



news flash

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RBI provides clarity on investment limits by FPI in government securities through FAR

The Reserve Bank of India (“**RBI**”) has issued a circular bearing number RBI/2019-2020/214 A.P. (DIR Series) Circular No. 30 dated 15 April 2020 (“**Circular 30/2020**”) clarifying that:

- (i) The aggregate investment limits for Foreign Portfolio Investors (“**FPIs**”) in Government securities (G-secs) and State Development Loans (SDLs) will remain unchanged at 6% and 2% respectively, of outstanding stocks of securities for the financial year 2020-2021. These are unchanged from the previous financial year 2019-2020.
- (ii) All existing FPI investments in the specified securities as identified under the Fully Accessible Route will be reckoned only under the FAR and the calculation of outstanding stock of G-secs and utilization levels of limits under the MTF has been accordingly adjusted by the RBI.

This addresses the ambiguity highlighted in our newsflash as circulated on 3 April 2020 which gives an overview of the salient features of the FAR (“**Newsflash**”). Please [click here](#) to refer to our earlier Newsflash.

In addition to the above, Circular 30/2020 provides that:

1. The allocation of incremental changes in the G-sec limit (in absolute terms) over the two sub-categories i.e. ‘General’ and ‘Long-term’ is being retained at 50:50 for financial year 2020-21.
2. There has been an increase in limits for SDLs (in absolute terms) in the sub-category ‘General’ of SDLs.

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For further clarification and details on the above, you may write to the Exchange Control team comprising of among others Ms. Siddhi Ghatlia (Partner) at sghatlia@almtlegal.com , Ms. Khusbu Jasani (Senior Associate) at kjasani@almtlegal.com and Ms. Amishi Vira (Associate) at avira@almtlegal.com.