

Government of India
Ministry of Finance
Department of Economic Affairs
Capital Market Division
PRESS RELEASE

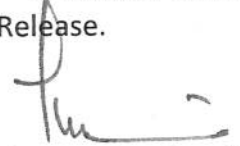
Subject: Review of Limits for Foreign Institutional Investors (FII) investments in Government Securities and Corporate bonds.

1. Currently, FIIs can invest up to USD 10 billion or Rs. 43,650 Crore in Government securities, USD 15 billion or Rs. 74,416 Crore in Corporate bonds and USD 25 billion or Rs. 112,095 Crore in corporate long term infra bonds.
2. The Government has been monitoring FIIs investments in the above mentioned debt instruments. As on October 31, 2011, against a ceiling of Rs. 43,650 Crore in Government Securities, FIIs have invested Rs. 41,253 Crore. Similarly, against a ceiling of Rs. 74,416 Crore in corporate bonds, FIIs have invested Rs. 68,289 Crore. In view of this, there is little space available for further FII investments in Government securities and Corporate bond markets.
3. The policy has been reviewed in the context of India's evolving macroeconomic situation, the need for enhancing capital flows and making available additional financial resources for India's corporate sector. It has now been decided to:
 - i. increase the current limit of FII investment in Government Securities by US \$ 5 billion raising the cap to US \$ 15 billion. The incremental limit of US \$ 5 billion can be invested in securities without any residual maturity criterion; and,
 - ii. increase the current limit of FII investment in corporate bonds by US \$ 5 billion raising the cap to US \$ 20 billion. The incremental limit of US \$ 5 billion can be invested in listed corporate bonds.
4. Thus the enhanced total limit for FII investment in G-Sec would be USD 15 billion (from the existing limit of USD 10 billion) and the enhanced total limit for FII investment in corporate bonds would be USD 20 billion (apart from the USD 25 billion for long term infra bonds).
5. The last enhancement in these investment limits for FII was done on September 23, 2010. The present enhancements would increase investments in debt securities and help in further development of the Government securities and the Corporate bond markets in the country.
6. SEBI is expected to issue circular giving effect to these changes in the next few days.

F. No. 9/2/2009-ECB

Dated 17th November 2011

The Press information Bureau is requested to give wide publicity to this Press Release.



(Dr. Thomas Mathew)

Joint Secretary to the Government of India

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