

Investment limit by FPIs in corporate bonds

By way of a background, investment by FPIs in debt securities are subject to investment limits. Currently, investment by FPIs in corporate bonds is capped at INR 2,443 billion. This includes issuance of Rupee denominated bonds (also popularly known as Masala bonds) by resident entities of INR 440 billion.

The Reserve Bank of India (RBI) has issued a circular dated 22 September 2017, in connection with the review of investment limits by FPIs in corporate debt securities.

Key takeaways from the RBI circular are:

- Masala bonds issuance will no longer form a part of the limit for investments by FPIs in corporate debt securities with effect from 3 October 2017. Masala bond issuances will form part of External Commercial Borrowings and will be monitored accordingly. As a result, there will be additional "head-room" for investment by FPIs in corporate debt securities.
- The additional head-room of INR 440 billion will be made available in two quarters for FPI investment in corporate debt securities as follows:
 - from 3 October 2017 - INR 270 billion (approx USD 4.15 billion)
 - from 1 January 2018 - INR 170 billion (approx USD 2.62 billion)
- Out of the above, an amount of INR 95 billion (approx USD 1.46 billion) in each quarter will be reserved for investment in infrastructure sector by long term FPIs (i.e. Sovereign Wealth Funds, Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks).

Pursuant to the above changes, corporate debt securities may be available "on-tap" (till FPI investment breaches 95% of the overall limit).

Click [here](#) to access a copy of the circular issued by RBI for your ready reference.

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