

FAQs for FPIs

Investors can refer to this FAQ for a simpler, clearer understanding of the rules and procedures outlined in the FPI Regulations and Master Circulars. It serves as a guide, covering everything from registration and investment instruments to taxation, repatriation, and exit.

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Chapter 1 – Registration of FPI's

1. What are the routes for investing in India?

ANSWER: The routes available for foreign investors to invest in India are:

(i) **Foreign Direct Investment (FDI)** - These are direct investments in specific companies which are long term and strategic in nature. The investment can be through the automatic route or investment with appropriate approval of the Government depending on the sector of the investee company. Such investments are permitted in listed and unlisted Indian companies.

(ii) **Foreign Portfolio Investors (FPI)** – Investments by FPIs are not strategic in nature and are portfolio investments in listed companies on Indian stock exchanges, fixed income and exchange-traded derivatives. FPI investors need to be registered with the Securities and Exchange Board of India (SEBI) prior to investing.

(iii) **Foreign Venture Capital Investors (FVCI)** – The investments under this route are directed towards venture capital undertakings, unlisted companies, and new ventures. The foreign investors can invest under this route after obtaining a license from SEBI.

(iv) **Non-Resident Indian/ Overseas Citizen of India (NRIs/ OCIs)** – Indian citizens who are staying abroad or a non-resident foreign citizen of Indian origin are allowed to invest in Indian companies. They invest through the Portfolio Investment Scheme (PIS).

(v) **Investment Vehicles set-up in India and in the International Financial Services Centre (IFSC):** Non-resident investors can invest in Investment Vehicles set-up in India and in the IFSC, such as Alternative Investment Funds (AIFs), Schemes set-up in the IFSC, Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), Mutual Funds (including Exchange Traded Funds), etc.

2. What are the formalities to be completed for gaining license to invest in India under the FPI route?

ANSWER: The formalities for getting FPI license are listed under SEBI FPI Regulations 2019 ("FPI Regulations"), and Master Circular for FPIs, DDPs and Eligible Foreign Investors ("FPI Master Circular") dated May 30, 2024.

In summary, entities /individuals desiring to invest in India need to provide the details in a prescribed electronic application (called a Common Application Form – CAF) to a Designated Depository Participant (DDP) along with required KYC documents for investing in India. The allotment of PAN (TAX ID) will also be completed through the same application form. They need to appoint a Local Custodian/Designated Depository Participant (DDP) and need to open a Special Non-Resident Rupee Account (SNRR) with Authorised Dealer Bank. At this stage they need not have a tax firm or stockbroker.

[SEBI | Securities and Exchange Board of India \(Foreign Portfolio Investors\) Regulations, 2019 \[Last amended on February 10, 2025\]](#)

[SEBI | Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors](#)

3. Who is Designated Depository Participant (DDP)?

ANSWER: Designated Depository Participant (DDP) is an intermediary approved by SEBI to perform due diligence as per FPI Regulations and grant certificate of registration to FPIs on behalf of SEBI. Additionally, FPI registration is valid for a block of 3 years as such DDP renews the FPI license on receipt of application and registration fee.

Please see below link to find all DDPs operating in India:

<https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=4>

4. What are the eligibility criteria to get registered as an FPI?

ANSWER: Please refer section 4 of SEBI FPI Regulations 2019 (“FPI Regulations”)

SEBI | Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 [Last amended on February 10, 2025]

5. What are the various categories of FPI?

ANSWER: A foreign entity proposed to be registered as an FPI shall fall into the following 2 categories. These categories are based on the risk level associated with each of the entities. The categories are:

Category I

Sr. No.	Nature of Entity
1.	Government and Government-related investors such as Central Banks, Sovereign Wealth Funds, International or multilateral organizations or agencies
2.	Entities controlled or at least 75% directly or indirectly owned by such Government and Government related investor
3.	Pension Funds and University Funds
4.	Appropriately regulated entities such as insurance or reinsurance entities, banks, asset management companies, investment managers, investment advisors, portfolio managers, brokers, and swap dealers.
5.	Entities from FATF Member Countries or from a jurisdiction as specified by Government of India by order of treaty/agreement which are: <ul style="list-style-type: none"> - Appropriately regulated funds - Unregulated funds whose investment manager is appropriately regulated and registered as Category -1 FPI* - University related endowments of such universities that have been in existence for more than 5 years.
6.	Entity whose investment manager is from a Financial Action Task Force (FATF) member country, and such investment manager is registered as Category 1 FPI.*
7.	Entities which are at least 75 % owned, directly or indirectly by another entity eligible under 3 to 5 above and such eligible entity is from a FATF member country*.

*The investment manager or eligible entity should undertake to take responsibility of all the acts of commission or omission.

Category II

Sr. No.	Type of Entity
1.	Appropriately regulated funds not eligible as Category I FPI
2.	Appropriately regulated entities investing on behalf of their client, as per conditions specified by the board from time to time
3.	Unregulated funds in the form of limited partnerships and trusts
4.	Endowments and Foundation
5.	Charitable organizations
6.	Corporate Bodies
7.	Family Offices
8.	Individuals

Notes to the above Table:

— **Appropriately regulated** - An entity which is regulated by the securities market regulator or the banking regulator of home jurisdiction or otherwise, in the same capacity in which it proposes to make investments in India. An entity incorporated or established in an IFSC shall be deemed to be appropriately regulated.

— **Government agency** - An entity in which more than 75% of ownership or control is held by the Government of a foreign country.

— **Investment manager** - Shall include an entity performing the role of investment manager or any equivalent role, including trustee.

6. What are the differences between Category I and Category II FPI

ANSWER: The main difference between Category I and Category II FPIs lies in their regulatory oversight and risk profiles.

Category I FPIs include government entities, international organizations, banks, insurance entities which are regulated to a great extent in their home markets. Such FPIs are generally considered low risk.

Category II FPIs are those that are not so highly regulated or unregulated entities and thus are considered as higher risk as compared to Category I.

Category I FPIs are permitted to issue Offshore Derivative Instruments (ODIs) whereas the same is not allowed for Category II FPIs. Also, the Category I FPIs have simpler KYC requirements and lesser documentation as compared to Category II FPIs.

Criteria	Category I FPI	Category II FPI
Definition	Entities considered low-risk and directly eligible for simplified registration.	Entities that are not eligible under Category I but still qualify based on regulation or structure.
Eligible Entities	<ul style="list-style-type: none"> - Government and government- related investors (e.g. central banks, sovereign wealth funds) - - International/multilateral organizations - Appropriately regulated entities (e.g. insurance/reinsurance firms, banks, asset managers) from FATF-compliant jurisdictions 	<ul style="list-style-type: none"> - Regulated broad-based funds (e.g. mutual funds, investment trusts) not eligible under Category I - - Endowments, charitable societies, foundations, university-related endowments - - Unregulated funds where the investment manager is a Category I FPI
Regulation Requirement	Must be directly regulated by appropriate regulatory authorities in FATF-compliant jurisdictions.	May be regulated or unregulated; if unregulated, must be managed by a regulated Category I FPI manager.
Registration Fees	USD 2950 (USD 2,500 + 18% GST) for three years	USD 295 (USD 250 + 18% GST) for three years
Risk Classification	Considered low risk by SEBI.	Considered moderate risk.
Derivative Position Limits	Relatively higher	Relatively lower
KYC Requirements	Simplified, due to lower risk profile.	More extensive, due to broader entity types and moderate risk.
Example Entities	<ul style="list-style-type: none"> - Norges Bank (Central Bank of Norway) - World Bank - BlackRock mutual funds from the U.S. 	<ul style="list-style-type: none"> - Harvard University Endowment - Bill & Melinda Gates Foundation - - Unregulated private equity fund managed by a Category I FPI asset manager

7. Can FPI license be obtained at sub fund level?

ANSWER: Yes, Separate license can be obtained at sub fund level if the FPI chooses to. FPIs need to connect with their DDPs for detailed process. Further please note that investments must be made in compliance with SEBI's circulars on clubbing of investment limits. FPIs having common ownership of more than fifty per cent or common control, shall be treated as part of the same investor group and the investment limits of all such entities shall be clubbed at the investment limit as applicable to a single foreign portfolio investor.

