

Consultation Paper on introduction of “Single Window Automatic & Generalised Access for Trusted Foreign Investors (SWAGAT-FI)” framework for FPIs and FVCIs

1. Objective

- 1.1. The objective of this consultation paper is to seek public comments on proposals to improve ease of investments by simplifying onboarding and ongoing compliances for a specific set of Foreign Portfolio Investors (FPIs) – viz., Government-owned funds and certain regulated Public Retail Funds - that are objectively verified as belonging to a low-risk category.

2. Background

- 2.1. Foreign capital has played a vital role in the development of India’s securities markets and contributed to sustained capital formation. As per Indian legal and regulatory framework, foreign investment in Indian Capital market is permitted to be made either as foreign portfolio investment or Foreign Direct Investment (FDI). Foreign portfolio investment in equity and debt has improved market depth and liquidity in our securities markets over a period of time.
- 2.2. Under the extant regulatory framework, there are several routes for foreign investment in India based on the type of investor, type of investment, type of investee entity or type of securities permitted under Foreign Exchange Management Act, 1999 (FEMA) and rules and regulations issued thereunder. Each investment route has its own attendant conditions, investment thresholds, eligibility requirements, operational processes and compliance obligations. A foreign investor looking to invest in the Indian securities market navigates through a range of investment routes e.g. Foreign Direct Investment (FDI), investment as FPI, investment as Foreign Venture Capital Investor (FVCI), investment through investment vehicles such as Alternative Investment Funds (AIFs), Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), to invest

in the Indian securities market. Simplification of regulatory framework around foreign investment is linked to the larger Foreign Exchange Policy management and hence may need a holistic evaluation. However, it is proposed to make a start in this direction by providing single access to foreign investment routes that are governed under regulations made by SEBI i.e. FPI and FVCI. In addition to providing easier access, proposals are also made towards easing other regulatory compliances under SEBI regulations.

- 2.3. Over the years, several steps have been taken to ease the investment journey for foreign investors including FPIs. SEBI has undertaken several steps to make onboarding and participation of FPIs easier, including risk-based KYC requirements, simplification of documentation and introduction of Common Application Form (CAF). Recently, RBI has also relaxed conditions for foreign investment in corporate bonds, while norms for investment by FPIs in Government securities have been eased by RBI over the years including under the Fully Accessible Route (FAR).
- 2.4. While these measures to streamline the process of on boarding and improving ease of doing business have borne fruit (refer table below), there is scope for further easing of regulatory provisions regarding on boarding and ongoing compliances. A balanced approach of ease of investment with managing risks associated needs to be followed in this regard. Accordingly, it has been deliberated at length including with the advisory committee of SEBI whether a subset of identified and verified low-risk FPIs can be governed under a relatively relaxed onboarding and compliance regime. A more predictable, uniform, and simplified framework would encourage greater foreign participation while retaining oversight and regulatory safeguards. Such objectively identified and verified low-risk FPIs will be able to have single point of contact for onboarding and have access to multiple routes under the existing FEMA framework.

- 2.5. Such investors looking to invest in the Indian market, in equity as well as debt instruments, under the FPI route are also likely to provide stable capital for long term investment. As per the extant FEMA construct, such investment may fall under different schedules under FEM (Non Debt Instruments) Rules, 2019 (“NDI Rules”) or FEM (Debt Instruments) Regulations, 2019. Leveraging the on-boarding procedure followed for FPI registration for investment under other routes with minimal or no separate on-boarding/ KYC requirements, is being explored in discussions with other regulators. The same is expected to save on time, repetitive paperwork and procedural delays, leading to ease of doing business for foreign investors. To start with, the routes governed under regulations issued by SEBI are being considered.

