

**Reserve Bank of India  
Foreign Exchange Department  
Central Office  
Mumbai- 400 001**

**Notification No. FEMA. 297/2014-RB**

**March 13, 2014**

**Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) (Second Amendment) Regulations, 2014**

In exercise of the powers conferred by clause (b) of sub-section (3) of Section 6 and Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India hereby makes the following amendments in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ([Notification No. FEMA 20/2000- RB dated 3rd May 2000](#)) [hereinafter called the Principal Regulations] namely:-

**1. Short Title & Commencement:-**

(i) These Regulations may be called the Foreign Exchange Management (Transfer or Issue of Security by a person resident outside India) (Second Amendment) Regulations, 2014.

(ii) These shall be deemed to have come into force from the date of publication of this notification in the Official Gazette.

**2. Amendment of the Regulations:-**

**A. Amendment of Regulation 2**

(i) in the existing clause (iii), at the end, the following shall be added:

“Any foreign institutional investor who holds a valid certificate of registration from SEBI shall be deemed to be a registered foreign portfolio investor (RFPI) till the expiry of the block of three years”.

(ii) after clause (viii a), the following shall be added, namely:

“(viii b). A Registered Foreign Portfolio Investor (RFPI) means a person registered in accordance with the provisions of Securities Exchange Board of India (SEBI) (Foreign Portfolio Investors) Regulations, 2014, as amended from time to time.

Explanation: For the purpose of this regulation, the expressions, ‘person’, ‘resident in India’, ‘non-resident’ shall have the same meaning as assigned

to them in Section 2(u), 2(v) and 2(w) of Foreign Exchange Management Act (FEMA), 1999, respectively.

**B. Amendment of Regulation 5:**

- (i) in the existing sub-regulation (2), at the end, the following shall be added, namely:

“A registered FII including SEBI approved sub-accounts of the FIIs, after registering as RFPI shall not be eligible to invest as FII. However, all investments made by FII in accordance with the regulations prior to registration as RFPI shall continue to be valid and taken into account for computation of aggregate limit.”
- (ii) after sub-regulation (2), the following shall be added, namely:

“(2A) A registered Foreign Portfolio Investor (RFPI) may purchase shares or convertible debentures of an Indian company under the Foreign Portfolio Investment (FPI) Scheme subject to the terms and conditions specified in Schedule 2A and the limits and margin requirements prescribed by RBI/ SEBI as well as the stipulations regarding collateral securities as specified by the Reserve Bank from time to time.”
- (iii) in sub-regulation (4), after the words “a registered FII or a Foreign Central Bank or a QFI” the words “ or a RFPI” shall be inserted.
- (iv) after sub-regulation (6), the following shall be added, namely:

“(6A) a RFPI may trade in all exchange traded derivative contracts approved by RBI/SEBI subject to the limits and margin requirement prescribed by RBI/SEBI as well as the stipulations regarding collateral securities as directed by the Reserve Bank from time to time”.
- (v) in sub-regulation (7A), at the end, the following shall be added, namely:

“However, a QFI may continue to buy, sell or otherwise deal in securities for a period of one year from the date of commencement of Securities Exchange Board of India (SEBI) (Foreign Portfolio Investors) Regulations, 2014, or until it obtains a certificate of registration as foreign portfolio investor, whichever is earlier. Further, a QFI after registering as a RFPI, shall not be eligible to invest as QFI. However, all investments made by QFI, in accordance with the regulations prior to registration as RFPI shall continue to be valid and taken into account for computation of aggregate limit”.

- (vi) in the existing explanation in sub-regulation (7A), for the words, 'sub-regulations (1) to (7), the words, "sub-regulations (1) to (7A)" shall be substituted.
- (vii) in sub-regulation (8), after the words "A registered Foreign Institutional Investor (FII) including SEBI approved sub-accounts of the FIIs, registered with SEBI", the words "a RFPI registered in accordance with the provisions of Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014" shall be inserted.