8. Can an entity having multiple sub funds or share classes make investment in India through same FPI registration?

ANSWER: Yes, an entity with multiple sub-funds or share classes can invest in India under the same FPI (Foreign Portfolio Investor) registration, provided it is appropriately structured and complies with SEBI regulations. According to the SEBI (FPI) Regulations, 2019 and relevant operating guidelines:

(i) If the entity is registered as a Category I FPI, such as a global fund or a pooled investment vehicle, it may operate multiple sub-funds or share classes under a single umbrella FPI registration.

(ii) However, each sub-fund/share class that intends to invest separately must be disclosed to the DDP (Designated Depository Participant). DDPs must conduct due diligence and maintain separate KYC records for each such segregated portfolio.

(iii) Investments must be made in compliance with SEBI's circulars on clubbing of investment limits. FPIs having common ownership of more than fifty per cent or common control, shall be treated as part of the same investor group and the investment limits of all such entities shall be clubbed at the investment limit as applicable to a single foreign portfolio investor.

(iv) For additional information required for Protected Cell Company (PCC), Segregated Portfolio Companies (SPCs) and Multi Class Share Vehicle (VCCs) DDP may be guided by SEBI circular ref. no. CIR/IMD/FIIC/1/ 2010 dated April 15, 2010, as well as SEBI Circular No. CIR/IMD/FIIC/21/ 2013 dated December 19, 2013.

(v) FPI will have to submit UBO related information at every share class level who is investing in India.

9. Please name the service providers / regulators / market infrastructure entities with whom an FPI needs to sign up in India.

ANSWER: The intermediaries with whom an FPI needs to sign up are:

(i) DDP: DDPs are SEBI approved entities, who are authorized to register the FPIs in India

(ii) Local Custodians: Custodians are SEBI registered entities who provide custodial services to FPIs. The services include transaction processing including settlement of trades, corporate action tracking and processing, asset servicing, fund remittances, reporting and other allied functions.

(iii) Trading Members (TMs): Trading Members (TMs) are responsible for execution of trades on the exchange.

(iv) Clearing members (CM): They are responsible for settling the obligations on behalf of the Trading Members (TMs) as determined by the Clearing Corporation (CCs) such as NSE Clearing Limited (NCL)/ Indian Clearing Corporation Limited (ICCL). CMs need to make funds and/ or securities available in the designated accounts on the settlement day.

(v) Banks – Most custodians are also banks, and they provide remittance and foreign exchange services to the FPIs. The FPI need to maintain an SNRR account with an authorized bank.

(vi) Tax Consultants – They provide services such as review of the CAF (particularly relevant to the TAX ID), tax calculation and payment, filing returns with the tax authorities, appearing before the tax authorities in any matters related to taxation. The repatriation of sale proceeds/any other income is done basis the tax advice letter issued by the tax consultants which provides the amount of taxes payable (if any).

10. What is the required documentation as part of the registration process?

ANSWER: The documentation requirements for the FPI categories are as follows:

The application procedure for FPIs, has been simplified by the introduction of single application, namely, the Common Application Form (CAF). CAF along with the 'Annexure to CAF' serves as a comprehensive form for:

- (i) Registration of FPIs with SEBI,
- (ii) Allotment of Permanent Account Number (PAN) or TAX ID by the Income Tax Department, and
- (iii) Opening of Bank and Depository Accounts with Custodian including information related to Know Your Customer (KYC) for upload to KYC Registration Agency

FPIs have to submit the CAF and Annexure to CAF, to the DDP along with supporting documents and applicable fees for SEBI registration and issuance of PAN. CAF can be accessed on the Depository website. Application for allotment of PAN (which would be a part of CAF) is forwarded to Income Tax Authority by the DDP through NSDL/ CDSL after FPI registration certificate is generated.

Other supporting documentation:

Sr. No.	Document Type	KYC Documentation Details	Category -I	Category -II
1.	Applicant Level	Constitutive Docs (MoA, COI, prospectus etc.)	Required	Required
2.		Proof of Address ¹	Required	Required
3.		PAN	Required	Required
4.		Board Resolution ²	Not Required	Required
5.		FATCA/CRS Form	Required	Required
6.		KYC Form	Required	Required
7.	Authorised Signatories	List of Signatures ²	Required	Required
8.	Ultimate Beneficial Owners (UBO)	List of UBO including the details of Intermediate BO3	Required	Required
9.		Proof of Identity	Not Required	Required

¹ Power of Attorney having address provided to Custodian is accepted as address proof.

² Power of Attorney granted to Global custodian/ local custodian is accepted in lieu of Board Resolution (BR). BR and the authorized signatory list (ASL) is not required if SWIFT is used as a medium of instruction.

³ UBO is not required for Government and Government related entities.

In addition to the above, Legal Entity Identification document (LEI) and declaration and documents related to granular disclosure also need to be submitted.

11. What is the approximate time taken to complete the registration process?

ANSWER: The Regulation 7(2) of SEBI FPI Regulations states that a DDP shall endeavor to dispose of the application for grant of certificate of registration as soon as possible but not later than 30 days after receipt of application with complete set of documents by the DDP, or after the information called for under regulation 6 (any further information or clarification as may be required by the DDP) has been furnished; whichever is later.

Detailed information can be found in the Master circular

12. What is the validity period of registration as FPI?

ANSWER: The validity period for a FPI license is perpetual, subject to payment of renewal fees for every block of three years, and completion of the periodic KYC review.

FPI shall provide additional information along with supporting documents at least 15 days prior to current validity of registration.

If the DDP is in receipt of registration fees prior to validity date but the due diligence including KYC review is not complete by the validity date due to non-submission of information by the FPI, no further purchases may be permitted till the intimation of continuance is given by DDP.

Where the FPI has not discharged renewal fees (including the additional time period granted along with payment of late fees) for continuance of its registration within 30 days of the preceding block, its FPI registration shall cease to be valid.

An FPI cannot apply for continuance after expiry of its registration. However, if such entity intends to have FPI registration, it will have to make a fresh application for registration after surrender of its earlier FPI registration.

13. Can a single legal entity have more than one depository, clearing member, custodian, bank account, Trading Member/Broker, tax consultant in investing via FPI route in India?

ANSWER: FPIs operating under Multiple Investment Managers (MIM) structure can open the accounts with separate DDP/Local Custodian using the same PAN.

14. Can an entity that is already investing in India under the foreign direct investment route also register as an FPI?

ANSWER: An entity investing in India as a FDI can register the same entity as an FPI. The entity has to complete all the registration formalities as required by an FPI. However, the entity can invest in an Indian

company either under the FPI or FDI route. Investment in the same Indian company under both the routes is not permitted.

15. What are regulatory obligations of FPI?

ANSWER: Please refer Section 22 General obligations and responsibilities of foreign portfolio investors of FPI Regulations 2019.

[SEBI | Securities and Exchange Board of India \(Foreign Portfolio Investors\) Regulations, 2019 \[Last amended on February 10, 2025\]](#)

16. Can individuals register themselves as FPIs?

ANSWER: Yes, individuals can register as Category II FPIs, subject to satisfaction of prescribed conditions.

