FPIs start process of falling in line

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Highlights

- Almost a dozen foreign funds across geographies such as Singapore, Mauritius and the U.S., which invest in the Indian equity markets, have started restructuring their ownership and management structure to comply with the **Securities and Exchange Board of India's (SEBI) diktat that bars Non-Resident Indians (NRIs), among others, from acting as fund managers of foreign portfolio investors (FPIs).**
- According to people directly involved in the matter, some of the funds have initiated the process to change the key management personnel (KMP) managing the fund if such person falls in the category barred by the Indian capital market regulator.
- This was a **time-consuming process.**
- A large number of FPIs investing in India were facing problems as the senior managing official – an NRI or a PIO, in many cases – was identified as the beneficial owner.

'To act or wait'

- As per the **SEBI circular**, since the **beneficial owner cannot be an NRI or OCI**, it has pushed lot of FPI structures in trouble.
- Currently, there is lot of anxiety and dilemma among FPIs concerned, whether to act on the dictum now or keep waiting for a relaxation at least till the extended compliance deadline is round the corner.
- NRIs, along with Person of Indian Origin (PIO) and Overseas Citizen of India (OCI), **cannot manage FPI investments**, and have time till December 31 to comply with the new framework.
- While an industry body has pegged the potential outflows at $75 billion due to the SEBI diktat, the regulator has brushed aside such concerns.
- The concerns raised by FPIs are valid and the decision, if not reviewed, could lead to removal of persons of Indian origin from managing India-focussed funds.

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