FII Market Entry Requirements for India

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| **Important** |  | There are two routes for investing in India Market; as Foreign Direct Investor (FDI) or Foreign Portfolio Investor (FPI). **Foreign Direct Investor (FDI) market route is not a product currently offered by RBCIS** as it is more cumbersome and the trade management is complex, very custom and requires manual handling, with FDI each transaction requiring significant handholding and there is no automation for these transactions.  **RBCIS however offers Foreign Portfolio Investor** (FPI) route through which investors are permitted to invest in India once they are registered with the **Securities & Exchange Board of India** (SEBI) and the **National Securities Depository Limited** (NSDL)  Which are the eligible foreign investor Categories who can register as FPIs?  **FPI Category I** - All Insurance entities; Funds from FATF member countries; Funds from non-FATF; Appropriately regulated persons such as banks, asset management companies, investment managers/ advisors, portfolio managers, broker dealers and swap dealers; University funds and pension funds; University related endowments already registered with the Board as foreign institutional investors or sub-accounts; Unregulated funds/entity where regulated Investment Manager is from FATF member country.  **FPI Category II** - Unregulated funds/entity where regulated Investment Manager is from non-FATF member country  Please refer to the below attached FAQs.    **Note:** As part of the FPI account opening process all documentation must be exactly in the same legal investor name (final beneficiary).  **Material Changes**  ‘Type I’ material changes shall be informed by FPIs as soon as possible and **within seven working-days of the occurrence of the change and the supporting documents (if any) shall be provided within 30 days of such change.**  ‘Type I’ material changes include the following:  I. Change of Jurisdiction  II. Name change on account of acquisition, merger, demerger, restructuring, change of ownership/control  III. Acquisition/merger/demerger resulting in cessation of existence of FPI  IV. Restructuring of legal form/sub-category (e.g. Corporate to trust)  V. Change in regulatory status of the FPI (e.g. regulated to unregulated fund)  VI. Change in compliance status of jurisdiction of FPI/BO in terms of Regulation 4(d), 4(e) or 4(f) of the FPI Regulations, 2019  VII. Reclassification of the FPI from Category I to Category II  VIII. Addition of FPI(s) to any existing/new investor group(s)  IX. FPIs obtaining registration under Category-I on support of an Investment Manager (IM) and such IM being either removed (temporarily/permanently) or losing its Category I eligibility  X. Breach of prescribed threshold for aggregate contribution of NRIs, OCIs and RIs  **‘Type II’ material changes, i.e., any material changes other than those considered as ‘Type I’ material changes, shall be informed and supporting documents (if any) shall be provided by FPIs as soon as possible and within 30 days of such change.** |
| **Fees** |  | Registration fee for a FPI Category I costs USD 2,950  Registration fee for a FPI Category II costs USD 295  PAN application fee for FPI Category I & II costs USD 15 |
| **Tax Consultant** |  | With the introduction of Common Application Form (CAF), **Permanent Account Number** (PAN) application will go hand in hand with FPI registration. Once CAF is approved by SCB, NSDL shall generate FPI registration certificate and forward the application to **Income Tax Department** (ITD) for PAN allotment.  For this, RBC will need information from client’s tax agent on the appropriate category and sub-category to be used while completing the CAF to ensure that PAN card is allotted based on correct category of the client.  PAN is a ten digit alphanumeric number, issued by the Income Tax Department of the Indian Government.  Irrespective of the new process, investors are required to appoint a local tax consultant and apply with the Income Tax Department.    **Note:** Our sub custodian will be able to open the accounts and trading codes on the market only after receiving the copy of the PAN card or the E-PAN card.  The role of the tax consultant is to ensure that taxes are paid prior to repatriation of funds and that tax is paid, on a quarterly basis, on any balances left in the market. The tax consultant will request of certificate of tax residence from the client to computes tax liabilities, facilitates payment of tax, files annual returns and interacts with the tax authorities.  It is an mandatory requirement to appoint a tax consultant and the PAN card is a mandatory requirement to be obtained by all FPIs including the ones who do not intend to invest in India as well as those who have not opened accounts at **KYC Registration Agency** (KRA), a branch of the NSDL, and sub custodian's level.  Tax percentage differs for each category and therefore it is imperative that PAN number is allotted based on appropriate category, failing which, incorrect tax rates will be applies at the time of repatriation and quarterly tax deductions. Once the FPI applicant is registered and PAN number is allotted, any change in the category of client will require a new application of PAN with the correct category and surrendering of existing PAN card with the incorrect category. |
| **E-signature** |  | Not accepted |

## Account Opening: FPI account

**Documentation Required by the Agent**

1. **Pre-requested information form –** *to complete*

Keeping in view the complexity of the market, we kindly ask you to complete the pre-requested information forms listed below; the data that you will bring will indeed help us to complete the various market documents on your behalf and greatly facilitate the completion of the Common Application Form (CAF) & PAN Card application with the Indian authorities on the NSDL website. As part of the FPI account opening process, all documentation must be in exactly the same legal investor name (final beneficiary).

