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THE SECURITIES AND EXCHANGE BOARD OF INDIA

Change in investment conditions/ re- strictions for FPI investments in cor- porate Debt Securities

The Securities Exchange Board of India (“SEBI”) vide the [Circular no. CIR/IMD/ FIIC/1/2015](#) dated February 3, 2015 has imposed restrictions for Foreign Portfolio Investors (“FPI”) FPI investments in Corporate Debt securities.

The Circular provides that all the future investments within USD 51 billion limit category which is inclusive of limits vacated when the current investment by FPI runs off either through sale or redemption are required to make corporate bonds with minimum residual maturity of 3 (three) years. In addition, FPIs are not allowed to invest in liquid money market mutual fund schemes. However, no lock in period and FPI are permitted to sell securities which include the ones that are held for a period of less than 3 (three) years residual maturity to domestic investors.

The Circular is issued in accordance with the powers conferred under section 11 (1) of the SEBI Act, 1992.

For further information, please visit the link provided herein

Change in Investment Conditions for FPI Investments in Government Debt Securities

The SEBI vide [Circular No. CIR/IMD/FIIC/2/2015](#) (“Circular”) dated February 5, 2015 has allowed change in investment conditions for FPI investments in Government Debt securities. FPI has permitted to invest in Government securities, the coupons received on their investments in Government securities. The investments shall be kept outside the applicable limit of USD 30 billion for the investments by FPIs in Government securities.

In case of investment of coupons, a period of 5 working days from the date of receipt of the coupon shall be allowed for FPIs. In addition a re- investment facility of 5 (five) working days shall be provided on Government securities which are purchased by utilizing the coupons. The conditions pertaining to investment by FPIs in the market for Government securities shall remain unchanged for this facility as well. It is further clarified that the coupons that are received on the Government securities that are purchased by the way of investment of coupons shall also have the same facility.

The Circular also provides that the coupons that are invested in purchase of Government securities shall be classified in a separate investment category which is above the USD 30 billion Government debt limit.





The systems for daily reporting shall be put in place by the depositories for the custodians of the FPIs and also shall disseminate the coupon investment data along with the daily debt utilisation data.

The Circular is issued in accordance with the powers conferred under section 11 (1) of the SEBI Act, 1992.

For further information, please visit the link provided herein.

THE RESERVE BANK OF INDIA



Foreign Direct Investment in Pharmaceutical sector

The Reserve Bank of India (“RBI”) vide its [Circular No. 70](#) dated February 2, 2015 has clarified on Foreign Direct Investment (“FDI”) in Pharmaceutical sector.

The Circular provides for amendments in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. The Schedule 1 of the Notification No. FEMA 20/20000-RB dated May 3, 2000 (“Notification”) states that 100% FDI is permitted under the automatic route for Greenfield investment and FDI upto 100% is permitted under the government approval for Brownfield investments in existing pharma companies. The FDI policy for pharmaceutical sector has been reviewed and it has been decided to provide have a special carve out for medical devices which was earlier given the same treatment as pharmaceutical sector.

The directions as stated in the Circular are issued in accordance with Sections 10 (4) and 11(1) of the Foreign Exchange Management Act, 1999 which are without prejudice to permissions/approvals, if any, required under any other law.

For further information, please visit the link provided herein



RBI : Foreign Investment In India by Foreign Portfolio Investors

The RBI vide [Circular No. 71](#) dated February 03, 2015 provides for terms of which all future investment in government securities by registered Foreign Portfolio Investors (“**FPIs**”) shall be required to be made in government bonds with a minimum residual maturity of three years.

RBI further states that all future investments by FPI within the limit of investment in corporate bonds shall be made with a minimum residual maturity of three years. FPIs shall not make any further investment in liquid and money market mutual fund schemes.

FPIs shall have no lock in period and can sell the securities (including those with less than three years residual maturity) to domestic investors.

The directions as stated in the Circular are issued in accordance with Sections 10 (4) and 11(1) of the Foreign Exchange Management Act, 1999 which are without prejudice to permissions/approvals, if any, required under any other law.

For further information, please visit the link provided herein

Foreign Investment in India by Foreign Portfolio Investors

The RBI vide [Circular No. 73](#) dated February 6, 2015 provides for the terms in which all the future investments by registered Foreign Portfolio Investors (“FPIs”) in the debt market in India will be required to be made with a minimum maturity of 3 (three) years.

The Circular provides for certain directions with respect to the applicability of investment of FPI. The Circular provides that the fresh investments in terms of debt shall be permitted in India with a minimum residual maturity of 3 (three) years. It is provided that FPIs shall not be allowed to make further investments in debt instruments having a minimum initial/residual maturity of 3 (three) years. However, the Circular also provides for permission to invest in amortised debt instruments provided the duration of the instrument is 3 (three) years and above.

The directions as stated in the Circular are issued in accordance with Sections 10 (4) and 11(1) of the Foreign Exchange Management Act, 1999 which are without prejudice to permissions/approvals, if any, required under any other law.

For further information, please visit the link provided herein

RBI's Approval for Prior— Shareholding

The RBI vide Circular No. [RBI/2014-2015/476 DNBR\(PD\)CC.No. 01/SCRC/26.03.001/2014-2015](#) dated February 24, 2015 has brought attention towards Bank's prior approval for change in Shareholding.

RBI further stated that as per Section 3(6) of The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI Act") every Securitisation/ Reconstruction Company ("SC/RC") has to obtain prior approval of RBI for any substantial change in management, such as transfer of shares, amalgamation or transfer of the business of the company. Further RBI also stated that while granting certificate of Registration to SC/RCS prior approval of RBI has to be taken for any change in their shareholding pattern.

The following changes in shareholding pattern of SC/RCS Companies will require prior approval of RBI:-

1. any transfer of shares by which the transferee becomes a sponsor.
2. any transfer of shares by which the transferor ceases to be a sponsor.
3. an aggregate transfer of ten percent or more of the total paid up share capital of the SC/RC by a sponsor during the period of five years commencing from the date of certificate of registration.

For further information, please visit the link provided herein

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Warm Regards,
Dipali Sarvaiya Sheth
Founder
Eternity Legal



1207, Dalamal Tower, Free Press Journal Road,
Nariman Point, Mumbai- 400 021

| Email: contact@eternitylegal.com | Tel no.: +91 22 67479001

| Website: www.eternitylegal.com