

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3198
ANSWERED ON:19.08.2011
ALLOWING FOREIGN INVESTORS TO INVEST IN MFS
Jindal Shri Naveen

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has allowed foreign investors to cumulatively buy Indian shares through domestic mutual funds (MFs) recently;
- (b) if so, the details of this scheme and the foreign exchange that is likely to be invested in mutual funds;
- (c) whether the Government has assessed its impact on national economy; and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE FOR FINANCE (SHRI NAMO NARAIN MEENA)

(a) Yes Sir. As announced in the 2011-12 budget, Qualified Foreign Investors (QFIs) have been permitted to access Indian Mutual Funds equity and debt schemes in infrastructure sector.

(b) QFIs may invest in Mutual Funds (MF) schemes through the direct route or indirect route. Under the former route, QFIs can hold MF units in demat account of SEBI registered depository participants (DPs) under certain conditions. Under the latter route, QFIs could hold MF units through Unit Confirmation Receipts (UCRs). Upon receipt and transfer of funds to India, MFs shall issue units to the custodian which in turn shall confirm to the UCR issuer to issue UCR to the QFIs. Under both routes, QFIs can invest up to a total of US \$ 10 billion in MF equity schemes and US\$ 3 billion in MF debt schemes investing in infrastructure.

Further details relating to the scheme are at:

<http://www.sebi.gov.in/circulars/2011/cirimddf14-2011.pdf>

<http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=6664&Mode=0>

(c) & (d): It is expected that the above policy would help to enhance the flow of foreign funds into India. It would also widen the class of investors, help increase depth and reduce volatility in the capital market.