

Easing of Access Norms for Investments by Foreign Portfolio Investors

The Securities and Exchange Board of India (SEBI) had issued a Consultation Paper on June 28, 2017 to solicit comments / views from general public on proposals to amend SEBI (Foreign Portfolio Investors) Regulations, 2014 (FPI Regulations) in order to ease access norms for investments by FPIs.

Please click [here](#) to refer to our earlier news flash dated 29 June 2017, summarising the broad changes proposed by the Consultation.

After taking into consideration the comments/ views received, the SEBI Board in its meeting on December 28, 2017 has approved the following changes:

1. Rationalization of fit and proper criteria for FPIs.
2. Modification in encumbrance obligation to enable statutory payments.
3. Simplification of broad based requirement for FPIs.
4. Discontinuance of requirements for seeking prior approval from SEBI in case of change in local custodian/ Designated Depository Participant (DDP) of FPI.
5. Rationalization of procedure for submission of Protected Cell Company (PCC)/ Multi-Class Vehicle (MCV) Declarations and Undertakings and investor grouping requirement at the time of continuance of registration of FPIs.
6. Permitting reliance on due diligence carried out by erstwhile DDP at the time of change of custodian/ DDP of FPIs.
7. Exemption to FPIs having Multiple Investment Managers (MIM) structure from seeking prior approval from SEBI in case of Free of Cost transfer of assets.
8. Simplification of process for addition of share class by FPIs.
9. Permitting FPIs operating under the MIM structure to appoint multiple custodians.
10. Permitting appropriately regulated Private Banks/ Merchant Bank to invest on their own behalf and also on behalf of their clients.
11. Expansion of entities considered as “appropriately regulated persons” in terms of Regulation 5(b)(ii) of SEBI (Foreign Portfolio Investors) Regulations, 2014.
12. Permitting broad based funds to regain the status in three months.
13. Permitting conditional registration to existing India dedicated funds.

Accordingly, SEBI shall carry out necessary amendments to FPI Regulations and issue necessary circular/guidelines to implement the aforesaid changes.

Additionally, the SEBI Board took the following decisions:

1. To introduce two additional methods - Qualified Institutions Placement (QIP) and Sale of shares up to 2% held by promoters/promoter group in open market subject to certain conditions for listed companies to comply with the Minimum Public Shareholding requirement.
2. Approved the framework for listing of Security Receipts issued by Asset Reconstruction Companies. A separate chapter detailing the framework will be added to the Regulations.

You may click [here](#) to access a copy of the Press Release by SEBI.

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