

## ECONOMY

## SEBI's KYC circular could impact stocks, rupee: AMRI

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MUMBAI, SEPTEMBER 03, 2018 21:26 IST

UPDATED: SEPTEMBER 03, 2018 22:35 IST

**Move aims to enhance norms for foreign portfolio investors**

The Indian stock markets could tumble and the rupee may fall further ahead of the general elections if a contentious KYC circular issued by the stock market regulator is not scrapped soon, a body of influential foreign funds, managed by persons and institutions of Indian origin, has warned.

Seeking an intervention from the highest level of the government, the Asset Managers' Roundtable of India (AMRI) has said that the circular issued by the Securities Exchange Board of India (SEBI) this April on enhancing the KYC norms for foreign portfolio investors (FPIs), has ended up placing a blanket ban on investments through funds managed by overseas citizens of India (OCI cardholders), Persons of Indian Origin (PIOs), NRIs and even regulated domestic institutions.

**Extended deadline**

Such funds oversee about \$75 billion of investments in the Indian market out of the total estimated foreign portfolio investments of \$450 billion. SEBI has extended the August 31 deadline, for compliance with its directive, to December 31.

“The government may be keen to fix money laundering and nobody questions the need for KYC norms, but this circular also ends up treating all NRI fund managers as possible conduits for money laundering,” said Nishith Desai, who owns the law firm Nishith Desai Associates.

“These are funds mobilised by reputed fund managers of Indian origin and all of that will be disqualified one fine morning on January 1,” he added.

Mr. Desai said the total amount of investments affected could go as high as \$100 billion-150 billion.

“This runs contrary to the Prime Minister’s efforts for the NRI community to galvanise capital flows into the country and could lead to a collapse in the stock markets as well as further weaken the rupee ahead of the elections as these funds will have to wind up their positions,” said Nandita Agarwal Parker, president of the AMRI.

“The world over, people of Chinese origin manage a lot of Chinese funds. Now, the Nigerians or the Russians can manage funds investing into India, but those of Indian origin can’t. No country in the world does this and we are having a tough time explaining to institutional investors why India is doing this,” she said.

The AMRI has met SEBI Chairman Ajay Tyagi as well as Finance Ministry mandarins to understand the objectives behind the circular but is still awaiting clarity on what they have termed an ‘existential crisis’ for several India-focused funds.

On August 29, AMRI had written a fresh letter expressing its concerns to the SEBI Chairman with copies marked to Prime Minister Narendra Modi and Finance Minister Arun Jaitley.