The pre-requested information forms have been made in order to avoid any discrepancies and ensure the consistency of the information through the sections; for that, we highly recommend you to fulfil the blue boxes, one after other.

Once done, we will get back to you with the final documents for your review, as well as very specific signature's guidelines.

In addition to the fulfilled pre-requested information form, all the following information and documentation must be provided as mandatory for getting the FPI Registration Certificate from SEBI, the trading accounts from KRA & accounts details from the local sub custodian.



SEBI (regulator) had clarified that, for the purpose of identification of the Beneficial owner (BO) of Foreign Portfolio Investor (FPI), Designated Depository Participant (DDP) shall ensure that the natural person who owns or controls the FPI is identified as the BO. In case ownership/ control of the FPI is through a legal arrangement i.e., through Legal Entities\*\*, then the natural person who owns or controls the legal entity at the end of this chain of legal arrangement needs to be identified as the BO of the FPI. In case no natural person is identified as BO on the basis of ownership or control after following the above procedure, the Senior Managing Officials (SMOs) of the legal entity at the end of the chain of the legal arrangement need to be identified as the BO(s) of the FPI.

Accordingly client will also be required to populate the following additional documents for the identification of the BO

* Annexure A – KYC details including Beneficial ownership of the Legal Entity + List of KYC documents (checklist) for Legal Entity, if any
* Annexure B – Details of Beneficial ownership of the Legal Entity registered as an FPI. (if the legal entity is an existing FPI).
* Annexure C – Clubbing information of the FPI.



\*\*SEBI has defined the legal entity as having a legal arrangement with the FPI in terms of administration or decision making etc.

1. **Power of Attorney *–*** *Signed on client’s letterhead, initialled all pages & notarized/apostilled as applicable*



1. **Supporting documents**

* **Constitution documents**(Prospectus, Memorandum & Articles of Association / Constitutional documents or equivalent document ) - *Certified as true copy by the Global Custodian*
* **Certificate of registration** issued by the local regulatory authority - *Certified as true copy by the Global Custodian*
* **Authorized Signatory List –** *Certified as true copy by Company Secretary / Director/ Trustee / Partner as applicable or Notarized*
* **Board Resolution or equivalent** naming and authorizing persons to sign / execute documentation for FPI & KRA documents - *Signed on client’s letterhead*



1. **FATCA & CRS Forms -** SEBI has issued a circular on Centralization of certifications under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) at KYC Registration Agencies (KRAs) on obtaining a self-certification from clients as a part of the account opening documentation to determine the country of tax residence. Clients are required to provide executed copies of the FATCA and CRS forms (duly signed in wet ink) to Standard Chartered Bank, which will be uploaded onto the KRA portal.

**FATCA & CRS form in the entity name can be downloaded from the links below: Please review the links for instructions on relevant tax forms and for FAQ**

**• FATCA Form -** <https://www.sc.com/en/regulatory-disclosures/client-tax/#fatca>

    

**• CRS Form –** <https://www.sc.com/en/regulatory-disclosures/client-tax/#fatca>



**Note: In certain cases RC519 can be used as ab alternative to CRS documents for clients from certain jurisdictions where CRS reporting is not applicable.**

1. **Standard Operating Procedure (SOP) & Legal Entity (LE) Confirmation -** *Signed on client’s letterhead*



**Additional supporting documents for FPI Category II -** *Certified as true copy by the Global Custodian*

For clients registered under FPI Category II, following additional documents may be requested.