17. Can an FPI invest via an Omnibus account?

ANSWER: India is a segregated market and hence accounts need to be opened at each FPI level. Omnibus structures are not permitted.

18. Can investments be made via designated investment manager of the investor?

ANSWER: Yes, investments can be made via designated investment manager of the investor. In case the investment manager is regulated then the fund will be registered as Category I, otherwise as Category II.

19. Can an entity open accounts under FPI and FDI route simultaneously?

ANSWER: Yes, an entity can initiate opening of a FPI and FDI account opening simultaneously. They will have to complete the registration formalities pertaining to FPI separately. They shall have to open separate demat accounts as a FDI and need to complete the necessary compliances. However, the entity can invest in an Indian company either under the FPI or FDI route. Investment in the same Indian company under both the routes is not permitted.

19. Why is compliance with FATF guidelines important during FPI registration?

ANSWER: Compliance with FATF guidelines is a key consideration during the registration of an FPI. The DDP, while processing FPI applications, ensures adherence to FATF standards related to anti-money laundering (AML) and combating the financing of terrorism (CFT). The regulatory status of the applicant's home country with respect to FATF membership is also evaluated. FPIs from FATF member countries are categorized as Category I, while those from non-member countries are placed under Category II, reflecting the importance of FATF-aligned regulatory oversight.

20. Which countries form majority of FPI registrations in India?

ANSWER: There are 62 countries from where the FPIs are registered in India. The prominent among them being:

Country	No. of registered FPIs
US	3571
LUXEMBOURG	1448
IRELAND	840
CANADA	819
UNITED KINGDOM	655
SINGAPORE	647
MAURITIUS	608
JAPAN	475
AUSTRALIA	381
CAYMAN ISLANDS	379
TAIWAN	219

As on June 30, 2025

Please refer to list of FPIs on the following link:

<https://www.fpi.nsdl.co.in/web/Reports/RegisteredFIISAFPI.aspx>

Chapter 2 – Investment Instruments for FPI's

1. What instruments can an FPI invest in India?

ANSWER: As mentioned in chapter IV: Investment Conditions and Restrictions of FPI regulation 2019; A FPI can invest in the following securities:

- (i) Shares, Debentures or Warrants issued by a body corporate; listed or to be listed on a recognized stock exchange in India
- (ii) Units of schemes launched by mutual funds under Chapter V, VI-A and VI-B of the Securities and Exchange Board of India (Mutual Fund) Regulations, 1996
- (iii) Units of schemes floated by a Collective Investment Scheme in accordance with the Securities and Exchange Board of India (Collective Investment Schemes) Regulations, 1999
- (iv) Derivatives traded on a recognized stock exchanges
- (v) Units of real estate investment trusts, infrastructure investment trusts and units of Category III Alternative Investment Funds registered with the Board
- (vi) Indian Depository Receipts
- (vii) Any debt securities or other instruments as permitted by the Reserve Bank of India for FPIs to invest in from time to time. These include Govt. Securities as permitted by RBI.

2. Can FPI invest in fixed income securities?

ANSWER: As mentioned in CHAPTER II, SCHEDULE 1 of the Foreign Exchange Management (Debt Instruments) Regulations, 2019; FPIs can invest in Bonds, Debentures, Commercial Papers issued by a body corporate, listed or to be listed in a recognized stock Exchange. They can also invest in dated Govt. Securities/ Treasury bills as specified by RBI from time to time. The investment in these fixed income securities shall be subject to various conditions.

3. What is the Voluntary Retention Route (VRR)? Kindly provide more details.

ANSWER: The Reserve Bank, in consultation with the Government of India and Securities and Exchange Board of India (SEBI), introduces a separate channel, called the 'Voluntary Retention Route' (VRR), to enable FPIs to invest in debt markets in India. Broadly, investments through the Route will be free of the macro-prudential and other regulatory norms applicable to FPI investments in debt markets, provided FPIs voluntarily commit to retain a required minimum percentage of their investments in India for a period. Participation through this Route will be entirely voluntary. The features of the Route are explained in the "RBI/2021-22/156 A.P. (DIR Series) Circular No. 22".

The main features are:

- (i) Allocation would be on-tap or through auctions
- (ii) No lock-in of securities. However, 75% of Committed Portfolio Size is non-repatriable for a minimum retention period of 3 years, or higher retention period as committed by the FPI

- (iii) All G-Secs are permitted
- (iv) Investments allowed in State Development Loans, Commercial papers, Corporate Bonds, Debt securities of Invts/Reits
- (v) Investments in Mutual Fund Units are not permitted.
- (vi) No restriction on maturity period
- (vii) Security wise limit of 30% of outstanding stock of G-sec and T Bills
- (viii) Concentration limits not applicable
- (ix) Segregated SNRR cash account and securities account, which are independent of the SNRR and securities account maintained by FPI for its other investments.

4. What is the Fully Accessible Route (FAR) for investment in debt securities? Kindly provide details of the same.

ANSWER: Under FAR there are investments permitted without any restrictions or limits, in specified G-Secs.

The main features are:

- (i) No quantitative limit. Specified securities fully available
- (ii) No lock in provision, funds fully repatriable
- (iii) Only specified Government securities- The list of securities can be accessed below: <https://www.ccilindia.com/FPIHome.aspx>
- (iv) Investment in State Development Loans, Commercial Papers, Corporate Debt not permitted.
- (v) Investment in mutual fund units and Debt Securities of Invts/Reits not permitted.
- (vi) No separate accounts required

5. What are the segment-wise investment limits for an FPI?

ANSWER: Investment by FPIs in the equity shares of a listed company is subject to the following limits (Foreign Exchange Management (Non-Debt Instruments) Regulations, 2019, second schedule, and subsequent amendments):

Individual limit for FPIs

(i) The total holding by each FPI or an investor group, shall be less than 10 percent of the total paid-up equity capital on a fully diluted basis or less than 10 percent of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company

- FPIs having common ownership of more than 50% in the FPI or having common control are considered as belonging to the same FPI Investor Group
- In case of breach of 10% limit, the FPI shall have the option of:
 - o Divesting holdings within five trading days from the date of settlement of the trades causing the breach
 - o Alternatively, in case the FPI chooses not to divest, the entire investment in the specific listed company, of that FPI (and its investor group) shall be considered as investment under FDI. The FPI or its investor group would not be permitted to buy this specified security under the FPI route.

Aggregate limit for all FPIs

- For sectors in which FDI is prohibited, aggregate FPI investment up to 24% is permitted

The total holdings of all FPIs put together, including any other direct and indirect foreign investments in the Indian company permitted under these rules, shall not exceed 24 per cent of paid-up equity capital on a fully diluted basis or paid up value of each series of debentures or preference shares or share warrants. The said limit of 10 percent and 24 percent shall be called the individual and aggregate limit, respectively.

Debt Investment Limits- (Foreign Exchange Management (Debt Instruments) Regulations, 2019, schedule I and subsequent amendments)

- All G-Secs are permitted, provided investment in T Bills and other G-Secs with short term maturity (<1 year residual maturity) does not exceed 30% of the portfolio under G-Sec category. The 30% restriction is not applicable for investments under FAR.
- Investments in Commercial paper are permitted
- Investments in Corporate Debt securities with a maturity of under one year has now been permitted as per the recent RBI Circular issued on 08-May-2025.
<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12847&Mode=0>
- Permitted to invest only up to 50% of any issue of corporate debt security
- End use restriction on investment in real estate business, capital market and purchase of land
- Not permitted to invest in partly paid instruments

Derivatives

- Depending on the category, FPIs are permitted to trade in single stock & Index equity derivatives, interest rate derivatives, commodity derivatives and currency derivatives (with INR as one of the currencies); updated limits can be found in SEBI circular SEBI/HO/MRD/TPD-1/P/CIR/2025/79 regarding, Measures for Enhancing Trading Convenience and Strengthening Risk Monitoring in Equity Derivatives.