### **C. Amendment of Regulation 14**

- (i) in sub-regulation 1, in clause (ii), the words and figures "Schedule 1,2,3,6 and 8" shall be substituted by the words and figures "Schedule 1,2,2A,3, 6 and 8".
- (ii) in sub-regulation (5), in clause (vi), the words "FIIs, NRIs or QFIs" shall be substituted by the words "FIIs, NRIs, QFIs or RFPIs " and the words and figures "Schedule 1, 2, 3, 6 and 8" shall be substituted by the words and figures "Schedule 1, 2, 2A, 3, 6 and 8".

**D.** In Annex B and Annex E to Schedule 1, for the words "Foreign Institutional Investors" and "FIIs", wherever they appear, the words "Foreign Institutional Investors/registered Foreign Portfolio Investors" and "FIIs/RFPIs" shall be substituted respectively.

**E.** after the existing Schedule 2, 'Schedule 2A' shall be added.

### **F. Amendment of Schedule 5**

- (i) after paragraph 1B, the following shall be added, namely:

**"1C Permission to registered Foreign Portfolio Investors (RFPI) for purchase of securities**

(1) A registered Foreign Portfolio Investor (RFPI) may purchase, on repatriation basis, either directly from the issuer of such securities or through a registered stock broker on a recognized Stock Exchange in India the following securities, subject to the terms and conditions as specified by the SEBI and the Reserve Bank from time to time:

- (a) dated Government securities/treasury bills;
- (b) listed non-convertible debentures/bonds issued by an Indian company;
- (c) commercial papers issued by an Indian company;
- (d) units of domestic mutual funds;

- (e) Security Receipts issued by Asset Reconstruction Companies provided that the total holdings of all eligible investors put together shall not exceed 74% of the paid up value of each tranche of scheme of Security Receipts issued by the Asset Reconstruction Companies;
- (f) Perpetual Debt instruments eligible for inclusion as Tier I capital and Debt capital instruments as upper Tier II capital issued by banks in India to augment their capital (Tier I capital and Tier II capital as defined by Reserve Bank and modified from time to time) provided that the investment by all eligible investors in Perpetual Debt instruments (Tier I) shall not exceed an aggregate ceiling of 49 per cent of each issue and investment by individual RFPI shall not exceed the limit of 10 per cent of each issue;
- (g) listed and unlisted non-convertible debentures/bonds issued by an Indian company in the infrastructure sector, where 'infrastructure' is defined in terms of the extant ECB guidelines;
- (h) non-convertible debentures/bonds issued by Non-Banking Financial Companies categorized as 'Infrastructure Finance Companies'(IFCs) by the Reserve Bank;
- (i) Rupee denominated bonds/ units issued by Infrastructure Debt Funds;
- (j) primary issues of non-convertible debentures/ bonds provided such non-convertible debentures/ bonds are committed to be listed within 15 days of such investment. In the event of such non-convertible debentures/ bonds issued not being listed within 15 days of issuance, for any reason, then the RFPI shall immediately dispose of those non-convertible debentures/ bonds either by way of sale to a third party or to the issuer and the terms of offer to RFPIs should contain a clause that the issuer of such debt securities shall immediately redeem / buyback those securities from the RFPIs in such an eventuality;
- (k) credit enhanced bonds.

Provided that RFPIs may offer such securities as permitted by the Reserve Bank from time to time as collateral to the recognized Stock Exchanges in India for their transactions in exchange traded derivative contracts as specified in sub-Regulation 6A of Regulation 5.”

- (ii) in paragraph 3, after sub-paragraph (1), the following shall be added, namely:

“ (1A) A RFPI who purchases securities under the provisions of this Schedule shall make the payment for purchase of such securities either by inward remittance through normal banking channels or out of funds held in Foreign Currency Account or Special Non-resident Rupee Account maintained by the RFPI with a designated branch of an authorised dealer in terms of paragraph 2 of Schedule 2A.”

(iii) in paragraph 5, after sub-paragraph (i), the following shall be added, namely:

“(ia) In the case of a RFPI who has sold securities in accordance with paragraph 4, the designated branch of an authorised dealer referred to in sub-paragraph (1A) of paragraph 3 may allow remittance of net sale/ maturity proceeds (after payment of taxes) or credit the net amount of sale/ maturity proceeds of such securities to the Foreign Currency Account or Special Non-resident Rupee Account of the RFPI maintained in accordance with the provisions of paragraph 2 of Schedule 2A.”

