

CIRCULAR

CIR/IMD/FIIC/18 /2010

November 26, 2010

To
All Foreign Institutional Investors
through their designated Custodians of Securities

Dear Sir/Madam

Sub: Allocation of Government debt & corporate debt investment limits to FIIs

1. Government increased the current limit of FII investment in Government Securities by US \$ 5 billion. The incremental limit shall be invested in securities with residual maturity of over five years. Further current limit of FII investment in corporate bonds is also increased by US \$ 5 billion. This incremental limit shall be invested in corporate bonds with residual maturity of over five years issued by companies in the infrastructure sector.
2. It has been decided that above incremental limits, shall be allocated to the market participants through bidding process and first come first served process. The unutilized limit from past allocations shall also be allocated to the market participants through bidding process and first come first served process.
3. **Manner of identification of companies eligible as “Infrastructure”**
 - 3.1. For incremental limit in corporate debt category investment can be made in corporate bonds of companies which would be classified as infrastructure companies in terms of the External Commercial Borrowings (ECB) Policy.
 - 3.2. FIIs shall satisfy themselves before investing in instruments under this incremental limits that issuer is in infrastructure sector in terms of the ECB policy.
 - 3.3. Custodians will confirm compliance that their clients investments are in bonds issued for infrastructure companies and have residual maturity of more than 5 years in their report to SEBI.

4. **Allocation through bidding process:** The bidding for these limits shall be done on the BSE from 15:30 hrs to 17:30 hrs, on December 02, 2010, in terms of SEBI circular IMD/FII&C/37/2009 dated February 06, 2009, subject to the modifications stated below:-

4.1. **Government debt long term & Corporate Debt infra long term:**

4.1.1. In partial amendment to clause 3 (h) of the aforesaid circular IMD/FII & C/37/2009, no single entity shall be allocated more than Rs.2000 cr. of the investment limit. Where a single entity bids on behalf of multiple entities, then such bid would be limited to INR 2000 cr. for every such single entity.

4.1.2. In partial amendment to clause 3 (c) and 3(d) of the aforesaid circular IMD/FII & C/ 37/2009, the minimum amount which can be bid for shall be Rs.200 cr. and the minimum tick size shall be Rs.100 cr.

4.2. **Corporate Debt – Old limit:**

4.2.1. In partial amendment to clause 3 (h) of the aforesaid circular IMD/FII & C/37/2009, no single entity shall be allocated more than Rs.600 cr. of the investment limit. Where a single entity bids on behalf of multiple entities, then such bid would be limited to INR 600 cr. for every such single entity.

4.2.2. In partial amendment to clause 3 (c) and 3(d) of the aforesaid circular IMD/FII & C/ 37/2009, the minimum amount which can be bid for shall be Rs.100 cr. and the minimum tick size shall be Rs.50 cr.

5. **Allocation through first come first serve process (FCFS):** In terms of SEBI circular dated January 31, 2008, the Government debt long term & corporate debt (for both old and incremental) limits shall be allocated in the FCFS basis subject to the following conditions:-

5.1. The remaining amount in government debt & corporate debt after bidding process shall be allocated among the FIIs/sub-accounts on a FCFS basis.

5.2. The debt requests in this regard shall be forwarded to the dedicated email id fii_debtrequests@sebi.gov.in. The window for FCFS process shall open at 08:30 AM IST, December 02, 2010.

5.3. Maximum limit per request under this process shall be INR 49 cr.

5.4.A non-utilisation charge would be levied at average successful bid premium (in respective bidding process) for non-utilized part from the allocation in first come first serve.

6. Time period for utilisation of debt limit

6.1. In partial amendment to clause 4 of the aforesaid circular IMD/FII & C/37/2009, time period for utilization of the corporate debt limits allocated through bidding process (for both old and long term infra limit) shall be 90 days. However, time period for utilization of the Government debt limits allocated through bidding process shall remain 45 days.

6.2. Further, please refer to paragraph 2 of circular no. IMD/FII&C/35/2008 dated November 06, 2008, wherein it has been stated that debt limit allocated through first come first serve process shall be utilized within 11 working days from the date of the allocation. It has now been decided that the time period for utilization of the corporate debt limits allocated through first come first serve process (for both old and incremental limit) shall be 22 working days. Time period for utilization of the Government debt limits allocated through first come first serve process shall remain unchanged at 11 working days.

6.3. Please refer to paragraph 2 of circular no. IMD/FII&C/30/2008 dated July 04, 2008, wherein it has been stated that a period of upto five business days shall be allowed for replacement of the disposed off/ matured debt instrument/ position. It has now been decided that time period for replacement of the disposed off/ matured debt instrument/ position for corporate debt shall be 15 working day. 'Working days' would mean working days of SEBI. The above mentioned circulars stand amended to that extent. Period of replacement of the disposed off/ matured debt instrument/ position for Government debt will continue to be at 5 working days.

6.4. Utilisation period is summarized in the below table:

Allocation window	Existing utilisation period	Revised Utilisation Period			
		G-sec		Corporate Debt	
		Old	Long Term	Old	Infra 5 year
FCFS (working Day)	11	11	11	22	22

Bidding (Calendar days)	45	45	45	90	90
Re-purchase (working Day)	5	5	5	15	15

6.5. Custodians shall monitor the investments made under the individual limits and submit a report to SEBI on a fortnightly basis.

7. **Multiple bid order from single entity:** It has been decided that in the bidding process a bidder shall be allowed to bid for more than one entity provided

7.1. It provides due authorization to act in that capacity by those entities

7.2. It provides the stock exchanges, the allocation of the limits interse for the entities it has bid for to exchange with 15 minutes of close of bidding session.

8. **FII investment into “to be listed” debt securities:**

8.1. Please refer to point 3 of circular no. IMD/FII/20/2006 dated April 05, 2006, wherein it has been stated that FII investments shall be restricted to only listed debt securities of companies. It has now been decided that FIIs are allowed to invest in primary debt issues only if listing is committed to be done within fifteen days.

8.2. In the circumstances that the debt issue cannot be listed within 15 days of issue for any reasons whatsoever, then the holding of FIIs/sub-accounts if disposed off shall be sold off only to domestic participants/investors until the securities are listed.

A copy of this circular is available at the web page “F.I.I.” on our website www.sebi.gov.in. The custodians are requested to bring the contents of this circular to the notice of their FII clients.

Yours faithfully,

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