3. Data on Foreign Portfolio Investors

As on date	Number of registered FPIs	Total Assets under Custody (INR lakh crore)
March 31, 2022	10,608	50.97
March 31, 2023	11,081	48.70
March 31, 2024	11,219	69.54
March 31, 2025	11,866	73.76
June 30, 2025	11,913	80.83

4. SWAGAT-FI – Introduction, Identification, and Verification of Eligible Entities

- 4.1. In order to achieve objectives mentioned above, SEBI proposes a new framework—SWAGAT-FI (Single Window Automatic & Generalised Access for Trusted Foreign Investors) with the following objectives:

- 4.1.1. Provide easier investment access to objectively identified and verified low risk foreign investors

- 4.1.2. Enable a unified registration process across multiple investment routes for such entities
- 4.1.3. Reduce repeated compliance and documentation for such entities
- 4.2. SWAGAT-FI framework aims to offer a unified, streamlined and consistent access mechanism for certain categories of foreign investors that are verified to have met specified eligibility criteria. This framework will help reduce regulatory complexity, simplify compliance, and enhance India's attractiveness as an investment destination.
- 4.3. SWAGAT-FI framework is expected to bring the following benefits:
 - 4.3.1. **Increased Capital Flows:** Simplified access will encourage larger and more stable inflows from institutional investors.
 - 4.3.2. **Reduced Compliance Burden:** Streamlining documentation and processes will lower entry barriers and operational costs for investors.
 - 4.3.3. **Enhanced Market Depth:** Greater participation will improve liquidity in both equity and debt markets, benefiting all market participants.
 - 4.3.4. **Improved Global Positioning:** A modernized access regime will enhance India's reputation as a competitive and investor-friendly destination.
 - 4.3.5. **Alignment with Global Best Practices:** The proposal aligns with the principle of proportionality in regulation—lighter touch for entities verified as low-risk and regulated entities.
- 4.4. For providing access to foreign investors under SWAGAT-FI framework, it is imperative to identify the foreign investors (referred to as SWAGAT-FIs) that can be considered to be low risk and therefore accorded easier access to the Indian capital markets. The following foreign investors are proposed to be identified as SWAGAT-FIs:

- 4.4.1. Government and Government related investors such as central banks, sovereign wealth funds (SWFs), international or multilateral organizations or agencies including entities controlled or at least 75% directly or indirectly owned by such Government and Government related investor(s)
- 4.4.2. Appropriately regulated Public Retail Funds (PRFs) with demonstrably diversified investor and investment base with independent fund managers, as mandated by their home regulator
 - a) Appropriately regulated Mutual funds and Unit Trusts that are open for subscription by retail investors, that verifiably operate as a blind pool with diversified investors & investments under an independent Investment Manager
 - b) Appropriately regulated Insurance Companies without segregated portfolios
 - c) Appropriately regulated Pension Funds
- 4.5. Currently SWAGAT-FIs are estimated to contribute more than 70% of total FPI Assets Under Custody as on June 30, 2025.
- 4.6. Low risk categorization of these entities is based on the fact that these large pools of monies are regulated in their home jurisdiction with their ownership either being held by Government or distributed across numerous investors. Such entities are more transparent in their functioning and therefore, the risks associated with concentrated holding such as violation of Minimum Public Shareholding (MPS) norms and violation of Substantial Acquisition of Shares and Takeover (SAST) Regulations are minimized. Further, such investors are likely to have long-term investment objectives aligned with India's capital market development goals.
- 4.7. Eligible foreign investor applicants shall have an option to be identified as SWAGAT-FI at the time of initial FPI registration. Existing FPIs that meet the eligibility criteria described above shall also be permitted to opt for SWAGAT-FI

status. Entities opting for SWAGAT-FI status shall be eligible for relaxations proposed in the subsequent paragraphs.

Question for public comments

1. Do you agree with the proposal to introduce SWAGAT-FI framework?
2. Do you agree with the proposed categories of foreign investors to be eligible under SWAGAT-FI framework?

5. Proposed Relaxations under SWAGAT-FI framework

5.1. Single window (optional) FVCI registration alongside FPI registration and easier onboarding for investment in Alternative Investment Funds

5.1.1. As discussed above, SWAGAT-FI framework is being designed to provide easier access to foreign investors to Indian securities market. Registration of FPIs and FVCIs is governed under FPI Regulations, 2019 and FVCI Regulations, 2000, respectively. Incidentally, with a recent amendment to FVCI Regulations, 2000, the eligibility requirements for FVCIs have been aligned with that of FPIs.

5.1.2. In view of the above, it is proposed to grant an option to SWAGAT-FIs applying for registration / already registered as FPIs to also register as FVCI, without the need for any further documentation. Registration under both FPI and FVCI Regulations will enable SWAGAT-FIs to invest in listed equity instruments and debt securities of Indian companies as FPI, and in unlisted Indian companies engaged in specified sectors and start-ups as FVCI under respective Regulations.

