

CAPITAL MARKETS NEWSFLASH

22 March 2004

SUPPLEMENT TO LEGAL EYE

Your peek into the Indian legal scene

FII INVESTMENT IN DEBT SECURITIES

SEBI (Foreign Institutional Investors) Regulations, 1995 permits FII investment in debt securities, including Government securities, treasury bills and corporate debt securities, through 100% debt route as well as through the equity route where up to 30 % investments can be made in debt securities.

Government has now clarified that the FII limit allocated every year under the relevant guidelines is a cumulative limit and since limit has not been finalized for 2003-04, the existing cap of US\$ 1 billion for investment by 100% debt FIIs in debt securities and investment under the 70:30 route in dated Government securities and treasury bills for the year 2002-03 will continue.

In view of the above, the following shall be applicable with immediate effect:

- Investment under the 70:30 route in dated Government securities and treasury bills is capped at US\$ 100 million. Further investment shall be subject to availability of head room under this route.
- Individual limits earlier allocated for 100% debt funds stand non-operative and will be realigned based on the capped limit of US\$ 900 million for 100% debt funds. The revised limits will be advised to the 100% debt funds separately.
- Unutilised limit, if any, shall not be available for investment until fresh limits are allocated.
- Further investment / rollover of existing positions shall be permissible subject to availability of limits under the realigned limits.

UNIFORM CUT-OFF TIMINGS FOR APPLICABILITY OF NET ASSET VALUE (NAV) OF MUTUAL FUND SCHEME(S)/PLAN(S).

The SEBI has prescribed cut-off timings for the purchase and redemption of Mutual Fund Schemes in order to deal with the practice of late trading. Purchase transactions through local cheques have a cut off timing of 3 pm for getting the same day's NAV. Purchase and Redemption applications received after 3 pm will be processed at the closing NAV of the next business day. For out station cheques, the closing NAV of the day on which the cheque is credited shall apply

These guidelines do not apply in respect of the following

- International Funds (i.e. the mutual fund scheme(s) having substantial investments in foreign securities which are valued as per time zones other than the Indian Standard Time zone),.
- Transactions in the units of Mutual Funds undertaken through the stock exchanges.

TEAM: CAPITAL MARKETS

Chief Editor:

Rajesh N. Begur

Partner

Email: rajesh@aralaw.com

Associate Editors:

Ashu V Thakur

Ketki A Shah

Mumbai	Bangalore
Agra Building, 1st Floor 121 M. G. Road Fort, Mumbai 400 023 India. Tel: (+91 22) 2263 1700 Fax: (+91 22) 2263 1800 Email: bom@aralaw.com	237 'Sumitra', 2'C Cross 1st Main, Domlur II Stage Bangalore India. Tel: (+91 80) 535 1619 Fax: (+91 80) 535 2708 Email: blr@aralaw.com

This Newsflash is published by A.R.A. LAW for private circulation only.

DISCLAIMER

The Publishers, A.R.A. LAW, make no warranty of any kind with respect to the subject matter included herein or the completeness or accuracy of this Newsflash. The Publishers and the contributors are not responsible for any actions (or lack thereof) taken as a result of relying on or in any way using information contained in this Newsflash and in no event shall be liable for any damages resulting from reliance on or use of this information. Without limiting the above the Publishers and the contributors shall each have no responsibility for any act or omission of any other contributor. Readers should take specific advice from a qualified professional when dealing with specific situations.

© Copyright 2004 A.R.A. LAW. All rights reserved.