**G.** In Schedule 7, in paragraph 2, after the words “A SEBI registered FII including SEBI approved sub-accounts of the FIIs”, the following words shall be added “or a Registered Foreign Portfolio Investor registered in accordance with the provisions of Securities and Exchange Board of India(SEBI) (Foreign Portfolio Investors) Regulations, 2014.”

**(Rudra Narayan Kar)**  
**Chief General Manager-in-Charge**

Foot Note:-

The Principal Regulations were published in the Official Gazette vide G.S.R. No.406 (E) dated May 8, 2000 in Part II, Section 3, sub-Section (i) and subsequently amended as under:-

G.S.R.No. 158(E) dated 02.03.2001  
G.S.R.No. 175(E) dated 13.03.2001  
G.S.R.No. 182(E) dated 14.03.2001  
G.S.R.No. 4(E) dated 02.01.2002  
G.S.R.No. 574(E) dated 19.08.2002  
G.S.R.No. 223(E) dated 18.03.2003  
G.S.R.No. 225(E) dated 18.03.2003  
G.S.R.No. 558(E) dated 22.07.2003  
G.S.R.No. 835(E) dated 23.10.2003

G.S.R.No. 899(E) dated 22.11.2003  
G.S.R.No. 12(E) dated 07.01.2004  
G.S.R.No. 278(E) dated 23.04.2004  
G.S.R.No. 454(E) dated 16.07.2004  
G.S.R.No. 625(E) dated 21.09.2004  
G.S.R.No. 799(E) dated 08.12.2004  
G.S.R.No. 201(E) dated 01.04.2005  
G.S.R.No. 202(E) dated 01.04.2005  
G.S.R.No. 504(E) dated 25.07.2005  
G.S.R.No. 505(E) dated 25.07.2005  
G.S.R.No. 513(E) dated 29.07.2005  
G.S.R.No. 738(E) dated 22.12.2005  
G.S.R.No. 29(E) dated 19.01.2006  
G.S.R.No. 413(E) dated 11.07.2006  
G.S.R.No. 712(E) dated 14.11.2007  
G.S.R.No. 713(E) dated 14.11.2007  
G.S.R.No. 737(E) dated 29.11.2007  
G.S.R.No. 575(E) dated 05.08.2008  
G.S.R.No. 896(E) dated 30.12.2008  
G.S.R.No. 851(E) dated 01.12.2009  
G.S.R.No. 341 (E) dated 21.04.2010  
G.S.R.No.821 (E) dated 10.11.2012  
G.S.R.No. 606(E) dated 03.08.2012  
G.S.R.No. 795(E) dated 30.10.2012  
G.S.R.No. 796(E) dated 30.10.2012  
G.S.R. No. 797(E) dated 30.10.2012  
G.S.R. No.945(E) dated 31.12.2012  
G.S.R. No.946(E) dated 31.12.2012  
G.S.R. No.38(E) dated 22.01.2013  
G.S.R.No.515(E) dated 30.07.2013,  
G.S.R.No.532(E) dated 05.08.2013,  
G.S.R. No.341(E) dated 28.05.2013  
G.S.R.No.344(E) dated 29.05.2013  
G.S.R. No.195(E) dated 01.04.2013  
G.S.R.No.393(E) dated 21.06.2013,  
G.S.R.No.591(E) dated 04.09.2013  
G.S.R.No.596(E) dated 06.09.2013  
G.S.R.No.597(E) dated 06.09.2013  
G.S.R.No.681(E) dated 11.10.2013  
G.S.R.No.682(E) dated 11.10.2013  
G.S.R. No.\_\_\_\_\_ dated \_\_\_\_\_  
G.S.R.No.683(E) dated 11.10.2013

**Published in the Official Gazette of  
Government of India – Extraordinary –  
Part-II, Section 3, Sub-Section (i) dated  
19.03.2014- G.S.R.No.189 (E)**

## SCHEDULE 2A

### [See Regulation 5 (2A)]

#### **Purchase/Sale of Shares / convertible debentures of an Indian Company by Registered Foreign Portfolio Investor (RFPI) under Foreign Portfolio Investment (FPI) Scheme**

##### **1. Purchase/sale of shares and/or convertible debentures**

A Registered Foreign Portfolio Investor (RFPI) registered in accordance with Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as amended from time to time, may purchase shares and convertible debentures of an Indian company under FPI Scheme.

