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Sebi relaxes FPI onboarding norms but gaps remain in framework, say experts

Anomalies seen in time period for reporting material changes

Khushboo Tiwari | [Business Standard](#) | [Mumbai](#)



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The Securities and Exchange Board of India (Sebi) has eased the on-boarding process of foreign portfolio investors (FPIs) through several procedural relaxations around documentation, PAN verification and disclosure of details of the investor group constituents.

However, experts point out an anomaly in the new framework, which may require the markets regulator to provide more clarity. Designated depository participants (DDPs) — entities who facilitate FPI investments in the country — could soon approach the regulator over the issue.

“One gap that remains between the master circular and the amended FPI Regulations is on the time period for intimation of material changes to DDPs and Sebi. How the text currently reads is that while the FPIs have to intimate the DDP within seven days of a change, the DDPs will have to inform Sebi within two working days in case there is a delay of more than six months in the DDP intimation,” said Prakhar Dua, leader, financial services & regulatory practice, Nishith Desai Associates.

“Clarity should be sought by the custodians from Sebi on this gap to understand their scope of action for the period between the 8th day and expiry of the sixth month,” added Dua.

In a circular issued on Monday, the market watchdog detailed the changes which industry expects to considerably reduce the time taken for granting FPI registration and opening of demat, trading and bank accounts.

Among key relaxations include allowing DDPs to grant FPI registration on the basis of scanned copies of common application form and documents. Further, FPIs will also be able to use digital signatures for the form and for other documents.

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Additionally, in case of an existing FPI investor group, they are relaxed from providing complete details of constituents in lieu of the unique FPI investor group ID which is generated by NSDL.

Though the regulator has brought procedural leniency for onboarding FPIs, a stricter timeline has been introduced for disclosures effective March 14 through amendments in FPI Regulations.

The existing regulations said FPIs had to inform the DDPs “forthwith”, which now has been replaced by “as soon as possible but not later than seven working days”.

Experts said that in some cases the processing time could range between 60-75 days which is now expected to come down to nearly thirty days through the use of digital signatures and copies of documents for the SWIFT mechanism.

The markets regulator had approved the majority of the changes in its previous board meeting held in December 2022 and they have been brought into effect with the latest circular.

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