6. What are the disclosures to be made by the FPIs with respect to their investments/structure?

ANSWER: Please refer to the table below:

No	Disclosure Requirement	Details	Timeline	Reference / Trigger
1.	Material Changes	Changes in structure, ownership, control, investor group	Type I: 7 working days (affects eligibility) Type II: 30 working days (others)	SEBI Circular – June 5, 2024 Regulation 22(1)(c), 22(5)
2.	False or Misleading Information	Inform SEBI/DDP if any previously submitted information is incorrect or misleading	Immediate, upon identification	Regulation 22(1)(b)
3.	Regulatory or Legal Status	Penalties, litigation, or regulatory actions from home regulators	As and when applicable	Regulation 22(1)(e)
4.	Ultimate Beneficial Ownership (UBO), Control & Economic Interest	Mandatory for FPIs with: (I)>50% Indian equity AUM in one corporate group or (II) Indian equity AUM > ₹50,000 crore	Realign within 10 trading days (for condition I) or 90 calendar days (for condition II) Else, submit full disclosure	SEBI Circular – Aug 24, 2023 Regulation 22(6)
5.	Investment Limit in a Single Company	FPI + its investor group must not hold ≥10% of a listed company's total paid-up equity capital (fully diluted basis). Breach: divest excess within 5 trading days or reclassification as FDI.	Immediate action if breached	SEBI FPI Regulations, 2019 - Regulation 20(7)
6.	Investment Limit Clubbing	Disclosure by FPIs with >50% common ownership/control to monitor group limits	Ongoing; report to DDP	Regulation 22(3)
7.	Legal Entity Identifier (LEI)	Required for all non-individual FPIs	- Existing: Must have LEI - New: during registration -	SEBI Circular – July 27, 2023

8.	NRI/OCI/RI Ownership in IFSC-based FPI	Disclose PAN, ID proof, Indian passport/ OCI card (if available), manager independence, investor and investment diversification compliance, pari-passu & pro-rata compliance	At the time of registration or upon change	SEBI Circular – June 27, 2024
9.	University Fund/Endowment Exemption	To claim exemption from ownership disclosures: - Indian AUM <25% of global AUM - Global AUM > ₹10,000 crore - Submit tax filings proving non-profit status	Immediate, upon identification	Regulation 22(1)(b)
10.	KYC / AML / BO Disclosures	Submit KYC/AML details of investors, beneficial owners, and controlling persons	Ongoing compliance + on request by SEBI, DDP, or enforcement authorities	Regulation 22, KYC Master Circulars
11.	Additional disclosures by Foreign Portfolio Investors (FPIs)	Mandating additional disclosures by Foreign Portfolio Investors (FPIs) that fulfil certain objective criteria	Ongoing compliance	SEBI/HO/AFD/AFD –PoD–/CIR/P/2023/148 August 24, 2023
11.	SAST reporting	Disclosure to exchanges and company as per SAST regulations (reg 29 (1) and (2))	Ongoing compliance	SEBI's Substantial Acquisition of Shares and Takeovers (SAST) Regulation 29(1) and 29(2)

7. Can an FPI invest in unlisted securities?

ANSWER: FPIs are permitted to invest only in shares, debentures and warrants issued by a body corporate; listed or to be listed on a recognized stock exchange in India. Details on the investment restrictions for FPIs can be found in Chapter IV of the SEBI FPI regulations 2019. In case of unlisted bonds, FPI to ensure end use restrictions as per FEMA debt rules.

8. Are all securities held in electronic form?

ANSWER: Yes, the FPIs must hold all securities in electronic form only. They also have to transact in electronic mode only.

9. Can FPIs borrow or lend securities?

ANSWER: FPIs are allowed to lend and borrow securities through the SLB segment offered by the exchanges. However, FPIs are not allowed to short sell in Indian market except as allowed under Securities Lending & Borrowing (SLB) or any other framework specified by the Board.

10. What is the settlement period for various types of securities?

ANSWER: The settlement period for the securities are:

(i) Equities: Rolling T+1; 'T+0 rolling settlement cycle – optional settlement cycle, available in parallel to T+1

(ii) SLB: T+1

(iii) Derivatives: T+1 (mark-to-market margin). Physical settlement on expiry of contract follows T+1 cycle i.e Epiry +1 day.

(iv) G-Sec: T+1/ T+2 (OTC) and T+1 for NDS-OM Web. All confirmations to be completed on T

(v) Corporate bonds: T+1 (exchange-traded) and T+0 to T+2 (as agreed between counterparties in OTC market)

11. Is India a DVP market?

ANSWER: No, India is not a DVP market. The funds and securities are settled by the Clearing Corporation (CC) by the adoption of multilateral netting procedure. In the event of failure of a trading member, Core Settlement Guarantee Fund (CSGF) is utilised for successful completion of the settlement, which eliminates counter-party risk of trading on the exchange

12. Is the settlement for debt securities the same as for equities?

ANSWER: The settlement for debt securities differs from equities as follows:

Debt instruments are settled as under:

(i) Corporate bonds: T+0, T+1 (exchange-traded) and T+0 to T+2 (as agreed between counterparties in OTC market)

(ii) G-Sec: T+1/ T+2 (OTC) and T+1 for NDS-OM Web. All confirmations to be completed on T-Day whereas equities are settled on T+1 & T0 (optional) basis.

13. Can an FPI participate in F&O market?

ANSWER: Yes, an FPI can participate in F&O market. They can participate in instruments such as :

- (i) Index Futures
- (ii) Single Stock Futures
- (iii) Index Options
- (iv) Single Stock Options
- (v) Currency Derivatives
- (vi) Interest rate Derivatives
- (vii) Commodity Derivatives (Cash Settled products only - non-agricultural commodity derivative contracts and indices comprising such non-agricultural commodities subject to applicable position limits.)

14. In whose name are the securities registered?

ANSWER: India is a segregated market, and thus the accounts are opened in the name of the FPI concerned and the securities are also registered in the name of the FPI.

15. Is the requirement of Trading Member/Broker mandatory in all segments?

ANSWER: A SEBI registered Trading Member/Broker is mandatory for all dealings in securities except in the following cases:

(i) Transactions in Government securities and other securities falling under the purview of RBI and carried out in the manner as specified by RBI.

(ii) Sale of securities in response to:

a. a letter of offer sent by an acquirer in accordance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

b. an offer made by any promoter or acquirer in accordance with the SEBI (Delisting of Equity shares) Regulations, 2009;

c. In accordance with the SEBI (Buy-back of Securities) Regulations, 2018;

d. An offer by Indian companies in accordance with Operative Guidelines for Disinvestment of Shares by Indian Companies in the overseas market through issue of American Depositary Receipts or Global Depositary Receipts

e. In response to an offer for disinvestment of shares made by the Central Government or any State Government;

(iii) Any transaction in securities pursuant to an agreement entered into with merchant banker in the process of market making or subscribing to unsubscribed portion of the issue in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(iv) Transactions in corporate bonds and government securities

(v) Transactions on the electronic book provider platform

(vi) Transactions for transfer of right entitlements

(vii) Transactions to receive, hold and sell unlisted securities received through involuntary corporate actions including a scheme of a merger or demerger approved in accordance with the provisions of the Companies Act, 2013 or pursuant to implementation of any resolution plan approved under the Insolvency and Bankruptcy Code, 2016 or in accordance with the guidelines issued by the Government of India or the RBI or any other regulator for a scheme of debt resolution

a. (Provided that such unlisted holdings shall be treated as Foreign Direct Investment)

(viii) Purchase or sale Transactions of illiquid or suspended or delisted securities

(ix) Transactions between registered FPIs, who are multi investment manager structure of the same beneficial owner and have common Permanent Account Number

(x) Any other Transaction as may be specified by SEBI

16. Are settlements guaranteed by CCPs?

ANSWER: Yes, the settlements are guaranteed by CCPs. NSE Clearing Ltd (NCL) has a comprehensive risk management system which is upgraded to pre-empt market failures. These include capital adequacy of members, stringent margin requirements, position limits based on capital, online monitoring of member positions, etc.

