



Increased Investments through P-notes

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Why in News

According to SEBI data, the **value of participatory note (P-note) investments** in Indian capital markets increased to **Rs. 63,288 crore till July 2020-end.**

This is the **fourth consecutive monthly rise in investments through P-notes.**

Key Points

- **About the Investments:**

Of the total Rs. 63,288 crore invested through the route till July, Rs 52,356 crore was invested in equities, Rs.10,429 crore in debt, Rs. 250 crore in hybrid securities and Rs. 190 crore in the derivatives segment.

Derivative is a financial instrument which derives its value from the underlying assets.

- **Monthly Rise:**

- The investments through P-notes was Rs 62,138 crore at the end of June 2020.
- Prior to that, investment level was at Rs 60,027 crore and Rs 57,100 crore at the end of May and April, respectively.
- The **investment level had fallen to over a 15-year-low of Rs 48,006 crore at the end of March 2020.**
 - The figure at the end of March 2020 was the lowest level of investment since October 2004, when the total value of P-note investments in the Indian markets stood at Rs 44,586 crore.
 - The lower figure in March came amid **significant volatility in broader markets on concerns over the coronavirus-triggered crisis.**

Participatory Notes

- P-notes are **Offshore Derivative Instruments (ODIs)** issued by registered **Foreign Portfolio Investors (FPIs)** to overseas investors who wish to be a **part of the Indian stock markets without registering** themselves directly.
 - P-notes have **Indian stocks as their underlying assets**.
- Though P-note holders have less stringent registration requirements, they have to go through a proper due diligence process of the **Securities and Exchange Board of India (SEBI)**.
 - SEBI was established in 1992 in accordance with the provisions of the **SEBI Act, 1992**.
 - Its functions include protecting the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto.
- **FPIs are non-residents** who invest in Indian securities like shares, government bonds, corporate bonds, etc.
 - **SEBI (Foreign Portfolio Investors) Regulations, 2019** are related to FPIs.
 - **Foreign Portfolio investment is different from the Foreign Direct investment (FDI)** as it does not give investors direct ownership of a company's assets.

Capital Market

- **Financial markets** are classified on the basis of the maturity of financial instruments traded in them.
- **Instruments with a maturity of less than one year** are traded in the **money market**. E.g. **Treasury Bills, Commercial Papers**, etc.
- Instruments with longer maturity are traded in the **capital market**. E.g. **shares, debentures**, etc.

Source: BS