



## SEBI Board Meeting

The SEBI Board met in Mumbai today and inter-alia, took the following decisions:

### I. **Allowing FPIs to participate in Exchange Traded Commodity Derivatives market”**

The Board, after deliberations, approved the participation of Foreign Portfolio Investors (FPIs) in Exchange Traded Commodity Derivatives (ETCDs).

1. The salient features for participation of FPIs in ETCDs are as under:
  - a. The existing Eligible Foreign Entity (EFE) route, which required actual exposure to Indian physical commodities, has been discontinued. Any foreign investor desirous of participating in Indian ETCDs with or without actual exposure to Indian physical commodities, can do so through FPI route.
  - b. FPIs will be allowed to trade in all non-agricultural commodity derivatives and select non-agricultural benchmark indices. To begin with, FPIs will be allowed only in cash-settled contracts.
  - c. FPIs will be allowed to participate in Indian ETCDs, subject to certain risk management measures.
  - d. The position limits for participation of FPIs in ETCDs are as under:

- i. The position limits for FPIs (other than individuals, family offices and corporate bodies) will be at par with those presently applicable for Mutual Fund schemes i.e. as a client.
  - ii. FPIs belonging to categories viz. individuals, family offices and corporates will be allowed position limit of 20 per cent of the client level position limit in a particular commodity derivatives contract, similar to the position limits prescribed for currency derivatives.
  - iii. A Working Group comprising of representatives from SEBI and market participants has also been constituted to review/examine whether any additional risk management measures, are required to be prescribed for FPIs.
2. The participation of FPIs in ETCDs is expected to enhance liquidity and market depth as well as promote efficient price discovery. SEBI has already allowed institutional investors such as Category III AIFs, Portfolio Management Services and Mutual Funds to participate in ETCDs.

Effective date will be notified vide a Circular.

## **II. Amendments to Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (SECC Regulations) – provisions relating to Limited Purpose Clearing Corporation (LPCC) for clearing and settlement of Corporate Bond Repo Transactions**

1. The Board considered and approved the proposals for making amendments to the provisions of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 to align the provisions of the SECC regulations with those of the RBI Central Counter Party Directions, 2018.

2. In respect of the requirements of the RBI's Directions for Central Counterparties and the Payment and Settlements Systems Act, 2007 (PSS Act) administered by RBI, the Board considered and approved the following proposals:
  - a. Over time, the LPCC shall put in place a mechanism for infusion of additional capital in a phased manner, in line with the risk management and increasing trading volumes in order to meet the networth requirements under the PSS Act and;
  - b. SEBI, in consultation with RBI, will review the outsourcing agreements of the LPCC in relation to its core and critical IT support infrastructure / activities for running the core activities (transaction process, clearing and settlement) after two or three years.

### **III. Amendment to SEBI (Mutual Funds) Regulations, 1996**

The Board approved amendment to SEBI (Mutual Funds) Regulations, 1996 to remove applicability of the definition of “associate” as per the said regulations to such sponsors, which invest in various companies on behalf of the beneficiaries of insurance policies or such other schemes as may be specified by the Board from time to time.

### **IV. Amendment to SEBI (Portfolio Managers) Regulations, 2020**

The Board considered the proposals and approved the amendments to the SEBI (Portfolio Managers) Regulations, 2020, to enhance prudential norms for investments by portfolio managers including investments in associates/ related parties.

**V. SEBI Annual Report: 2021-22**

The Board considered and approved the SEBI Annual Report: 2021-22. In compliance with Section 18(2) of SEBI Act, 1992, the Annual Report would be submitted to the Central Government.

**Mumbai**

**June 29, 2022**