Margins are part of the risk management framework. The Daily Margins consist of Value at Risk (VaR) margins, Extreme Loss Margins and Mark to Market Margins. In addition there are additional margins for highly volatile stocks.

As part of risk management, Members are required to provide liquid assets which cover various margins and Security deposit requirements. These assets consist of Cash, Bank Fixed Deposits, Bank guarantees, Approved Securities, GSec, Mutual Fund units.

The Clearing Corp. also collects early payin of funds and securities from members. In cases where such early payin is done, such positions are exempt from margins.

17. What is the role of Trading Member/Broker, custodian, exchange, CCPs in the equity settlement cycle

ANSWER: The roles of different participants are as follows:

(i) Trading Member/Broker– The Trading Member/Broker executes the trade on the exchange platform. The FPI communicates with the Trading Member/Broker and informs him to execute the required trade at the desired rate and quantity. Some of the Trading Members also provide research reports and insight into the various sectors and companies in order for the fund manager to trade on the exchange with adequate information.

(ii) Custodian – The Custodian undertakes to settle the trades with the Clearing Corp or with the Counterparties. They also track, monitor and collect Corporate actions on the holding

of the FPI. They also send various periodical reports on their investments to the FPI as per their requirements. They also inform the client on various developments in the market that may impact their portfolio. Custodians are required to complete certain compliance reporting obligations to various regulators. Additionally, custodian banks facilitate the inward and outward foreign exchange Transactions related to the purchase and sale of securities.

(iii) Exchange – A stock exchange serves as a regulated marketplace where buyers and sellers trade securities like stocks, bonds, derivatives, etc. They facilitate capital formation for businesses and provide investment opportunities for investors. They also ensure fair and orderly trading, transparency and security in financial Transactions.

(iv) Clearing Corporations - A CC ensures the smooth and efficient transfer of funds and securities in the securities market. It acts as a Central Counter Party between buyers and sellers ensuring that trades are validated, confirmed, and settled and delivered timely and accurately. It also includes managing the risks associated with Transactions and providing a counterparty guarantee.

18. How does clubbing work in the FPI ownership structure?

ANSWER: FPIs having common ownership of more than 50% in the FPI or having common control are considered as belonging to the same FPI Investor Group.

Control includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

Exceptions to Clubbing on Basis of Common Control

- (i) FPIs which are appropriately regulated public retail funds, or
- (ii) FPIs which are public retail funds, majority owned by appropriately regulated public retail funds on look-through basis, or
- (iii) FPIs which are public retail funds, and investment managers of such FPIs are appropriately regulated
- (iv) Public retail funds mean:
- (v) Mutual funds or unit trusts which are open for subscription to retail investors and do not have specific investor type requirements e.g., accredited investors, etc.
- (vi) Insurance companies where segregated portfolio with one-to-one correlation with a single investor is not maintained
- (vii) Pension funds

Foreign Governments and Their Related Entities

(i) Investment by Foreign Government agencies/ their related entities forming part of the same investor group will be clubbed with the investment by the respective foreign Government/ its related entities for the purpose of calculation of the 10% limit for FPI investments in a single company

(ii) Exemptions from clubbing for Foreign Government/ its related entities:

a. Investment by Foreign Government/ its related entities from provinces/ states of countries with federal structure, if the said foreign entities have different ownership and control

b. Where the Government of India has agreements or treaties with other sovereign governments specifically recognising certain entities to be distinct and separate, or the Government of India by an order recognises them as separate entities

(iii) Investment by World Bank group entities like IBRD, IDA, MIGA and IFC

Chapter 3 – NSE products and offerings

1. Can an FPI trade on NSE?

ANSWER: Yes. A FPI can trade on NSE after registration as an FPI.

2. Which products/ instruments can be executed by FPIs on NSE?

ANSWER: The following products can be executed by FPIs on NSE:

(i) Equity instruments- Mainboard and SME

(ii) Fixed Income securities including

i. Corporate Bonds

ii. Govt. Securities

(iii) Derivatives including

i. Index options

ii. Stock Options

iii. Index Futures

iv. Stock Futures

v. Currency Derivatives

vi. Interest Rate Derivatives

vii. Commodity Derivatives

(iv) Exchange Traded Funds

(v) Reits and Invts

3. What are the market timings for trades of various products?

ANSWER: The timings for the various products are as follows:

Market Type	Trade timings
Equity Market	9.15 AM to 3.30 PM (T+1 settlement) 9.15 AM to 1.30 PM (T+0 settlement)
Securities Lending and Borrowing (SLB)	9.00 AM to 17.00 PM
Debt Segment	9.00 AM to 3.30 PM (Exchange traded) 9.00 AM to 5.00 PM (for OTC market)

Derivatives – Futures and Options	9.15 AM to 3.30 PM
Currency Derivatives segment	9.00 AM to 5.00 PM
GSec segment – NDS OM	9.00 AM to 5.00 PM
Commodity Derivatives	9.00 Am to 11.30 PM

4. Does the exchange conduct an auction for failed trades?

ANSWER: Buy-In: In the event that a seller does not deliver the shares at the stock exchange, a buy-in (auction) is conducted by the stock exchange.

Process: The stock exchange invites bids for sale for the shortage quantity, and the difference in amount (i.e. between the buy-in price and the original sale price) is charged to the seller by the stock exchange. The buy-in is conducted on T+1, and the buy-in settlement occurs on T+2. Clearing

Corporations have been provided the flexibility to decide on the time for conducting the settlement auction session on or before T+2 day.

5. What is the impact cost of trading on NSE? What are the various costs for trading on NSE?

ANSWER: Please refer following circulars for Transactions charges

<https://nsearchives.nseindia.com/content/circulars/FA64232.pdf>

Other charges – please refer following: SEBI Turnover Fees, STT and Other levies

6. When can an FPI start trading on NSE

ANSWER: An FPI can start trading after completing the following:

- (i) Registration of the FPI through a DDP
- (ii) Obtaining PAN Number (Tax Registration)
- (iii) Opening a bank account
- (iv) Appointing a Custodian and opening a securities & demat account
- (v) Post allocation of CP code
- (vi) Appointing a Trading Member/Broker to execute trades in NSE and a Clearing Member to clear and settle trades.
- (vii) Appointing a tax consultant

7. What is the difference between NSE and NCL?

ANSWER: National Stock Exchange (NSE) provides a regulated marketplace where buyers and sellers trade securities like stocks, bonds, derivatives, etc. They also facilitate capital formation for businesses and provide investment opportunities for investors. They also ensure fair and orderly trading, transparency and security in financial Transactions.

National Clearing Corporation (NCL) clearing arm of NSE, ensures the smooth and efficient transfer of funds and securities in the securities market. It acts as an intermediary between buyers and sellers ensuring that trades are validated, confirmed, and settled and delivered timely and accurately. It also includes managing the risks associated with Transactions and providing a counterparty guarantee.

