



With effect from June 01, 2018, the monitoring of foreign investment limits on account of purchase/sale by foreign portfolio investors (FPIs) and Non-resident Indians (NRIs) on the stock exchanges, as per Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2017, dated November 7, 2017 and as amended from time to time, would be governed as per the new monitoring system detailed out in the above SEBI circulars. Therefore, all earlier press releases by RBI in this regard would stand superseded by the new monitoring system.

The ceiling for overall investment for FIIs is 24 per cent of the paid up capital of the Indian company and 10 percent for NRIs/PIOs. The limit is 20 per cent of the paid up capital in the case of public sector banks, including the State Bank of India.

The 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. And the ceiling of 10 per cent for NRIs/PIOs can be raised to 24 per cent subject to the approval of the general body of the company passing a resolution to that effect.

The ceiling for FIIs is independent of the ceiling of 10/24 per cent for NRIs/PIOs.

The equity shares and convertible debentures of the companies within the prescribed ceilings are available for purchase under PIS subject to:

- the total purchase of all NRIs/PIOs both, on repatriation and non-repatriation basis, being within an overall ceiling limit of (a) 24 per cent of the company's total paid up equity capital and (b) 24 per cent of the total paid up value of each series of convertible debenture; and
- the investment made on repatriation basis by any single NRI/PIO in the equity shares and

convertible debentures not exceeding five per cent of the paid up equity capital of the company or five per cent of the total paid up value of each series of convertible debentures issued by the company.

Monitoring Foreign Investments

The Reserve Bank of India monitors the ceilings on FII/NRI/PIO investments in Indian companies on a daily basis. For effective monitoring of foreign investment ceiling limits, the Reserve Bank has fixed cut-off points that are two percentage points lower than the actual ceilings. The cut-off point, for instance, is fixed at 8 per cent for companies in which NRIs/PIOs can invest up to 10 per cent of the company's paid up capital. The cut-off limit for companies with 24 per cent ceiling is 22 per cent and for companies with 30 per cent ceiling, is 28 per cent and so on. Similarly, the cut-off limit for public sector banks (including State Bank of India) is 18 per cent.

Once the aggregate net purchases of equity shares of the company by FIIs/NRIs/PIOs reach the cut-off point, which is 2% below the overall limit, the Reserve Bank cautions all designated bank branches so as not to purchase any more equity shares of the respective company on behalf of FIIs/NRIs/PIOs without prior approval of the Reserve Bank. The link offices are then required to intimate the Reserve Bank about the total number and value of equity shares/convertible debentures of the company they propose to buy on behalf of FIIs/NRIs/PIOs. On receipt of such proposals, the Reserve Bank gives clearances on a first-come-first served basis till such investments in companies reach 10 / 24 / 30 / 40/ 49 per cent limit or the sectoral caps/statutory ceilings as applicable. On reaching the aggregate ceiling limit, the Reserve Bank advises all designated bank branches to stop purchases on behalf of their FIIs/NRIs/PIOs clients. The Reserve Bank also informs the general public about the 'caution' and the 'stop purchase' in these companies through a press release.