



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

RBI/2011-12/271

A.P. (DIR Series) Circular No. 49

November 22, 2011

To,

All Category – I Authorised Dealer banks

Madam / Sir,

Foreign Investments in Infrastructure Debt Funds

Attention of Authorised Dealers 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 notified vide [Notification No. FEMA 20 / 2000 -RB dated May 3, 2000](#), as amended from time to time. In terms of this notification, a SEBI registered Foreign Institutional Investor (FII) and a Non-Resident Indian (NRI) may invest in securities other than shares or convertible debentures, subject to such terms and conditions mentioned therein and limits as prescribed for the same by the Reserve Bank and the Securities and Exchange Board of India (SEBI) from time to time.

Attention of Authorised Dealers Category – I (AD Category - I) banks is also invited to AP (DIR Series) Circular No.8 dated August 9, 2011 and AP (DIR Series) Circular No.42 dated November 3, 2011 in terms of which Qualified Foreign Investors (QFIs as defined therein to mean non-resident investors, other than SEBI registered FIIs and SEBI registered FVCIs, who meet the KYC requirements of SEBI) are allowed to invest in units of domestic Mutual Funds.

2. It has now been decided to allow investment on repatriation basis by eligible non-resident investors (as mentioned in para 3 below) in (i) Rupee and Foreign currency denominated bonds issued by the Infrastructure Debt Funds (IDFs) set up as an Indian company and registered as Non-Banking Financial Companies (NBFCs) with the Reserve Bank of India and in (ii) Rupee denominated units issued by IDFs set up as SEBI registered domestic Mutual Funds(MFs), in accordance with the terms and conditions stipulated by the SEBI and the Reserve Bank of India from time to time.

These investments would be subject to the following terms and conditions.

3. Eligible non- resident investors

- a) Sovereign Wealth Funds, Multilateral Agencies, Pension Funds, Insurance Funds and Endowment Funds which are registered with SEBI as eligible non- resident investors in IDFs (hereinafter referred to as 'SEBI registered eligible non- resident investors in IDFs').
- b) SEBI registered Foreign Institutional Investors (FIIs).
- c) Non Resident Indians (NRIs) as defined in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 (Notification No. FEMA 20/2000-RB dated May 3, 2000), as amended from time to time.
- d) High Networth Individuals (HNIs) registered with SEBI as sub accounts of SEBI registered FIIs or HNIs which are separately registered with SEBI as eligible non-resident investors in IDFs in India.

4. Eligible Instruments / Securities for non-resident investment in IDFs

	<u>Eligible non-resident investor</u>	<u>Eligible instruments</u>
(i)	SEBI registered eligible non-resident investors in IDFs (as per 3 (a) above)	Foreign Currency and Rupee denominated bonds and rupee denominated units issued by IDFs
(ii)	SEBI registered FIIs who qualify as (i) above	Foreign Currency and Rupee denominated bonds and rupee denominated units issued by IDFs
(iii)	SEBI registered FIIs who do not qualify as (i) above	Rupee denominated bonds and units issued by IDFs
(iv)	NRIs	Rupee denominated bonds and units issued by IDFs
(v)	HNIs (as per 3(d))	Foreign Currency and Rupee denominated bonds and rupee denominated units issued by IDFs

5. Original / Initial Maturity

The original / initial maturity of all aforementioned securities at the time of first investment by a non resident investor shall be five years.

6. Lock in period

All non-resident investment in the aforementioned securities would be subject to a lock in period of three years. However, all non-resident investors can trade amongst themselves within this lock in period of three years.

7. Foreign Currency Denominated bonds

Foreign currency denominated bonds issued by IDFs would have to comply with all the terms and conditions (including all in cost) under the extant FEMA guidelines / regulations for External Commercial Borrowing (ECB), other than reporting requirements.

8. Quantitative limits for non- resident investment in IDFs:

- a) All non-resident investment in IDFs (other than NRIs) (in both Rupee and Foreign Currency denominated securities) would be within an overall cap / limit of USD 10 billion only. This cap / limit of USD 10 billion would be within the overall cap of USD 25 billion for FII investment in bonds / non convertible debentures issued by Indian companies in the infrastructure sector (where infrastructure is as defined under the extant ECB guidelines) or by Infrastructure Finance Companies (IFCs registered as NBFCs with the Reserve Bank).
- b) There would be no cap / limit for NRI investment in IDFs by way of Rupee denominated bonds / units.

9. Other conditions**(a) End use**

- (i) IDFs set up as NBFCs may invest in debt securities of only Public Private Partnership (PPP) infrastructure projects which have a buyout guarantee and have completed at least one year of commercial operations. Refinance by IDF would be up to 85% of the total debt covered by the concession agreement.

(ii) IDFs set up as MFs would invest minimum of 90% of its funds in debt securities of infrastructure companies or SPVs across all infrastructure sectors, project stages and project types.

(where 'infrastructure' is defined in terms of the extant ECB guidelines)

(b) Foreign exchange hedging

The facility of foreign exchange hedging would be available to the eligible non-resident IDF investors, IDFs as well as the infrastructure project companies exposed to the foreign exchange/ currency risk as per the extant provisions under Notification No. FEMA.25/2000-RB dated May 3, 2000, as amended from time to time.

10. AD Category - I banks may bring the contents of the circular to the notice of their customers/constituents concerned.

11. Necessary amendments to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (Notification No. FEMA. 20/2000-RB dated May 3, 2000) are being notified separately.

12. 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,

(Meena Hemchandra)
Chief General Manager-in-Charge