

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4745
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FII CEILING
Pradhan Shri Amarnath

Will the Minister of FINANCE be pleased to state:

- (a) the existing maximum limit of Foreign Institutional Investment (FII) in each of the financial instruments;
- (b) whether the Government has any plan to hike the ceiling during the year 2010-2011; and
- (c) if so, the details of the hike particularly on corporate bonds & Government bonds?

Answer

MINISTER OF STATE FOR FINANCE(SHRI NAMO NARAIN MEENA)

(a): The existing maximum limit of investment by Foreign Institutional Investors (FIIs) in each of the financial instruments are as under:

Equity Investments:

As per Regulation 15(5) and 15(6) of the SEBI (Foreign Institutional Investor) Regulations, 1995, following limits have been set for the investments by Foreign Institutional Investors (FIIs):

(i) The purchase of equity shares of each company by a FII investing on his own account shall not exceed ten percent of the total issued capital of that company.

(ii) In respect of a FII investing in equity shares of a company on behalf of his sub-accounts, the investment on behalf of each such sub-account shall not exceed ten percent of the total issued capital of that company:

[Provided that in case of foreign corporates or individuals, each of such sub-account shall not invest more than 5 per cent of the total issued capital of the company in which such investment is made.]

The ceiling for overall investment for all FIIs taken together is 24 per cent of the paid up capital of the Indian company. This ceiling of 24 per cent for FII investment can be raised up to sectoral cap/statutory ceiling, subject to the approval of the board and the general body of the company passing a special resolution to that effect.

Debt Investments:

The FII investments in debt securities are governed by the policy of the Government of India. Currently following limits are in effect:

Government Debt (G-Sec + Treasury Bill) US \$ 5 billion Corporate Debt (including Debt-oriented mutual fund and commercial paper) US \$ 15 billion

Derivative Investments:

(i) The FII position limits in stock based derivative contracts (Futures & Options)

For stocks having applicable market-wise position limit (MWPL) of Indian Rupees (INR) 5 billion or more, the combined futures and options position limit shall be 20 per cent of applicable MWPL or INR 3 billion, whichever is lower and within which stock futures position cannot exceed 10 per cent of applicable MWPL or INR 1.5 billion, whichever is lower.

For stocks having applicable market-wise position limit (MWPL) less than INR 5 billion, the combined futures and options position limit would be 20 per cent of applicable MWPL and futures position cannot exceed 20 per cent of applicable MWPL or INR 0.5 billion whichever is lower.

(ii) FII Position limits in Index derivative contracts (Futures & Options)

FII position limit in all index options and futures contracts on a particular underlying index shall be INR 5 billion or 15 per cent of the total open interest of the market in index options, whichever is higher, per exchange. This limit would be applicable on open positions in all option contracts on a particular underlying index.

In addition to the above, FIIs shall take exposure in equity index derivatives subject to the following limits:

i. Short positions in index derivatives (short futures, short calls and long puts) not exceeding (in notional value) the FII's holding of stocks.

ii. Long positions in index derivatives (long futures, long calls and short puts) not exceeding (in notional value) the FII's holding of cash, government securities, T-Bills and similar instruments.

(iii) FII Position Limits in Interest rate derivative contracts The notional value of gross open position of a FII in exchange traded interest rate derivative contracts shall be:

a) US \$ 100 million.

b) In addition to the above, the FII may take exposure in exchange traded interest rate derivative contracts to the extent of the book value of their cash market exposure in Government Securities.

(b) & (c): FIIs investment policy is reviewed periodically by Government in consultation with Securities and Exchange Board of India and Reserve Bank of India keeping in mind the current macroeconomic situation, changing market conditions, sectoral requirements, challenges faced in the external sector management and experience gained so far in administering the policy.