



Consultation paper on proposal to increase the size criteria (set to guard against potential circumvention of Press Note 3 stipulations) in the additional disclosure framework

1. OBJECTIVE

1.1. Under the additional disclosure framework for FPIs specified vide SEBI's Circular dated August 24, 2023 ("August Circular"), with a view to guard against potential circumvention of Press Note 3 stipulations, certain FPIs/investor groups with equity assets under management ('AUM') exceeding INR 25,000 crores are required to provide granular details of all their investors/stakeholders on a look-through basis. Given the rise in market volumes since the limit was set, it is proposed to increase such threshold from INR 25,000 crores to INR 50,000 crores.

2. EXTANT FRAMEWORK

2.1. To guard against possible circumvention of Minimum Public Shareholding ("MPS") norms, requirements under SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 ("SAST Regulations"), and Press Note 3 ("PN 3"), SEBI (Foreign Portfolio Investors) Regulations, 2019 ("FPI Regulations, 2019") were amended in August 2023, and Regulations 22(6) and 22(7) were inserted in FPI Regulations, 2019. Further, August Circular mandated disclosure of granular details of all entities holding any ownership, economic interest, or control in an FPI, on a full look through basis, without any threshold, by FPIs fulfilling any of the following criteria:

- a. holding more than 50% of their Indian equity AUM in a single Indian corporate group to guard against possible circumvention of MPS/SAST Regulations ("concentration criteria"); or
- b. individually, or along with their investor group (in terms of Regulation 22(3) of the FPI Regulations, 2019), hold more than INR 25,000 crore of equity AUM in the Indian markets to guard against possible circumvention of PN 3 stipulations ("size criteria")

2.2. Further, with a view to address regulatory arbitrage with respect to Offshore Derivative Instruments (ODIs) and FPIs with segregated portfolios, the additional disclosure framework shall also be made applicable directly to ODI subscribers and segregated portfolio(s) of FPIs with sub-funds or separate classes of shares or equivalent structure(s), in terms of SEBI



Circular dated December 17, 2024. Accordingly, for the purpose of computing breach of size criteria, combined equity holdings/positions taken through FPI and ODI route shall be considered.

2.3. Certain FPIs, including those having a broad based, pooled structure with widespread investor base or those having ownership interest by Government or Government related investors have been exempted from such additional disclosure requirements, subject to certain conditions.

2.4. Further, the detailed mechanism for independently validating conformance of FPIs with the conditions and exemptions, was spelt out in the Standard Operating Procedure (SOP) framed by the Custodians and DDPs Standard Setting Forum (CDSSF), in consultation with SEBI.

3. NEED FOR REVIEW

3.1. SEBI vide a consultation paper dated May 31, 2023 had sought comments from public on the proposal regarding additional disclosure framework with the threshold for the size criteria at INR 25,000 crore. Eventually the same was also adopted in the final framework issued through August Circular.

3.2. The size criteria was specified with a view to guard against the potential circumvention of Press Note 3 stipulations by FPIs with large Indian equity portfolios, with potential to disrupt orderly functioning of Indian securities markets by their actions. The 'potential to disrupt the functioning of market' has to be evaluated relative to the size of the market. In this regard, a broad market parameter such as turnover can be used as a factor to assess the size of market. Data for average daily turnover (in capital market segment at NSE) for the FY 2022-23 and FY 2024-25 (till December 2024) shows an increase of 122 percent.

Table 1

Period	Average Daily Turnover (INR crores)
FY 2022-23	53,434
FY 2024-25*	1,18,757
Change (%)	122

* till 31-12-2024



4. PROPOSAL

4.1. Considering the increase in market turnover, it is proposed to increase the size criteria from the present INR 25,000 crore to INR 50,000 crores.

4.2. It is clarified that no change is being proposed in the extant threshold or treatment for the concentration criteria, which is designed to prevent circumvention of MPS and SAST Regulations.

Questions for public comments

1. Do you agree with the proposal to increase the size criteria for mandating additional disclosures from FPIs / ODI subscribers?
2. Do you agree with the proposal to increase the size criteria to INR 50,000 crores?

5. PUBLIC COMMENTS

5.1. Considering the implications of the aforementioned matters on the market participants, public comments are invited on the above-detailed proposal. The comments/ suggestions should be submitted latest by January 31, 2025, through the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>

5.2. Any technical issue in submitting your comment through web based public comments form, may be communicated through email to afdconsultation@sebi.gov.in with a subject: *"Issue in submitting comments on Consultation paper on proposal to increase the size criteria (set to guard against potential circumvention of Press Note 3 stipulations) in the additional disclosure framework"*

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