New Norms for FPI

Recently, the **Securities and Exchange Board of India (SEBI)** has released new norms that sought to simplify the compliance and operational requirements for **Foreign Portfolio Investors (FPIs).**

- The norms are issued to check the outflows of FPIs as the shares worth over Rs 22,000 crore were sold in July and August 2019.
  - FPIs have been withdrawing from Indian equities after the government introduced higher tax surcharge on the super-rich in the **Budget 2019.**
  - FPI regulations have been redrafted based on the **recommendation of H R Khan committee.**
- **Revised regulations:**
  - **Removed broad-based criteria:** SEBI decided to do away with the requirement that every FPI should have at least 20 investors.
  - **Simplification of the KYC** (Know-Your-Customer) document requirement for overseas investors.
  - SEBI has also **allowed central banks** of countries that are **not members** of **Bank for International Settlement (BIS)** to register as FPIs in India.
    - According to SEBI, such entities are relatively long term, low-risk investors as they are directly/indirectly managed by the government.
- FPIs shall be **permitted for off-market transfer of securities** which are unlisted, or illiquid, to a domestic or foreign investor.
- Sebi has also permitted **offshore funds** floated by Indian asset management companies to **register themselves as FPIs** and invest in Indian markets.
- Sebi has decided that FPIs may be **re-categorized into two categories -** Categories I and II - instead of the present requirement of three categories.
  - **Sebi removed the concept of Category-III FPIs.**

These changes will make the regulatory framework more investor-friendly

Apart from changes in FPIs regulations, SEBI has amended the Prohibition of **Insider Trading regulations** to include a clause to reward whistle-blowers.

Source: TH