Government of India
Ministry of Finance
Department of Economic Affairs
(Capital Market Division)
Press Release

Subject: ***Liberalising FII Investment in Corporate Debt***

Investment in infrastructure holds the key to India's economic growth. It has been projected that India's investment requirement in the 12th Five Year Plan is over a trillion USD of which half is expected to come from the private sector. To encourage greater private sector participation in the development of infrastructure in the country, the Finance Minister had in the budget of 2011-12 announced the decision of the government to further liberalise the policy relating to the investment in corporate bond market.

In order to enhance the flow of funds to the infrastructure sector, it was announced in the budget that the FII limit for investment in the corporate bonds, with a residual maturity of over five years and issued by companies in the infrastructure sector, would be increased by an additional limit of USD 20 billion taking the limit to USD 25 billion. With this, the total limit available to the FIIs for investment in corporate bonds would be USD 40 billion. Since most of the infrastructure companies are organized in the form of SPVs, FIIs would also be permitted to invest in unlisted bonds. The investment in the bonds, both listed and unlisted, should have a minimum lock-in period of three years. However, the FIIs may be allowed to trade amongst themselves during the lock-in period.

SEBI today issued circular to implement the above announcement made in the budget of 2011-12. This circular has modified the policy where the FIIs and the sub accounts registered with SEBI were permitted to invest in corporate bonds up to USD

20 billion; out of which USD 5 billion was allocated for investment in corporate bonds with a residual maturity of over five years and issued by companies in the infrastructure sector as defined in the ECB policy.

To facilitate trading by FIIs, a special trading window shall be provided by Exchanges on the same lines as is available for equities in companies where the overall FII investment reaches the maximum limit.

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

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