* **Address proof of FPI** : POA is used as proof of address for FPI Cat I, but for FPI Cat II, a copy of valid documents issued by Government or Regulatory bodies is required – *not more than 3 months old*
* **Address proof of Directors:** Copy of Utility Bills e.g. Telephone, Electricity or Gas Bills –*not more than 3 months old*
* **Identity proof of Directors:** Copy of valid Passport or Car driving license
* **Latest Audited Financial Statement** – *executed by the Director or the company secretary*
* **Identity proof of Beneficial Owners**: Passport, Car driving license / PAN card copy with photograph or any ID card/ document with Photo, issued by Central/State Government and its Departments, Statutory/Regulatory Authorities - *required for all Cat II FPI’s (except registered under Regulation 5(b)(i))*
* **Investment Manager agreement –** Agreement between IM & applicant, this document is required for unregulated fund taking support of IM

1. **FPI Registration fees and PAN application charges:** The registration fee applicable is as below

* Registration fee for a FPI Category I costs **USD 2,950**
* Registration fee for a FPI Category II costs **USD 295**

Once the signed FPI Registration application and fees have been provided to SEBI, the FPI Registration Certificate can be issued and will have to be renewed every 3 years. (i.e. : Renewal)

* PAN Application charges for Cat I & Cat II are **USD 15**

For application which requires a PAN Card, Standard Chartered Bank India will collect USD 15 along with FPI Registration fees and would convert the same for making payment for PAN application. Any residual amount left would be returned back to applicant’s account

### Account Opening: CSGL account for investing in Indian government bonds

**Documentation Required by the Agent**

1. **Annexure 4 –** *signed on client’s letterhead*



1. **Authorized Signatory List –** *Certified as true copy by Company Secretary / Director/ Trustee / Partner as applicable or Notarized*
2. **Board Resolution or equivalent** naming and authorizing persons to sign / execute documentation for FPI & KRA documents - *Signed on client’s letterhead*



For trading in government securities and corporate debt, please refer to the below presentation for additional information.



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| **Timing** | The market timeframe for opening accounts is 15 business days post completion and acceptance of documents by the agent. The executed documents received from the client may be sent for further certification or legalization affecting the turnaround time for market application. The documents may also be subject to regulatory and KYC checks and additional documents may be requested by the agent/market authorities which could potentially extend the normal processing time. |
| **Sub-custodian** | RBC IS has appointed Standard Chartered Bank, India as Sub-custodian. Their role is as follows:   1. Register with local authorities to permit trading at any of 23 Indian stock exchanges 2. Pay the FPI registration fees, renewal fees or conversion fees 3. Monitor ownership levels and advise accordingly 4. Open securities and cash accounts 5. Open accounts with the National Stock Exchange (NSE) 6. Open accounts with the Central Securities Depositories, the NSDL 7. Obtain both an Unique Client Code (UCC) and Unique Identification Number (UIN) |
| **Further Details** | None |

### Name change

**Documentation Required by the Agent**

1. **Name Change letter -** *Signed on client’s letterhead*



1. **KRA amendment form** *- Signed on page 2 & 3*



1. **Power of Attorney in new name *-*** *Signed on client’s letterhead, initialled all pages & notarized/apostilled as applicable*

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1. **Supporting documents -** *Certified as true copy by the Global Custodian*

* **Constitution documents with the new name**(Prospectus, Memorandum & Articles of Association / Constitutional documents or equivalent document)
* **Certificate of registration** **with the new name** issued by the local regulatory authority.

The name change is considered as a material change and the effective date of the name change is required to be indicated on the letter. If the effective date of the name change **exceeds 6 months**, the letter for change in FPI name needs to include a “reason for delay in intimation of this material change to the DDP” (i.e. SCB India).

1. **PAN Card’s copy in the new name**

In order for the local agent to be able to amend the accounts names, the new PAN Card is required in addition to SEBI’s approval, and it is highly recommended for the client to start the PAN Card’s name amendment process as soon as possible.

The name change is completed by the DDP on receipt the above documents as well as the copy of the new PAN Card.

1. **FATCA & CRS Forms**

Clients are required to provide executed copies of the FATCA and CRS forms in the new name (duly signed in wet ink) to Standard Chartered Bank, which will be uploaded onto the KRA portal.

**FATCA & CRS form can be downloaded from the links below: Please review the links for instructions on relevant tax forms and for FAQ**

**• FATCA Form -** <https://www.sc.com/en/regulatory-disclosures/client-tax/#fatca>

**• CRS Form –** <https://www.sc.com/en/regulatory-disclosures/client-tax/#fatca>

**Note: In certain cases RC519 can be used as ab alternative to CRS documents for clients from certain jurisdictions where CRS reporting is not applicable.**

##### Address change

**Documentation Required by the Agent**

1. **Address Change letter -** *Signed on client’s letterhead*



1. **KRA amendment form** *- Signed on page 2 & 3*



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1. **Supporting documents with the new address**

* **For FPI Cat I:** Power of Attorney with the new address **-***Signed on client’s letterhead, initialled all pages & notarized/apostilled as applicable*



* **For FPI Cat II:** Certificate of registration with the new address issued by the local regulatory authority - *Certified as true copy by the Global Custodian*

The address change is considered as a material change and the effective date of the address change is required to be indicated on the letter. If the effective date of the address change **exceeds 6 months**, the letter for change in FPI address needs to include a “reason for delay in intimation of this material change to the DDP” (i.e. SCB India).

