



CIRCULAR

IMD/FPIC/CIR/P/2018/46

March 08, 2018

To,

1. **All Foreign Portfolio Investors** (through their designated Custodians of Securities)
2. **The Depositories (NSDL and CDSL)**
3. **The Recognized Stock Exchanges**

Dear Sir / Madam,

Sub: Separate limit of Interest Rate Futures (IRFs) for Foreign Portfolio Investors (FPIs)

1. Reserve Bank of India, in its Statement on Developmental and Regulatory Policies, released on August 02, 2017, proposed to allocate a separate limit of INR 5,000 crore to Foreign Portfolio Investors (FPIs) for taking long position in Interest Rate Futures (IRFs) in order to facilitate further market development and to ensure that FPIs' access to bond futures remains uninterrupted during the phase when FPI limits on Government securities are under auction.
2. Accordingly, it has been decided to allocate a separate limit of INR 5,000 crore to FPIs for taking long position in IRFs. Para 13 (d) of Annexure 1 to SEBI Circular CIR/MRD/DRMNP/35/2013 dated December 05, 2013 and Para 13 (c) of Annexure 1 to SEBI Circular CIR/MRD/DRMNP/11/2015 dated June 12, 2015 stand partially modified to that extent.
3. This limit will be calculated as follows:
 - a. For each interest rate futures instrument, position of FPIs with a net long position will be aggregated. FPIs with a net short position in the instrument will not be reckoned.
 - b. No FPI can acquire net long position in excess of INR 1,800 crore at any point of time.
4. For monitoring the limit as mentioned in Paragraph '3' above and in SEBI Circular CIR/MRD/DRMNP/2/2014 dated January 20, 2014, Stock Exchanges, after consulting amongst themselves, shall adhere to the following mechanism:
 - a. Stock Exchanges shall put in place necessary mechanism for monitoring and enforcing limits of FPIs in IRFs.



- b. Stock Exchanges shall aggregate net long position in IRF of all FPIs taken together at end of the day and shall jointly publish/ disseminate the same on their website on daily basis.
 - c. Once 90% of the limit is utilized, Stock Exchanges shall put in place necessary mechanism to get alerts and publish on their websites the available limit, on a daily basis.
 - d. In case, there is any breach of the threshold limit, the FPI/s whose investment caused the breach shall square off their excess position/s within five trading days or by expiry of contract, whichever is earlier.
5. The limits prescribed for investment by FPIs in Government Securities (currently INR 301,500 crore) shall be exclusively available for investment in Government Securities.

This circular shall come into effect immediately. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992.

A copy of this circular is available at the web page "Circular" on our website www.sebi.gov.in. Custodians are requested to bring the contents of this circular to the notice of their FPI clients.

Yours faithfully,

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