI Letter to The Securities and Exchange Board of India on Foreign Institutional Investor Issues**

©2006 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. ACTION REQUESTED [20146] June 29, 2006 TO: INTERNATIONAL COMMITTEE No. 17-06 INTERNATIONAL INVESTING SUBCOMMITTEE No. 12-06 INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 13-06 RE: DRAFT ICI LETTER TO THE SECURITIES AND EXCHANGE BOARD OF INDIA ON FOREIGN INSTITUTIONAL INVESTOR ISSUES Earlier this year, staff of the Securities and Exchange Board of India (SEBI) encouraged us to submit a letter describing some of the key issues that foreign institutional investors (FIIs) face investing in India. A draft letter to SEBI in response is attached for your review and comment. The ICI's letter continues a dialogue with SEBI that began in late 2002 about ways to streamline and improve the investing environment in India for FIIs. This letter will be the third letter to SEBI on the topic since that time. The draft letter highlights five areas of continuing concern to FIIs: 1. The application of new anti-money laundering rules to FIIs; 2. The new requirement to obtain permanent account numbers (PANs) before beginning to trade; 3. The daily disclosure of large trades; 4. The high rate of "close-outs" in the clearance and settlement of trades; and 5. The \$5,000 fee for FII licenses. Two of these issues are new—the application of AML rules to FIIs and the problems associated with close-outs. The other three issues have been raised by the ICI in earlier letters to SEBI. 2 Robert C. Grohowski Senior Counsel - International Affairs Attachment (in .pdf format) Please provide any comments or suggested edits to Bob Grohowski (202-371-5430 or rcg@ici.org) or Glen Guymon (202-326-5837 or gguymon@ici.org) by the close of business on Friday, July 14. Written comments also may be faxed to 202-326-5841.