

Securities tradeable on the stock exchanges operating in International Financial Services Centres (IFSC)

Securities/products tradeable on a stock exchange operating in IFSC as per Securities and Exchange Board of India (SEBI) Guidelines¹ currently comprise:

- i Equity shares of a company incorporated outside India;
- ii Depository receipt(s);
- iii Debt securities issued by eligible issuers;
- iv Currency and interest rate derivatives; and
- v Index based derivatives.

The SEBI has now issued a Circular² specifying derivatives on equity shares of a company incorporated in India as a permissible security for trading on a stock exchange operating in IFSC, subject to prior approval of the SEBI.

Further, it also provides that SEBI registered Foreign Portfolio Investors (FPIs), operating in IFSC, and eligible entities, which are incorporated and operating in IFSC, shall be eligible to trade in such derivatives on equity shares.

Market Wide Position Limit (MWPL) for such derivatives on equity shares shall be as under:

- 10 per cent of the number of shares held by non-promoters (free-float holding);
- MWPL in recognized stock exchange in IFSC to be reckoned separately from that in domestic market; and
- MWPL in recognized stock exchange in IFSC shall not exceed 50 percent of MWPL in recognized stock exchange in domestic market, in value terms.

Earlier this year, the SEBI simplified the IFSC onboarding process³ for FPIs and eligible foreign investors as under:

- No additional documentation and/or prior approval required for SEBI registered FPIs
- A trading member may rely on the due diligence already carried out by:
 - a SEBI registered intermediary for FPIs
 - a bank operating in IFSC for eligible foreign investors

1. Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 which came into force on April 01, 2015

2. SEBI circular no. SEBI/HO/MRD/DRMNP/CIR/P/2017/31 dated April 13, 2017

3. SEBI circular no. IMD/HO/FPIC/CIR/P/ 2017/ 003 dated January 04, 2017

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