5.1.3. Further, in terms of Master Circular for Alternative Investment Funds (AIFs) dated May 07, 2024, Investment Manager of a SEBI registered AIF is required to on-board investors including foreign investors, prior to raising funds. Such on-boarding, *inter alia*, includes ensuring the following:

5.1.3.1. the foreign investor is resident of a country whose securities market regulator is signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding.

5.1.3.2. The foreign investor or its beneficial owner is not named in the sanctions list notified by United Nations Security Council

5.1.3.3. The foreign investor or its beneficial owner is not a resident of a country included in the FATF black list.

5.1.4. It may be noted SWAGAT-FIs by virtue of being registered as FPIs shall be compliant with the above requirements and therefore, shall be able to have an easier onboarding as an investor in AIFs.

Question for public comments

3. Do you agree with the proposal to grant option to SWAGAT-FIs to register as FVCI without further documentation?

5.2. Longer periodicity for continuance of registration and review of KYC

5.2.1. In terms of FPI Regulations, 2019, for continuance of its registration, FPI is required to pay fee and provide requisite documents every three years. Further, in terms of FVCI Regulations, 2000, FVCI is required to pay fee for renewal of its registration every five years.

5.2.2. Along with continuance of registration, FPIs and FVCIs undergo periodic KYC review. FPI Regulations, 2019 provide for review of KYC of FPI every year / three years based on the risk categorisation of the FPI. FVCI, on the other hand, are required to undergo KYC review every year / five years. In terms of

RBI's Master Directions on KYC, KYC updation of low risk customers is carried out once in every ten years.

5.2.3. With a view to enhance ease of compliance, it is proposed to increase the periodicity for continuance of registration (including payment of fee) and review of KYC of SWAGAT-FIs to 10 years.

5.2.4. The continuous obligations for intimating material changes to information provided earlier shall continue.

Question for public comments

5. Do you agree with the proposal to increase the periodicity for continuance of registration (including payment of fee) and review of KYC of SWAGAT-FIs to 10 years?

5.3. Increased participation of NRIs/OCIs/RI individuals

5.3.1. In terms of FPI Regulations, 2019, aggregate contribution from non-resident Indian (NRI), Overseas Citizen of India (OCI) and Resident Indian individuals (RI) in an FPI is capped at 50% of the total corpus of the FPI.

5.3.2. Out of the proposed SWAGAT-FI category, Mutual Funds are more likely to have contribution from NRI, OCI and RIs. As the participation in such SWAGAT-FI Mutual Funds is open to retail investors, concentration of NRIs, OCIs and RIs is not likely to cause any concern.

5.3.3. Restriction on participation by NRI, OCI or RIs is not applicable in case of FVCIs.

5.3.4. In view of the above, it is proposed to remove the restriction on aggregate NRI, OCI and RI contribution in SWAGAT-FIs.



Question for public comments

7. Do you agree with the proposal to remove the restriction on aggregate NRI, OCI and RI contribution in SWAGAT-FIs under FPI Regulations, 2019?

5.4. Use of single demat account for investment under various routes

- 5.4.1. Foreign investors making investment in the country as FPI and FVCI need to have separate demat account to hold securities acquired as FPI and FVCI. With respect to bank account, Reserve Bank of India in January 2025 permitted use of single rupee account (SNRR account) for such investment by foreign investors as FPI and FVCI and investment in units of investment vehicles.
- 5.4.2. A single demat account would avoid duplication of onboarding and KYC processes. In this regard, the advisory committee of SEBI has recommended maintenance of separate demat accounts to avoid co-mingling of securities acquired through various routes and to ensure effective monitoring and supervision.
- 5.4.3. However, from a user perspective, it would be beneficial to provide the SWAGAT-FIs with an option of having a single demat account, while ensuring back-end solutions to address issues around co-mingling of securities acquired through various routes.
- 5.4.4. Thus, with a view to further streamline the investment process, it is proposed to permit SWAGAT-FIs to use a single demat account for holding all securities acquired as FPI or FVCI or as foreign investor investing in units of investment vehicles, on an optional basis. Depositories shall provide for adequate tagging

to identify the investment as FPI or FVCI or as foreign investor investing in units of investment vehicles.

