

EY Regulatory Alert

SEBI Circular mandating additional disclosures by Foreign Portfolio Investors that fulfil certain objective criteria

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Executive summary

This alert summarizes a recent Circular released by the Securities and Exchange Board of India, dated 20 March 2024 (March 2024 Circular)¹ amending the SEBI Circular dated 24 August 2023 (August 2023 Circular) which mandated additional disclosures by Foreign Portfolio Investors (FPIs) that fulfilled certain objective criteria. The March 2024 Circular is in furtherance to the consultation paper released by SEBI for public comments on 27 February 2024.

The Circular shall come into force with effect from 20 March 2024.

¹ Circular 'SEBI/HO/AFD/AFD - PoD - 2/ CIR/ P/ 2023/ 148'



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- ▶ The August 2023 Circular provided for exemptions from additional disclosure to certain FPIs satisfying prescribed criteria listed therein.
- ▶ In addition to the criteria listed in the August 2023 Circular, the March 2024 Circular provides that an FPI having more than 50% of its Indian equity Assets Under Management (AUM) in a corporate group shall not be required to make the additional disclosures, subject to compliance with all of the following conditions:
 - i. The apex company of such corporate group has no identified promoter. For this purpose, the list of corporate groups based on the corporate repository published by the Stock Exchanges and their respective apex companies having no identified promoters shall be made public by Depositories.
 - ii. The FPI holds not more than 50% of its Indian equity AUM in the corporate group, after disregarding its holding in the apex company (with no identified promoter).
 - iii. The composite holdings of all such FPIs (that meet the 50% concentration criteria excluding FPIs which are exempted) in the apex company is less than 3% of the total equity share capital of the apex company.
- ▶ Custodians/ Depositories shall track the utilisation of the 3% limit at the end of each day. When the 3% limit is met or breached, Depositories shall make this information public before start of trading on the next day. Thereafter, for further investment, FPIs meeting the 50% concentration criteria will be required to realign their investments below the threshold within 10 trading days or make additional disclosures.
- ▶ The consultation paper proposed to provide exemption from enhanced disclosure requirements to University Funds and University related Endowments registered/ eligible to be registered as Category I FPIs that met certain objective criteria. However, the March 2024 Circular does not include the said exemption,

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