

# Sebi eases entry rules for foreign investors

## Forms Panel On Disclosures And Accounting Standards

Our Bureau  
MUMBAI

**T**HE Securities and Exchange Board of India (Sebi) has widened the scope of international entities that can invest in the stock market as registered foreign institutional investors. Previously, some of these entities had been investing through the FII sub-account route.

In a circular issued on Wednesday, the regulator made amendments in the Sebi Foreign Institutional Investors (Second Amendment) Regulations, '06 to treat overseas-registered or incorporated pension funds, mutual funds, investment trusts, insurance companies, reinsurance companies, international or multilateral agencies, foreign governmental agency or a foreign central bank as FIIs.

Significantly, overseas investment advisors can also register with Sebi as FIIs. Till now these investment advisors were directing their clients to buy participatory notes — a derivative structure to take exposure to Indian market. Now, these clients can set up sub-accounts in Mauritius to enter India. While sub-accounts have certain administrative cost, it is less expensive than buying a PN.

Sebi has also made it mandatory for FIIs to disclose all information relating to sub-accounts through joint undertakings.

The sub-account applicant and the FII through whom the application for registration is made, have to submit joint undertakings. These include a written submission that the sub-account is not a non-resident Indian (NRI) or an overseas corporate body.

The regulator also wants details on the source of income of the applicant (sub-account). Essentially, the source of income must be from known and legitimate means,



FIIs will now include overseas-registered or incorporated pension funds, MFs, investment trusts, insurance firms, international agencies, foreign governmental agencies

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the regulator has stipulated. Meanwhile, Sebi also constituted a new committee to advise it on issues relating to accounting standards and disclosures requirements with respect to IPO filing. The new committee — Sebi Committee on Disclosures and Accounting Standards (SCODA) — headed by YH Malegam, is a merger of two individual committees — Sebi Committee on Disclosures and the Accounting Standards Committee — set up earlier by the regulator.

“These two committees have now been merged to form SCODA in order to address the overlaps in the areas addressed by them,” said a Sebi circular.

The committee will advise Sebi on issues related to the disclosure requirements in the offer documents/application forms/advertisements, listing of equity or debt of an issuer, disclosure requirements of the Sebi-

registered intermediaries. It will also review continuous disclosure requirements of listed companies for disclosures, valuation methods and standard norms for intermediaries, will advise Sebi on operational and systemic risks in the primary securities market and ensure smooth implementation of accounting standards, statements, guidance notes and studies evolved by the ICAL, the circular said.

Some other members of the committee are — Jitesh Khosla, joint secretary, Ministry of Company Affairs; Chitra Ramakrishna, DMD and CEO, NSE; TV Mohandas Pai, director and CFO, Infosys Technologies; Sailesh Haribhakti; Ashu Suyash, country head, Fidelity Fund Management; Bharat Doshi, ED, Mahindra & Mahindra; VK Chopra, whole time member, Sebi; RK Nair and Usha Narayanan, executive directors, Sebi.