

RBI releases medium term framework for investment by Foreign Portfolio Investors (FPI) in Government Securities

This is in reference to Schedule 5 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017 notified vide Notification No. FEMA.20(R)/2017-RB dated November 07, 2017, as amended from time to time and the relevant directions issued thereunder. RBI has released medium term framework for investment by Foreign Portfolio Investors (FPI) in Government Securities. The details of the same are mentioned below.

Revision of Investment Limits for 2019-20

- a. The limit for FPI investment in Central Government securities (G-secs), State Development Loans (SDLs) and corporate bonds shall be 6%, 2%, and 9% of outstanding stocks of securities, respectively, in FY 2019-20.
- b. The allocation of increase in G-sec limit over the two sub-categories – ‘General’ and ‘Long-term’ – has been set at 50:50 for the year 2019-20. The entire increase in limits for SDLs has been added to the ‘General’ sub-category of SDLs.
- c. In terms of para 3 (g) of the circular dated April 06, 2018, the coupon reinvestment arrangement for G-secs shall be extended to SDLs.

Accordingly, the revised limits for the various categories, after rounding off, would be as under

Table - Revised Limits for FPI Investment in Debt - 2019-20 (Rupees billion)						
	G-Sec - General	G-Sec - Long Term	SDL - General	SDL -Long Term	Corporate Bonds	Total Debt
Current Limit	2,233	923	381	71	2,891	6,499
Revised Limit for the HY Apr-Sep, 2019	2,347	1,037	497	71	3,031	6,983
Revised Limit for the HY Oct 2019-March, 2020	2,461	1,151	612	71	3,170	7,465

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Warm Regards,

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