



NRIs Can Invest in Specified Government Securities

 drishtiias.com/printpdf/nris-can-invest-in-specified-government-securities

Why in News

Recently, the **Reserve Bank of India (RBI)** has introduced a separate channel called **Fully Accessible Route (FAR)** to enable non-residents to invest in specified Government of India dated securities with effect from April 1.

The move follows the **Union Budget** announcement that certain specified categories of government securities would be opened fully for non-resident investors without any restrictions.

Key Points

- **'Specified securities'** shall mean Government Securities as periodically notified by the Reserve Bank for investment under the FAR route.
 - The RBI has said that **all new issuances of Government securities (G-secs)** of 5-year, 10-year, and 30-year tenors will be eligible for investment as specified securities.
- Non Resident investors can invest in specified government securities **without being subject to any investment ceilings.**
- This scheme shall operate along with the two existing routes:
 - **The Medium Term Framework (MTF)** for Foreign Portfolio Investment (FPI) in Central Government Securities (G-secs) and State Government Securities (SDLs) was introduced in October 2015.
 - FPI consists of securities and other financial assets passively held by foreign investors.
 - **The Voluntary Retention Route (VRR)** encourages Foreign Portfolio Investors to undertake long-term investments in Indian debt markets.

Benefits of the Scheme

- This will **ease the access** of non-residents to Indian government securities markets.

- This would facilitate **inclusion in global bond indices**.
Being part of the global bond indices would help Indian G-secs **attract large funds from major global investors**, including pension funds.
- This would also facilitate **inflow of stable foreign investment** in government bonds.

Government Security

- A G-Sec is a **tradable instrument** issued by the Central Government or the State Governments.
- It acknowledges the Government's debt obligation. Such securities are **short term** (usually called treasury bills, with original maturities of less than one year- presently issued in three tenors, namely, 91 day, 182 day and 364 day) or **long term** (usually called Government bonds or dated securities with original maturity of one year or more).
- In India, the **Central Government issues both treasury bills and bonds or dated securities** while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs).
- G-Secs carry practically **no risk of default** and, hence, are called risk-free **gilt-edged instruments**.
- Gilt-edged securities are high-grade investment bonds offered by governments and large corporations as a means of borrowing funds.

Source: TH