

What's New

News Flash



April 2018

Increase in limits for investment in Government Securities for Foreign Portfolio Investors

The Reserve Bank of India (RBI) had announced a review of the Medium Term Framework (MTF) for investment by Foreign Portfolio Investors (FPI) in Government Securities as on today which provided, amongst other matters:

- The limit for FPI investment in Central Government securities (G-secs) would be increased by 0.5% each year to 5.5% of outstanding stock of securities in 2018-19 and 6% of outstanding stock of securities in 2019-20.
- The limit for FPI investment in State Development Loans (SDLs) would remain unchanged at 2% of outstanding stock of securities.
- The overall limit for FPI investment in corporate bonds will be fixed at 9% of outstanding stock of corporate bonds. All the existing sub-categories under the category of corporate bonds will be discontinued and there would be a single limit for FPI investment in all types of corporate bonds.
- No fresh allocation has been made to the 'Long-term' sub-category under SDLs.
- Coupon reinvestment by FPIs in G-secs, which was hitherto outside the investment limit, will now be reckoned within the G-sec limits. FPIs may, however, continue to reinvest coupons without any constraint, as they do now. Only at the time of periodic re-setting of limits, coupon investments would be added to the amount of utilization.
- This coupon reinvestment arrangement will be extended to other debt categories

In light of the MTF, the revised limits for the various categories would be as under :

Category	Limits upto March 31, 2018		Revised in limits effective April to September 2018		Revised limits effective October 2018 to March 2019	
	INR	USD*	INR	USD*	INR	USD*
G-Secs - General	1,913	29.43	2073 [#]	31.89	2233	34.35
G-Secs - Long Term FPIs	651	10.01	787	12.10	923	14.2
SDLs - General	315	4.84	348	5.35	381	5.86
SDLs - Long Term FPIs	136	2.09	71	1.09	71	1.09
Bonds	2443	37.58	2667	41.03	2891	44.47
Debt	5458	83.97	5946	91.47	6499	99.98

Click [here](#) to access the copy of the RBI Circular issued on April 06, 2018, for your ready reference.

* 1 USD = INR 65

^ Source: NSDL web-site

* Includes ` 4,760 crore one-time addition to limit to provide for inclusion of coupon investment amount in utilization

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