##### **2. Maintenance of account by a RFPI for routing transactions of purchase and sale of shares / convertible debentures**

(i) A RFPI may open a Foreign Currency Account and/or a Special Non-Resident Rupee Account with a designated branch of an Authorized Dealer for routing the receipt and payment for transaction relating to purchase and sale of shares/convertible debentures under this Scheme, subject to the following conditions:

- a. The Account shall be funded by inward remittance through normal banking channels or by credit of sale proceeds (net of taxes) of the shares/convertible debentures sold on stock exchange.
- b. The funds in the account shall be utilized for purchase of shares/convertible debentures in accordance with the provisions of paragraph 1 of this Scheme or for remittance outside India.
- c. The funds from Foreign Currency Account of the RFPI may be transferred to Special Non-Resident Rupee account of the same RFPI and vice-versa.
- d. The Foreign Currency Account and the Special Non-Resident Rupee account of the RFPI shall be non-interest bearing account/s.

(ii) The amount of consideration for purchase of shares / convertible debentures shall be paid out of inward remittance from abroad through normal banking channels or out of funds held in an account maintained with the designated branch of an authorised dealer in India, in accordance with these Regulations.

(iii) The total holding by each RFPI shall be below 10% (ten per cent) of the total paid-up equity capital or 10% (ten per cent) of the paid-up value of each series of convertible debentures issued by an Indian company and the total holdings of all RFPI put together shall not exceed 24 per cent of paid-up equity capital or paid up value of each series of convertible debentures. The said limit of 24 percent will be called aggregate limit.

Provided that the aggregate limit of 24% referred to in this paragraph may be increased up to the sectoral cap/statutory ceiling, as applicable, by the Indian company concerned by passing a resolution by its Board of Directors followed by passing of a special resolution to that effect by its General Body.

**Explanation:**

(1) For arriving at the ceiling on holdings of RFPI, shares/ convertible debentures acquired both through primary as well as secondary market will be included. However, the ceiling will not include investment made by RFPI through off-shore Funds, Global Depository Receipts and Euro-Convertible Bonds.

(2) For computation of 24% or enhanced limit as the case may be, holding of RFPI and deemed RFPI in the investee company shall be included.

(iv) A RFPI is permitted to purchase shares/convertible debentures of an Indian company through offer/private placement, subject to the ceiling specified in subparagraph (iii) of this paragraph and the Indian company is permitted to issue such shares;

Provided that –

- a) in case of Public Offer, the price of the shares to be issued is not less than the price at which shares are issued to residents, and
- b) in case of issue by private placement, the price is not less than the price arrived in terms of SEBI guidelines or not less than the fair price worked out as per the Discounted free Cash Flow method duly certified by a SEBI registered Merchant Banker or Chartered Accountant, as applicable.

**Explanation:**

Where a registered foreign institutional investor or a sub account, prior to commencement of Securities Exchange Board of India (SEBI) (Foreign Portfolio Investors) Regulations, 2014, holds equity shares in a company whose shares are not listed on any recognized stock exchange, and continues to hold such shares after initial public offering and listing thereof, such shares shall be subject to lock-in for the same period, if any, as is applicable to shares held by a foreign direct investor placed in similar position, under the policy of the Government of India relating to foreign direct investment for the time being in force.

(v) A RFPI may, undertake short selling as well as lending and borrowing of securities subject to such conditions as may be stipulated by the Reserve Bank of India and the SEBI from time to time.

**3. Remittance of sale proceeds of shares / convertible debentures**

The designated branch of an authorised dealer may allow remittance of net sale proceeds (after payment of taxes) or credit the net amount of sale proceeds of shares / convertible debentures to the foreign currency account or a Special Non-resident Rupee Account of the registered Foreign Portfolio Investor concerned.

4. The existing class of investors namely, Foreign Institutional Investor (FII) and Qualified Foreign Investor (QFI) registered with SEBI shall be eligible to continue their investment in accordance with SEBI guidelines.