

RBI increases the limit for Foreign portfolio investors (FPI) investment in corporate bonds

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Revised investment limit for FPI investment in corporate bonds shall be Rs 5,41,488 crore for HY Oct 2020-Mar 2021. The Reserve Bank of India has increased the limit for Foreign portfolio investors (FPI) investment in corporate bonds to 15% of outstanding stock for FY 2020-21.

The existing investment limit for FPI investment in corporate bonds stands at Rs 3.17 lakh crore, while the revised limit shall be Rs 4,29,244 crore for HY Apr 2020-Sep 2020 and Rs 5,41,488 crore for HY Oct 2020-Mar 2021.

Key Highlights

- Currently, short-term investments by a foreign portfolio investors (FPI) should not exceed 20 per cent of the total investment of that FPI in either central government securities (including treasury bills) or state development loans or corporate bonds.
- The short-term investment limit has now been increased from 20 per cent to 30 per cent in both cases, the RBI said in a circular.
- The revised limits for FPI investment in Central Government securities (G-secs) and State Development Loans (SDLs) for FY 2020-21 will be advised separately.
- The central bank has also made a relaxation in the voluntary retention route (VRR) for FPI investments in debt. The investment cap through VRR has been doubled to ₹1.5 lakh crore, the RBI said in another circular.
- FPIs are also allowed to invest in exchange-traded funds that invest only in debt instruments, it added. The RBI had introduced VRR in March 2019. This helped FPIs to invest in debt markets in India.

SOURCE: *Livemint, Economic Times*