8. What is a Settlement Guarantee Fund?

ANSWER: Settlement Guarantee Fund (SGF) is a fund used for each clearing segment to guarantee the settlement of trades executed in the respective segment.

NCL shall maintain SGF based on the methodology prescribed by SEBI for determining the minimum required corpus for cash market, futures and options, currency derivatives segment and commodity derivatives segment. The minimum required corpus for debt segment and tri-party repo, shall be determined by NSE Clearing.

9. Does NSE operate from DR sites in live conditions?

ANSWER: Yes. NSE has best in class BCP and Disaster recovery procedures and plan. As a part of this plan, NSE operates from DR sites in live conditions.

10. Is there a facility of Direct Market Access provided in India?

ANSWER: Yes. NSE does provide Direct Market Access through a Trading Member/Broker.

11. Does NSE have a helpdesk for FPIs?

ANSWER: The email ID of NSE's helpdesk for FPIs is DL-FPI-BD@nse.co.in

12. Can FPIs revert to NSE for queries, discrepancies?

ANSWER: Yes, FPIs can revert to NSE for queries and discrepancies at DL-FPI-BD@nse.co.in.

13. From how many countries do FPIs trade on NSE?

ANSWER: Currently, FPIs from 78 countries trade on NSE.

14. What is the role of NSDL?

ANSWER: NSDL, is a depository that holds securities in dematerialized form in the Indian capital market.

15. Is interoperability enabled and between which entities: Exchanges/ Depositories/ Clearing houses?

ANSWER: Yes. Interoperability has been enabled between the two clearing corporations i.e, NCL and ICCL as well as two depositories i.e. NSDL and CDSL

16. Does NSE have offices outside India?

ANSWER: No. NSE does not have offices outside India.

17. What is NSE's global position?

ANSWER: As per World Federation of Exchanges:

(i) NSE is No.1 in Derivative segment, worldwide in terms of number of contracts traded

(ii) NSE is 5th largest exchange by market capitalization worldwide

18. Does NSE have exemption from US regulators?

ANSWER: Please refer following circular NSE/MSD/47137

Chapter 4 – Data Availability

1. Does NSE provide present and historical data?

ANSWER: Yes. NSE Data & Analytics Ltd can provide both present and historical data.

2. What are the types of data that can be provided by NSE?

ANSWER: Please refer to NSE consolidated circular NSE/MSD/67677 for Market Data.

Further, NSE Data and Analytics Limited is a 100% subsidiary of National Stock Exchange of India Limited (NSE). It provides Real time Feed consists of NSE's market quotes and data for following segments in three levels (Level 1 (Best Bid & Ask); Level 2 (Best 5 Bid & Ask); Level 3 (Best 20 Bid & Ask) & MTBT (Multicast Tick by Tick) and historical data feed.

(i) Capital Market Segment (CM)

(ii) Futures and Options Segment (F&O)

(iii) Currency Derivative Market Segment (CD)

(iv) Wholesale Debt Market Segment (WDM)

(v) Commodity Derivatives (COM)

Data Level	CM	F&O	CD	WDM	COM
Level 1 (Best Bid & Ask)	✓	✓	✓	✓	✓
Level 2 (Best 5 Bid & Ask)	✓	✓	✓		✓
Level 3 (Best 20 Bid & Ask)	✓				
MTBT (Multicast Tick by Tick)	✓		✓		

3. What period of data is provided by NSE?

ANSWER: NSE provides two historical offerings.

(i) Historical Order & Trade data - available from Jan 2008 onwards for CM, F&O and CD. For COM, the data is available from 2018 onwards.

(ii) Historical Trade Data – available from Jan 1994 onwards

Historical data type	CM	F&O	CD	WDM	COM
Historical Order & Trade data	✓	✓	✓		✓
Historical Trade Data	✓	✓		✓	

4. What are the payment terms for accessing the data?

ANSWER: Kindly find the link below [Click here for Real time pricing](#) [Click here for Historical Data pricing](#)

5. Are there any other terms and conditions for accessing the data?

ANSWER: Client needs to sign an Undertaking / agreement, all the conditions are mentioned therein.

Kindly refer to NSE Data sharing and usage policy

6. NSE Data & Analytics currently offers which products?

ANSWER: NSE Data & Analytics currently provides the following products:

- Real time Data
- EOD/ Historical Data
- Analytical Data

Offering details can be found at [Click here](#) and [Click here](#)

Chapter 5 - Connectivity to NSE

1. What are the modes of connectivity with NSE?

ANSWER: NSE uses TCP/IP protocol based Wide Area Network through POP network under both conventional wired last mile connectivity and wireless last mile connectivity options facilitating high bandwidth, expansion and scalability.

In addition, Exchange also facilitates members to co-locate their Non-NEAT Frontend (NNF) infrastructure by subscribing to Racks in the Colocation Facility at NSE premises.

2. Kindly explain the co-location model for connectivity with NSE?

ANSWER: The co-location facility will have the following features:

(i) The facility shall be used only for NNF trading on NSE

(ii) The facility will have dual UPS power source and 100% DG capacity which ensures uninterrupted power.

(iii) Multiple precision air-conditioning units, with N+1 redundancy ensuring optimal temperature at all times.

(iv) Co-location facility at the exchange comes in 3 variants: full rack of 42U, half rack of 21U and quarter rack of 9U. Please refer circular no.

<https://nsearchives.nseindia.com/content/circulars/MSD68052.pdf>

3. What are the costs for connectivity through co-location with NSE?

ANSWER:

Rack Variant	High Power Density (HPD)	Full	Half	Quarter
Space	2*42 U	42 U	21 U	9 U
Charges per rack p.a. (excluding other incidental charges) (in Rs.)	18,00,000	9,00,000	4,50,000	2,25,000
Initial Setup Charges (in Rs.) (one time charge per rack)	2,00,000	1,00,000	50,000	25,000
Pair of uplinks	2 Default+ Additional 8 on demand basis	1 Default+ Additional 4 on demand basis	1 Default+ Additional 1 on demand basis	1 Default
Total permissible connectivity (IPs)	120	60	30	15
Maximum permissible power consumption	2*7.5 KVA	7.5 KVA	3.75 KVA	1.87 KVA

- There shall be no changes in the maximum permissible power consumption in existing racks being made available in Phase 1 to Phase 12 of Colocation Facility i.e. Standard 42U Full Rack with 6KVA power, Half rack of 21U with 3.5KVA and Quarter rack 9U with 1.75KVA.
- The annual recurring charges for the additional one pair of connectivity would be Rs.75,000 plus taxes.

** Other incidental charges include provision for cooling, power back up and other infrastructure and maintenance costs incurred by the exchange in relation to the racks subscribed by the colo participants and common facilities.

4. How do HFTs connect with NSE?

ANSWER:

For more information on connectivity and colocation services, kindly refer to the following consolidated circulars:

April 29, 2025	NSE/MSD/67756
April 29, 2025	NSE/MSD/67754

Chapter 6 - Banking, Hedging and Repatriation

1. Can an FPI open a foreign currency account with the bank?

ANSWER: Yes. A FPI can open foreign currency account in only one foreign currency with an Authorized Dealer (AD) Category-I bank based in India.

2. Can a FPI earn interest on its deposits in India?

ANSWER: FPI cannot earn interest on its deposits in India, Both the accounts i.e. SNRR and Foreign Currency accounts are non- interest-bearing accounts.

