

# Sebi panel may ease investment rules for NRIs, foreign funds

BY ET BUREAU | SEP 10, 2018, 08.46 AM IST

Mumbai: Foreign portfolio investors will breathe a sigh of relief after a Securities and Exchange Board of India-appointed panel on Saturday recommended easing some of the restrictions the regulator had imposed on investments by non-resident Indians and some foreign funds. The committee suggested that NRIs should be allowed to manage funds and have relaxed rules that would have limited their investments in the country.

Company Summary		NSE	BSE
Bank Of I...	▲ 1.35 (1.47%)	+	
Edelweiss	▲ 5.20 (2.03%)	+	

On April 10, Sebi had issued a circular that barred NRIs and persons of Indian origin from being a beneficial owner in funds that invest in India. FPIs raised a hue and cry over the circular saying Sebi should use the beneficial owner definition for greater disclosures but not to curb investments. The directive rattled Indian groups like Kotak and Edelweiss, which had set up FPI vehicles abroad.

After an FPI lobby group openly criticised the regulator last week, the committee, headed by HR Khan, former deputy governor of the Reserve Bank of India, came out with the fresh set of recommendations.

If these suggestions go through, an NRI will be allowed to invest up to 25 per cent of a foreign fund's assets. Collectively, NRIs could hold up to 50 per cent. The Khan committee also recommended doing away with the restriction that Persons of Indian Origin cannot be beneficial owners in a foreign fund. It also recommended that the government and Sebi should come out with a proper definition for 'high-risk jurisdictions'.

## What Experts Say...

The interim recommendations of the HR Khan Committee effectively address concerns expressed by stakeholders such as NRIs, OCIs, PIOs, Resident Indian Investment Management Institutions as well as Category I FPIs. The proposals include a suitable exemption for public funds, which is significant in the context of the proposed clubbing based on common control

### SRIRAM KRISHNAN, Deutsche Bank India

Sebi's consultative approach towards putting frameworks has yielded results and Khan's committee's suggestions sums up industry's pain, expectations and best approach with rationales. BO criteria under PMLA should be applicable for KYC and not for eligibility of the FPIs even where NRIs/ PIO /OCI are constituents. Keeping PIOs out of the regime is a step in the right direction

### JYOTI RAI, Edelweiss Prime Services

The government's issuing the consultative paper resolving almost all the problems of the FPI industry must be highly appreciated. Indeed, it's very democratic to understand the industry, hear them and resolve the problem. We have no doubt that fund managers and the FPI community are all out there to help government check tainted money and pool healthy global capital into India

### RICHIE SANCHETI, Nishith Desai Associates