



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2013-14/632
A.P. (DIR Series) Circular No.140

June 6, 2014

To

All Category – I Authorised Dealer Banks

Madam/ Sir,

Foreign investment in India – participation by registered FPIs, SEBI registered long term investors and NRIs in non-convertible/redeemable preference shares or debentures of Indian companies

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to Schedule 5 to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (the Principal Regulations) notified vide [Notification No. FEMA.20/2000-RB dated May 3, 2000](#), as amended from time to time, in terms of which SEBI registered Foreign Institutional Investors (FIIs), Qualified Foreign Investors (QFIs), registered Foreign Portfolio Investors (FPIs) and long term investors registered with SEBI, may purchase, on repatriation basis, Government securities and non-convertible debentures (NCDs) / bonds issued by an Indian company subject to such terms and conditions as mentioned therein and limits as prescribed for the same by RBI and SEBI from time to time. The present limits for investments by FIIs/FPIs, QFIs and long term investors registered with SEBI in corporate debt stands at USD 51 billion.

2. Attention of AD Category - I banks is also invited to [A.P. \(DIR Series\) Circular No. 84 dated January 6, 2014](#) in terms of which an Indian company is permitted to issue non-convertible/redeemable preference shares or debentures to non-resident shareholders, including the depositories that act as trustees for the ADR/GDR holders by way of distribution as bonus from its general reserves under a Scheme of Arrangement approved by a Court in India under the provisions of

the Companies Act, as applicable, subject to no-objection from the Income Tax Authorities.

3. On review, it has now been decided to allow registered Foreign Institutional Investors (FIIs), Qualified Foreign Investors (QFIs) deemed as registered Foreign Portfolio investors, registered Foreign Portfolio Investors (FPIs), long term investors registered with SEBI – Sovereign Wealth Funds (SWFs), Multilateral Agencies, Pension/ Insurance/ Endowment Funds, foreign Central Banks to invest on repatriation basis, in non-convertible/redeemable preference shares or debentures issued by an Indian company in terms of [A.P. \(DIR Series\) Circular No. 84 dated January 6, 2014](#) and listed on recognized stock exchanges in India, within the overall limit of USD 51 billion earmarked for corporate debt. Further, NRIs may also invest, both on repatriation and non-repatriation basis, in non-convertible/redeemable preference shares or debentures as above.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

5. Reserve Bank has since amended the Principal Regulations through the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Fifth Amendment) Regulations, 2014 notified vide [Notification No. FEMA. 304/2014-RB dated May 22, 2014](#), c.f. G.S.R. No.371(E) dated May 30, 2014.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(B.P. Kanungo)
Principal Chief General Manager