3. What are the currencies in which a FPI can trade in India?

ANSWER:

(i) Indian Rupee (INR): All Transactions by FPIs are required to be settled in Indian Rupees through special non-resident rupee accounts (known as SNRR).

(ii) Foreign Currency: While the trading and settlement are in INR, FPIs are allowed to bring in foreign currency (e.g., USD, EUR, GBP, JPY), convert it to INR through authorized dealer banks in India.

4. Can an FPI hedge its currency risk related to their investment?

ANSWER: Yes, FPIs are allowed to hedge their currency risk.

5. What are the instruments available to an FPI for hedging its forex exposure?

ANSWER: FPI can hedge its currency risk by doing currency derivatives on exchange or entering into OTC forward contract with bank's treasury.

6. How fast can the sale proceeds money be repatriated from India? What is the procedure for the same?

ANSWER: The remittance of sale proceeds of a security to the FPIs overseas account is subject to obtaining the tax clearance certificate and the payment of necessary taxes. Tax consultants issue the Tax certificates to local Custodian latest by 9.00am IST on T+1 for the sale trades reported by 8.00pm IST on the Trade date. Accordingly, equity sale proceeds can be repatriated on the settlement date itself i.e on T+1, after the payment of applicable taxes, if any. Dividend and Interest are subject to provisions of withholding taxes and can be repatriated subject to payment of taxes.

Chapter 7 - Taxation for FPIs

1. What are the instrument-wise tax rates applicable to investments by FPI

ANSWER:

Type of Security	Holding period for LTCG	Tax rates [^]		
		STCG	LTCG*	Dividends / Interest Income
Listed Equity, Units of equity oriented MFs,	12 months	20%	12.5%	20%
Units of REITS & InvTs	12 months	20%	12.5%	Dividends - Exempt (where the SPV does not opt for a concessional tax regime) / 20% Interest – 5%
Listed – Units of specified debt mutual fund	Deemed short term	30%	-	-
Listed – Bonds and Debenture/Derivatives	12 months	30%	12.5%	20%

[^] In addition, surcharge and education cess is leviable

* Above INR 1.25 lakhs

2. Is there a requirement to apply for tax ID in addition to obtaining FPI registration or is it the part of registration process?

ANSWER: An entity who is registered as an FPI also needs to obtain a tax registration number (PAN/Tax ID), before commencing investments in the Indian market. PAN is also required for opening bank and FPI accounts. PAN is part of the registration process of an FPI. The process has been eased significantly now and the documents submitted at the time of FPI registration through the Common Application Form (CAF) will be used for PAN issuance.

3. Does India have a DTAA with certain countries?

ANSWER: The Government of India has entered into Double Taxation Avoidance Agreements (DTAA) with several countries. The DTAA treaty determine the taxability of various incomes (including capital gains, dividend and interest income) earned in India, by the resident entity of the country with which India has entered into a DTAA. The entity may avail the benefits of DTAA provisions wherever such provisions are more beneficial vis-à-vis provisions of the income tax applicable in India

4. What are Key tax compliance requirements from an FPI?

ANSWER: The key tax compliances are

(i) Filing of tax returns before the due dates

Type of tax Taxpayer	Due Date
Non – Corporates	Before July 31st of the following financial year
Corporates	Before October 31st of the following financial year*

*Due date extended to November 30th where transfer pricing is applicable

(ii) Payment of taxes before the remittance of funds or on a quarterly basis (on 15th June, 15th September, 15th December, 15th March of the following year) via advance taxes, whichever is earlier

Chapter 8 - Others

1. How can an FPI attend and vote in Company meetings in India?

ANSWER: An FPI can vote in meetings either through physical presence at the meeting, or through proxy voting, postal ballot or electronic voting.

2. What is the level of adoption of technology in the market especially amongst Custodians and Trading Member/Brokers with respect to receiving instructions, sending reports, confirmation, etc. ?

ANSWER: The adoption of technology in the Indian Capital market is at a high level. The Indian market has adopted the use of Straight Through Processing (STP) by the various intermediaries in the market such as Trading Member/Brokers, Fund Managers, Banks, Custodian and the Market Institutions such as Clearing Corporations, Depositories.

Moreover, most of the Custodians also make use of the SWIFT network to receive instructions, send various reports and confirmations, etc.

Also, the systems and processes used by all the intermediaries are highly automated with adequate checks and security features built in which results in error free and timely processing. The high level of automation adopted has enabled the Indian market to transactions to T+1 settlement going on to T+0 settlements.

3. Do regulations allow issuance of Derivative Instruments / Swaps overseas, If yes, please explain the rules?

ANSWER: Yes, regulations do allow the issuance of Derivative Instruments (DIs) (also known as Offshore Derivative Instruments or ODIs) by certain Foreign Portfolio Investors (FPIs), but with strict conditions (detailed information mentioned in the ODI section)

Chapter 9 - Offshore Derivative Instruments (ODIs)

1. What are Offshore Derivative Instruments (ODIs)?

ANSWER: Offshore Derivative Instruments (ODIs)/ Participatory Notes (P-Notes) is issued overseas by a SEBI registered Category-I FPI, against the Indian securities held under their FPI license in India.

2. What are the conditions for the issuance of ODI?

ANSWER:

(i) ODIs can be issued only by Category 1 FPIs or those eligible to be categorized as Category 1 FPIs.

(ii) Each ODI subscriber need to remit USD 800 + GST @18% to the FPIs issuing ODIs. The FPIs to deposit the fees with SEBI once every three years beginning April 1, 2017

(iii) FPIs shall not be allowed to issue ODIs referencing derivatives. Further, no FPI shall be allowed to hedge their ODIs with derivative positions on stock exchanges in India.

3. What are the KYC norms for the subscribers of ODI?

ANSWER: The KYC requirements applicable for ODI subscribers are as follows:

	Document Required
ODI Subscriber	Constitution Documents
	Proof of Address
	Board Resolution
Beneficial Owner (BO) of ODI Subscriber	BO List
	Proof of Identity
	Proof of Address
Senior Management (Whole Time Directors/Partners/Trustees, etc.)	BO List

(i) The FPIs issuing the ODIs shall maintain with them at all times the KYC documentation regarding ODI subscribers and the same should be made available to SEBI on demand.

(ii) The FPIs issuing ODIs shall identify and verify the BOs in the ODI subscriber entities, as applicable to FPIs. Beneficial owner and intermediate shareholder/ owner entity with holdings equal & above the materiality thresholds in the ODI subscriber need to be identified through the look through basis. The list of BOs of ODI subscribers be maintained. ODI issuing FPIs shall also continue to collect identification document number (such as passport, driving license) of BO of ODI subscriber.

(iii) For intermediate material shareholder/ owner entity/ies, name, country and percentage holding shall also be disclosed.

(iv) The KYC review shall be done on the basis of the risk criteria as determined by the ODI issuers, as follows:

a) In case of high risk ODI subscribers, on yearly basis

b) In case of all other ODI subscribers, once every three years.

