

Corpsec Hotline

July 05, 2006

SEBI RAISES FII FEES, REDUCES TIME VALIDITY OF REGISTRATION

The Securities and Exchange Board of India (SEBI) pursuant to its notification dated June 26, 2006, has amended the SEBI (Foreign Institutional Investors) Regulations, 1995 ("FII Regulations").

Validity of registration

Regulation 3 under the FII Regulations prohibits any person to buy, sell or otherwise deal in securities as a FII unless he holds a certificate granted by the SEBI. As per the amended Regulation 8 as stated in the notification, the certificate and each renewal thereof shall now be valid for a period of **three** years (down from five years prior to the aforesaid notification).

Implication and effect

All FIIs will now be required to renew their registration earlier than before. This move appears to be an attempt by SEBI to review the registrations granted at a 3 year interval, as opposed to the current 5 year interval, thereby enhancing SEBI oversight of the same.

Change in fees

The registration fee required to be paid by every applicant (FII), post the aforesaid notification, for grant of certificate is US \$ 10,000 (up from US\$ 5,000) and registration fee required for purposes of registration of sub account now stands at US \$ 2000 (up from US\$ 2,000). Therefore, in effect there has been a 100 % increase in the respective registration fees required to be paid by the FIIs to the SEBI

Implications and effect

In absolute terms, when judged against the returns booked by FIIs through investment, this increase is small one. The increase is being viewed as an attempt by SEBI to increase its revenue, as well as ensure that only bona fide applicants of appropriate standing apply for registration.

Expansion of investment options

Another significant change that has been brought about in the Regulations, is with respect to areas into which the FIIs can make investments, provided under Regulation 15 of the FII Regulations.

As per the notification, the FIIs can now invest in "security receipts" as well. As a further relaxation, the condition requiring an FII to invest at least 70% in equity and equity related instrument shall **not** apply to investments made by foreign institutional investors in "security receipts" issued by securitisation companies or asset reconstruction companies under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and the rules made under the same. Further, the purchase or sale of "security receipts" by the FII is not required to be through a registered sub broker, therefore occasioning a specific amendment to Regulation 3(c) of the FII Regulations

However, the amendments also prohibit an FII from investing in security receipts on behalf of its sub-accounts.

Implication and effect

This amendment appears to be a result of the focus on attracting capital into India for financial reconstruction. The amendment allows FII to expand the range of their investments, and lowers the transaction cost in acquiring such securities

- **Kartik Ganapathy & Anupam Prasad**
You can direct your queries or comments to the authors

Source: SEBI's Notification dated June 26, 2006

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Compendium of Research Papers

January 11, 2025

FAQs on Setting Up of Offices in India

December 13, 2024

FAQs on Downstream Investment

December 13, 2024

Research Articles

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Key changes to Model Concession Agreements in the Road Sector

January 03, 2025

The Revolution Realized: Bitcoin's Triumph

December 05, 2024

Audio

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

Renewable Roadmap: Budget 2024 and Beyond - Part I

August 26, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

"Investment return is not enough" Nishith Desai with Nikunj Dalmia (ET Now) at FI8 event in Riyadh

October 31, 2024

Analysing SEBI's Consultation Paper

not substitute the need to refer to the original pronouncements.

**on Simplification of registration for
FPIs**

September 26, 2024

**Scope of judicial interference and
inquiry in an application for
appointment of arbitrator under the
(Indian) Arbitration and Conciliation
Act, 1996**

September 22, 2024