SEBI revises KYC norms for foreign portfolio investors

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Highlights

- The Securities and Exchange Board of India (SEBI) has announced the revised guidelines for know your client (KYC) requirement for foreign portfolio investors (FPIs) allowing non-resident Indians (NRIs), resident Indians (RIs) and overseas citizens of India (OCIs) to be part of such FPIs investing in India.
- Such NRIs, OCIs and RIs can be part of a FPI if their aggregate holding in such an overseas fund is less than 50% of the corpus of the fund. Further, the individual share of such entities cannot exceed 25% in an FPI.
- Contributions by NRI/ OCI/ RI, including those of NRI/ OCI/ RI controlled investment manager, should be below 25% from a single NRI/ OCI/ RI and in aggregate should be below 50% to corpus of FPI.
- More importantly, the regulator has also laid down that FPIs can be controlled by investment managers that are owned or controlled by NRIs, OCIs or RIs. Such, investment managers, however, need to be properly regulated in their home jurisdiction and also registered with the SEBI.

Time to fulfill norms

- Existing FPIs will be given two years' time — from the date the new regulations come into force — to fulfill the new eligibility criteria.
- Also, in case of a temporary breach of the norms, the entity will get 90 days to comply with the regulations.
- Meanwhile, FPIs will be subject to periodic review and any change in material information or disclosure would warrant such a review.
- For category II and III FPIs from high risk jurisdictions, KYC review would be done annually.
- The new guidelines as laid down by SEBI are largely in line with the recommendations of the H. R. Khan Committee.

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