4. What are the reporting for ODIs?

ANSWER: The reporting requirements are as follows:

a. Reporting of complete transfer trail of ODIs - The details of the holder of ODIs have to be mandatorily reported to SEBI on a monthly basis. The ODI issuers are also required to capture the details of all the transfers of the ODIs issued by them and these can be made available to SEBI on demand. SEBI decided that in the monthly reports on ODIs all the intermediate transfers during the month would also be required to be reported.

b. Report Details - Following reports need to be submitted by the 10th of every month for the previous month by the compliance officer of the respective FPI in the format prescribed by SEBI

Sr.No.	Heading
1.	Monthly Summary Report (MSR)- Statement of Outstanding Positions of Offshore Derivative Instruments (ISIN Wise) as on (last day of previous month)
2.	Offshore Derivative Instruments Activity For The Period ()
3.	Details of Underlying Trade(s) in Indian Market - Equity
4.	Details of Underlying Trade(s) in Indian Market -Debt
5.	Details of Underlying Trade(s) in Indian Market - Derivative
6.	Details of Underlying Trade(s) in Indian Market - Hybrid
7.	Details of Assets Under Management in Indian Market - Equity
8.	Details of Assets Under Management in Indian Market – Debt
9.	Details of Assets under Management in Indian Market – Derivative
10.	Details of Assets Under Management in Indian Market – Hybrid
11.	Statement on Beneficial Owners of ODI subscribers
12.	Reconciliation/Reconfirmation Report

Chapter 10 - Exit of FPIs

1. What is the process of surrender of license by a FPI?

ANSWER:

(i) An FPI intending to surrender its certificate of registration should make an application to the DDP which should include the following details:

a. Confirmation of no dues/ fees pending towards SEBI

b. Confirmation on Nil Cash, Securities, and Derivatives position in India. In the event of any outstanding holdings/ position, the FPIs need to divest prior to surrender of registration and repatriate the funds if any.

c. Confirmation of no actions/ proceedings pending against the FPI initiated by SEBI or any government authority in India

d. Details of name change for period prior to FPI regime may be sought by the DDP from the FPI/ deemed FPI/ FII/ Sub - account itself and submitted to SEBI.

e. Authorisation to block the CP codes

(ii) DDP reviews the application and performs internal checks

(iii) DDP forwards the application to SEBI through email

(iv) SEBI issues NOC which is shared with NSDL by DDP

(v) DDP will issue the letter acknowledging the surrender of the FPI registration to the FPI applicant

(vi) DDP all the accounts including bank account and securities accounts, or any other accounts held by the applicant in the capacity of FPI are closed within 10 working days and informs the FPI

2. Are there any conditions due to which the license of the FPI will be cancelled or suspended?

ANSWER: - Where any person who has been granted a certificate of registration under the Act or regulations made thereunder:

(i) fails to comply with any conditions subject to which a certificate of registration has been granted to him.

(ii) contravenes any of the provisions of the securities laws or directions, instructions or circulars issued thereunder; the Board may, without prejudice to any action under the securities laws or directions, instructions or circulars issued thereunder, by order take such action in the manner provided under these regulations

Chapter 11

IFSC (International Financial Services Centre)

1. What is GIFT IFSC?

ANSWER: GIFT IFSC is the maiden international financial services centre in India. The IFSCA (International Financial Services Centres Authority) is a unified authority for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centre (IFSC) in India. The GIFT IFSC enables offshore financial services, and its mission is to offer cross-border financial products and services within a competitive tax environment.

2. Can an entity registered with IFSC invest in onshore India market as an FPI?

ANSWER: Yes, an allowable entity registered with IFSC can invest in onshore India as an FPI after obtaining necessary registrations and completing the KYC formalities.

3. Can an existing FPI domiciled outside India restructure to change its domicile to GIFT IFSC?

ANSWER: Yes, an existing FPI domiciled outside India can restructure to change its domicile to GIFT IFSC.

4. What are the advantages of investing through IFSC?

ANSWER: The advantages include:

- (i) Unified Regulator and Single Window Clearance
- (ii) State of the art infrastructure and easy to set up
- (iii) Easy movement of foreign capital
- (iv) Liberal policies and business friendly regulatory framework
- (v) Various tax benefits on investments and income from businesses
- (vi) Various state government incentives
- (vii) Deemed foreign jurisdiction

5. What are the products available in IFSC?

ANSWER: The products available are:

- (i) Equity index derivatives,
- (ii) Single stock equity derivatives,
- (iii) Currency derivatives,

- (iv) Depository receipts,
- (v) Commodity derivatives,
- (vi) Debt securities,
- (vii) Foreign Equity, etc.
- (viii) Indian companies are permitted to list their shares on the IFSC exchange.

6. What is the tax structure in IFSC for FPIs?

ANSWER: The tax structure in IFSC is as follows:

Generic exemptions for all non-resident/ IFSC entities

- i. Securities Transaction Tax (STT) on transaction carried out on IFSC exchanges: NIL
- ii. Commodity Transaction Tax (CTT) on transaction carried out on IFSC exchanges: NIL
- iii. Stamp duty on transaction carried out on IFSC exchanges: NIL
- iv. Custom duty on import of any product from overseas jurisdiction: NIL
- v. GST on services (a) received by units in IFSC; and (b) provided to IFSC/ SEZ units or offshore clients: NIL
- vi. Dividend income received by non-residents from an IFSC unit is taxable at a rate of 10% (plus applicable surcharge and cess), subject to DTAA benefits.
- vii. Tax on capital gains on specified securities (including retail schemes and Exchange Traded Funds) listed on IFSC exchanges by a non-resident or Category-III AIF located in IFSC: NIL (i.e., Gains accruing not chargeable to tax in India)
- viii. Tax on interest paid by IFSC units to non-residents: NIL
- ix. Tax on interest paid to non-resident on long-term bonds and INR-denominated bonds listed on IFSC exchange:
 - i. Bonds issued before 1 July 2023: 4% (plus applicable surcharge and cess).
 - ii. Bonds issued on or after 1 July 2023: 9% (plus applicable surcharge and cess)

(x) Transfer of the securities, mentioned below, by a non-resident on a recognised stock exchange in IFSC, has been exempted from Capital Gains Tax, provided the consideration for such transfer is in foreign currency.

- i. Bonds or Global Depository Receipt
 - ii. INR-denominated bonds of an Indian company
 - iii. Derivatives
 - iv. Foreign currency denominated bonds
 - v. Units of a mutual fund
 - vi. Units of a business trust
 - vii. Foreign currency denominated equity shares of a company
 - viii. Units of an Alternative Investment Fund (AIF)
 - ix. Bullion Depository Receipts (BDRs) with underlying bullion
 - x. Units of investment trusts, viz., units of a Real Estate Investment Trust (REIT) or Infrastructure Investment Trust (InvIT))
 - xi. Units of a scheme of a fund launched by a fund management entity registered with the IFSCA
 - xii. Units of an Exchange Traded Fund launched under IFSCA (Fund Management) Regulations, 2025
- (xi) Tax exemptions provided on certain income of some IFSC units, as also to sovereign wealth funds/ pension funds, which were set to expire on March 31, 2025, extended up to March 31, 2030.

Exemptions for entities set-up and registered as FPIs (to the extent income attributable to non-resident investors)

(i) Tax on capital gains on any security (except shares of an Indian company): NIL (Gains accruing not chargeable to tax in India)

(ii) No surcharge on interest and dividend income for Specified Funds set-up in IFSC (irrespective of legal form); such income taxable at a flat rate of 10%

(iii) No tax on relocation of Funds from offshore jurisdiction to IFSC, provided the relocation is made before March 31, 2030 (iv) No tax for non-residents on transfer of non-deliverable forward contracts or offshore derivative instruments or over-the-counter derivatives or on distribution of income on offshore derivative instruments issued by an FPI in the IFSC

Exemptions for entities undertaking business operations in the IFSC

- i. Tax holiday for 10 consecutive years out of the block of first 15 years (with respect to business income)
- ii. Minimum Alternate Tax (MAT)/ Alternate Minimum Tax (AMT): 9% for IFSC units (MAT is not applicable to companies in an IFSC opting for new Tax regime)

Further information on NSE's International Exchange (NSE-IX) located in IFSC can be accessed here

<https://www.nseix.com/resources/membership-faqs>