



भारतीय प्रतिभूति और विनियम बोर्ड

Securities and Exchange Board of India

CIRCULAR

CIR/MRD/DP/15/2014

May 15, 2014

To

All Stock exchanges and Clearing corporations;
All Depositories;
All Custodians of Securities;
All Foreign Institutional Investors (FIIs) through their designated Custodians of Securities;
All Designated Depository Participants (DDPs) through Depositories

Dear Sir / Madam,

Sub: Risk management framework for Foreign Portfolio Investors (FPI) under the SEBI (Foreign Portfolio Investors) Regulations, 2014

1. The SEBI (Foreign Portfolio Investors) Regulations, 2014 were notified on January 07, 2014 and shall commence with effect from June 01, 2014.
2. To effect a smooth transition to the FPI regime, stock exchanges and clearing corporations are directed to take following measures with regard to trading and risk management of FPI trades:

2.1. Margining of trades undertaken by FPIs in the Cash Market:

(i) The trades of FPIs in Category I, II & III shall be margined on a T+1 basis in accordance with SEBI circular MRD/DoP/SE/Cir-18/2008 dated May 22, 2008.

(ii) However, the trades of FPIs who are Corporate bodies, Individuals or Family offices shall be margined on an upfront basis as per the extant margining framework for the non-institutional trades.

2.2. Position limit of an FPI in the Equity Derivatives Segment and for Interest Rate Futures: Category I & II FPIs shall have position limits as presently available to FIIs. Category III FPIs shall have position limits as applicable to the clients.

2.3. Facility for allocation of trades: In modification to the SEBI circular MRD/DoP/SE/Cir-35/2004 dated October 26, 2004, the following framework shall be implemented to facilitate allocation of trades of a FPI to other FPIs:



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- (i) Entities who trade on behalf of FPIs shall inform the stock brokers of the details of FPIs on whose behalf the trades would be undertaken.
 - (ii) The stock broker, in turn, shall inform the stock exchanges the details of such related FPIs.
 - (iii) Stock exchanges shall put-in place suitable mechanism to ensure that allocation of trade by a FPI is permitted only within such related FPIs.
3. Custodians / DDPs shall provide necessary details related to FPIs, including categorisation of FPIs, to the stock exchanges for the purpose of implementing the aforementioned provisions.
 4. Stock Exchanges and Clearing Corporations may specify additional requirements as they may deem fit with regard to transition from FII to FPI regime.
 5. Stock Exchanges and Clearing Corporations are directed to:
 - a) take necessary steps to put in place systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations.
 - b) bring the provisions of this circular to the notice of the stock brokers / clearing members and also disseminate the same on its website;
 - c) communicate to SEBI the status of implementation of the provisions of this circular.
 6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

Maninder Cheema
Deputy General Manager
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