Question for public comments

6. Do you agree with the proposal to allow single demat account for holding securities acquired by SWAGAT-FIs as FPI, FVCI or foreign investor in units of investment vehicle, on an optional basis?

6. Draft amendment to FPI Regulations and FVCI Regulations

- 6.1. In view of the above proposals, draft amendments to be carried out to FPI Regulations and FVCI Regulations is placed at **Annexure A**.

Question for public comments

7. Do you agree with the draft amendments to FPI Regulations and FVCI Regulations placed at Annexure A?

7. Public comments

- 7.1. Considering the implications of the aforementioned matters on the market participants, public comments are invited on the above-detailed proposals. The comments/ suggestions should be submitted latest by August 29, 2025, through the following link:

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

- 7.2. 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*



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

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Draft amendments to SEBI (FPI) Regulations, 2019

Current provision	Proposed provision
New regulation 2(t) to be inserted under Definitions	<i>2(t) “Single Window Automatic and Generalised Access for Trusted Foreign Investor” or “SWAGAT-FI” shall include the following, subject to conditions as may be specified by the Board from time to time:</i> <i>(i) Government and Government related investors as provided under Regulation 5(a)(i) of these Regulations;</i> <i>(ii) Public retails funds as defined under Regulation 22(4) of these Regulations;</i>
New Proviso to Regulation 4(c) to be added after third proviso	<i>Provided further that the provisions of sub-clause (ii) of clause (c) shall not be applicable to a SWAGAT-FI.</i>
New Proviso to Regulation 7(6) to be added before first proviso	<i>Provided that SWAGAT-FI shall pay the registration fees, as provided in Part A of the Second Schedule for every block of ten years, before the beginning of such block.</i>
Clause 4 of Second Schedule	Clause 4 of Second Schedule



The designated depository participants of the respective foreign portfolio investors shall collect the registration fees in advance once in every three years from all the foreign portfolio investors registered by it, and remit the fees to the Board in the manner specified by the Board from time to time.

*The designated depository participants of the respective foreign portfolio investors shall collect the registration fees in advance once in every three years **(ten years in case of SWAGAT-FIs)** from all the foreign portfolio investors registered by it, and remit the fees to the Board in the manner specified by the Board from time to time.*

Draft amendments to SEBI (FVCI) Regulations, 2000

Current provision	Proposed provision
New regulation 2(ki) to be inserted under Definitions	<i>(ki) “SWAGAT-FI” shall have the meaning as provided under Securities And Exchange Board Of India (Foreign Portfolio Investors) Regulations, 2019, as amended from time to time.</i>
New proviso to be inserted after first proviso to Regulation 3(2)	<i>Provided that the provisions of Regulation 3(2) shall not be applicable to SWAGAT-FIs.</i>
New proviso to be inserted after Regulation 9(2)	<i>Provided that SWAGAT-FIs shall pay the renewal fee as specified in the Second Schedule for every block of ten years from the beginning of the eleventh year from the date of grant of certificate of registration and the fee shall be paid before expiry of the block for which fee has been paid, in the manner specified by the Board from time to time.</i>
Clause 2 and 3 of Second Schedule (2) Foreign venture capital investor shall pay renewal fees of \$100 for every block of five years, to keep the registration in force.	Clause 2 and 3 of Second Schedule (2) Foreign venture capital investor shall pay renewal fees of \$100 for every block of five years <u>(ten years in case of SWAGAT-FI)</u> , to keep the registration in force.



(3) The designated depository participants of the respective foreign venture capital investors shall collect the renewal fees in advance for every block of five years, from the beginning of the sixth year from the date of registration, from all the foreign venture capital investors registered by it, and remit the fees to the Board in the manner specified by the Board from time to time.

(3) The designated depository participants of the respective foreign venture capital investors shall collect the renewal fees in advance for every block of five years **(ten years in case of SWAGAT-FIs)**, from the beginning of the sixth year **(eleventh year in case of SWAGAT-FIs)** from the date of registration, from all the foreign venture capital investors registered by it, and remit the fees to the Board in the manner specified by the Board from time to time.