

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS**

LOK SABHA UNSTARRED QUESTION NO. 3391

TO BE ANSWERED ON MONDAY, 9th DECEMBER, 2019/AGRAHAYANA 18, 1941 (SAKA)

Participatory Notes

3391: SHRI SHANMUGASUNDARAM. K

Will the Minister of FINANCE be pleased to state:

- (a) the total amount of Participatory Notes (P-Notes) invested in India during the last three years and the current year;
- (b) whether there is a declining trend in this regard and if so, the reasons for the declining trend;
- (c) the steps being taken by the Government to verify the High Net Worth Individuals;
- (d) whether the Securities and Exchange Board of India has relaxed the rules for its disclosure and if so, the reasons therefor; and
- (e) the percentage of P-Notes to total Foreign Direct Investment?

ANSWER

**MINISTER OF STATE FOR FINANCE
(SHRI ANURAG SINGH THAKUR)**

(a): The total amount of Offshore Derivative Instruments (ODIs), also known as Participatory Notes (PNs), invested in India during the last three years and the current year is provided in the table below:

Financial Year	Notional value of ODI's on Equity, Debt and Derivatives (INR cr)
2016-17	178,437
2017-18	106,403
2018-19	78,110
April 2019 to October 2019	76,773

Source- SEBI

(b) Yes Sir. There is a declining trend in the investments in India. The notional value of ODI's (on debt, equity and derivatives) as a percentage of Asset Under Custody of Foreign Portfolio Investors (FPI) has reduced from 55.7% in June 2007 to 2.3% in October 2019.

In order to ensure transparency SEBI has been constantly tightening norms for taking exposure in Indian Capital Markets through ODI/ PN route. The recent measures taken by SEBI include imposition of a regulatory fee of USD 1000 on each ODI subscriber, mandatory KYC for all ODI subscribers, monthly reporting of all ODI transactions, filing of suspicious transaction reports by ODI issuers etc. These measures have increased the compliance cost for ODI issuing FPI's and has made ODI a less attractive investment route as compared to taking direct registration and investing in India as an FPI.

(c) No separate verification of High Net Worth Individuals (HNI's) as a class is undertaken by the Government of India in terms of tax assessment. However the Income Tax Returns filed by all assesseees, including HNI's are subjected to risk assessment for selection of cases for scrutiny by the Income Tax Department.

(d) SEBI has been rationalizing the disclosure and reporting norms in line with the FPI Regulations/guidelines from time to time in order to check misuse of these instruments and strengthen the ODI Regulatory Framework for transparency in disclosures in the interest of securities market.

(e) SEBI has permitted only Foreign Portfolio Investors (FPI) to issue ODI. During the year 2018-19, the notional value of ODIs as a percentage of the total Assets under Custody (AUC) of FPIs was 2.3%.
