

Circular No.: NSDL/POLICY/DDP/2024/0013

November 13, 2024

Subject: SEBI Circular regarding Procedure for reclassification of FPI investment to FDI.

Attention of Participants who are registered with SEBI as Designated Depository Participants (DDPs) / Custodian of Securities (Custodians) is invited to SEBI's Circular No. **SEBI/HO/AFD/AFD-POD-3/P/CIR/2024/152** dated **November 11, 2024** regarding "Procedure for reclassification of FPI investment to FDI" (Copy enclosed).

DDPs / Custodian of Securities are requested to take note of the same and ensure compliance.

**For and on behalf of
National Securities Depository Limited**

**Arockiaraj
Manager**

Enclosure: One

FORTHCOMING COMPLIANCE

Particulars	Deadline	Manner of sending	Reference
Investor Grievance Report (Monthly)	By 10 th of the following month	Through e-PASS	Para 22 of 'Grievance Redressal' chapter and Para 28 of 'Internal Controls/Reporting to NSDL/SEBI' chapter of NSDL Master Circular for Participants
Compliance report w.r.t Same Mobile number and/ or email address captured for multiple accounts. (monthly)	Before 25 th of following month	Through Email.	Circular No.: NSDL/POLICY/2024/0115 dated August 21, 2024
Internal/ Concurrent Audit Report (half yearly)	November 15 th	Through e-PASS	Para 20.4 of NSDL Master Circular for Participants on 'Internal Controls/Reporting to NSDL/SEBI' chapter & Circular No.: NSDL/POLICY/2024/0147 dated October 10, 2024

**National Securities Depository Limited**

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CIRCULAR

SEBI/HO/AFD/AFD-POD-3/P/CIR/2024/152

November 11, 2024

To,

1. Foreign Portfolio Investors (“FPIs”)
2. Designated Depository Participants (“DDPs”) and Custodians
3. The Depositories
4. The Stock Exchanges and Clearing Corporations

Dear Sir / Madam,

Subject: Procedure for reclassification of FPI investment to FDI

1. Regulations 20(7) and 22(3) of the SEBI (Foreign Portfolio Investors) Regulations, 2019 provide that in case a foreign portfolio investor fails to divest its holdings (in excess of the prescribed threshold), within five trading days, the entire investment in the company by such foreign portfolio investor including its investor group shall be considered as investment under the Foreign Direct Investment (“FDI”), as per the procedure specified by the Board.
2. The procedure specified under Para 17 of Part C of Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors” No. SEBI/HO/AFD/AFD-PoD-2/P/CIR/P/2024/70 dated May 30, 2024 stands modified as under:

“17. Procedure for reclassification of FPI investment to FDI

- i. In case the investment made by a Foreign Portfolio Investor (along with its investor group) reaches 10% or more of the total paid up equity capital of a company on a fully diluted basis and the FPI (along with its investor group) intends to reclassify its FPI holdings as Foreign Direct Investment (FDI), it shall follow extant FEMA Rules and circulars issued thereunder in this regard.*
- ii. Pursuant to receipt of such intent from the FPI, the respective Custodian shall report the same to the Board and freeze purchase transactions by such FPI in equity instruments of such Indian company, till completion of the reclassification.*

iii. *On receipt of request from the FPI for transfer of the equity instruments of such Indian company from its FPI demat account to its demat account maintained for holding FDI investments, the Custodian shall process the request if the reporting for reclassification, as prescribed by RBI, is complete in all respects."*

5. The provisions of this circular shall come into force with immediate effect.
6. This Circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulations 20(7), 22(3) and 44 of SEBI (Foreign Portfolio Investors) Regulations, 2019 to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.
7. This Circular is available at www.sebi.gov.in under the link "Legal ---Circulars".

Yours faithfully,

Aparna Thyagarajan
Chief General Manager
Alternative Investment Fund and
Foreign Portfolio Investors Department
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