

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:402

ANSWERED ON:20.11.2009

INVESTMENT IN SHARE MARKET BY FIIS

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Will the Minister of FINANCE be pleased to state:

(a) the break-up of funds invested in Indian share market by Foreign Institutional Investors (FIIs) indicating therein the countries of origin and the countries through which it was routed in respect of each such investment inflow, domestic financial institutions and individual/retail investors and others during each of the last three years and the current year till date;

(b) the likely benefits to investors routing their investment through Mauritius and other such routes;

(c) the reasons for increase/decrease in the share of investment of FIIs;and

(d) the steps taken or proposed to be taken by the Government to have watch over all such investments? ANWER

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): The information is provided at Annexure I & II.

(b): Foreign Institutional Investors (FIIs) generally factor in the relative advantage/ disadvantage of the jurisdictions in terms of logistical, administrative and tax efficiency, while choosing to invest through particular jurisdictions.

(c): In addition to the factors stated in reply to part (b) as above, their investment decisions are influenced, amongst other things, by the investment climate of the jurisdiction, relative rate of returns from other jurisdictions and other macro and micro global economic conditions. Individual FIIs make their own investment/disinvestment decision.

(d) The Securities and Exchange Board of India (SEBI) Act, 1992 empowers SEBI to register and regulate Foreign Institutional Investors (FIIs). Under the Act, SEBI has framed the SEBI (FII) Regulations, 1995. Foreign Institutional Investors (FIIs) have been allowed to participate in the Indian stock market. Government, the Reserve Bank of India and the Securities and Exchange Board of India (SEBI) have framed a policy for such participation and have put adequate safeguards in place to guard against any possible misuse of this avenue of investment. The policy is reviewed continuously taking into account inputs/concerns received from various sources.