##### Other Changes (Compliance Officer, ASL, Directors, Tax Agent, etc.)

**Documentation Required by the Agent**

1. **Change in compliance officer** – *Compliance officer letter to be signed on client’s letterhead*



**b) Change in directors/authorised signatories**

* + KRA amendment Form: *Signed on page 2 & 3 clearly specifying the addition or deletion of authorised signatories who are also the directors of the FPI*
  + Authorized signatory list:  *– Certified as true copy by Company Secretary / Director/ Trustee / Partner as applicable or Notarized*

 

Note: If there is only a change in authorized signors with no change to directors than only Authorized signatory list should be submitted, KRA form not required.

**c) Change in Email ID** **of the FPI:** Email Address updation Letter or change in client consent information - to be wet ink signed and sent in original to the agent

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1. **Change in Tax Consultant:** A notification through swift MT599 has to be sent to the agent.
2. **Change in Beneficial Ownership:**  Enclosed form to be signed and sent in original to the agent along with a cover letter (on letterhead) summarizing the changes. The cover letter should mention the effective date when the changes became applicable.

 

##### FPI renewal

**Documentation Required by the Agent**

1. **Renewal documents -** *Signed on client’s letterhead*

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All FPIs are eligible for renewal of FPI Registration Certificate every 3 years. In times of renewal, the renewal letter need to be completed and signed and provided in original wet ink.

**b) FPI Renewal fees**

Additionally to the renewal letter, the renewal fees are payable for every block of 3 years, till the validity of the registration.

* + Renewal fee for a FPI Category I costs **USD 2,950**
  + Renewal fee for a FPI Category II costs **USD 295**

**The following are the SEBI expectations with respect to renewal of registration**

Renewal letter along with the applicable fees are required to be submitted to SCB India **at least 1 month prior to expiry date**.

**Delay in submission**

In case of any delay in submission of the renewal documents and / or fees to SCB India, it may not be possible for SCB India to process the request within the registration tenure. In cases where SCB India is not able to grant a registration certificate within the current registration period, the registration would be suspended and the FPI applicant would not be able to conduct any investment activity.

As per regulation, FPI need to provide continuance documents along with fees for continuance of its registration **at least 15 days prior to current validity of its registration** in order to facilitate a smooth continuance process. Any delay in submission of such information/fees, reason for delay in submission of continuance documents/fees is to be submitted to DDP ([FPI.Registration@sc.com](mailto:FPI.Registration@sc.com)) via email by compliance officer of applicant.

**Non-submission of renewal**

In case of non-submission of renewal documentation and applicable fees, the FPI applicant should apply for cancellation of the registration.

**Cancellation of registration**

In case the FPI applicant do not wish to renew the registration, they may file a letter for cancellation of the registration and send an account closure instruction to SCB. On receipt of the No Objection Certificate (NOC) from SEBI, SCB India shall close the accounts on its records based on your instruction.

FPI should liquidate/dispose-off its entire investment portfolio / holding positions prior to registration expiry and also ensure that the cash accounts do not have any balance.

##### Annual KYC Review of FPIs clients

**Documentation Required by the Agent**

1. **Annexure 2 - Annual KYC Review -** *Signed on client’s letterhead*



In accordance with the regulatory guidelines, KYC Review of the FPI will need to be undertaken as per the below:

|  |  |  |
| --- | --- | --- |
| **Jurisdiction** | **FPI Category I** | **FPI Category II** |
| **High Risk** | Registered under Regulation 5(a)(i) - During continuance of registration i.e. every 3 years.  Others - Annually | Annually |
| **Non-High Risk** | During continuance of registration i.e. every 3 years. | Regulated entities during continuance of registration i.e. every 3 years.  Others- Annually. |

SEBI has further clarified that in the event of non-submission of KYC documents/information within the required timeframe such FPIs will not be permitted to enter into any purchase transactions till the time the KYC refresh is completed.

Additional documents might be requested during renewal such as:

* Audited Financials - Notarized
* Proof Of Address – Notarized
* ID & Address Proof of the signatories or directors or BO on NSDL records if expired

### Account Closure

**Documentation Required by the Agent**

1. **FPI Surrender license letter** *- Signed on client’s letterhead*



Client should always ensure there are no outstanding trades, corporate actions, fees and holdings prior to sending the closure instruction.

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