Foreign Exchange Dealers' Association of India

173, Maker Tower 'F'
Cuffe Parade
Mumbai - 400 005.

Tel. : 2218 2549 / 2218 4432

E-mail : mail@fedai.org.in
Website : www.fedai.org.in
CIN: U67190MH1988NPL047993

SPL-07/FPI/2025
19th August 2025

All Members of FEDAI

Sub.: Transfer of Investment Limit under Voluntary Retention Route (VRR) – relocation to IFSC.

The Finance Act 2021 had provided certain tax incentives for foreign funds which relocate to the International Financial Services Centre (IFSC). Pursuant to the aforesaid amendment, SEBI notified the operational instructions for such relocations *vide* its Circular dated June 01, 2021. The instructions facilitated, *inter alia,* a one-time 'off-market' transfer of the securities held by the original fund to the resultant fund in the IFSC.

The Reserve Bank has received requests for clarification on permissibility of transfer of investment limits held under the Voluntary Retention Route in the context of such relocations.

In this regard, as directed by RBI, we advise as under –

1. Please refer to Paragraph 5.5(ii) of the Master Direction – Reserve Bank of India (Non-resident Investment in Debt Instruments) Directions, 2025 dated January 07, 2025, dealing with exit of investments under the Voluntary Retention Route (VRR), relevant para reproduced below for ready reference:

   "An FPI desiring to exit its investments, fully or partly, under the VRR prior to the end of the retention period may do so by selling its investments to another FPI or FPIs. The FPI (or FPIs) buying such investment shall abide by all the terms and conditions applicable to the selling FPI under the VRR."

2. In the context of FPIs relocating to IFSC, it is clarified that transfer of investment limits held under the VRR to an FPI located in IFSC is permitted, in terms of the regulatory provision cited above, subject to the following:
   a. The relocation is pursuant to the terms and conditions set out in the Finance Act, 2021 for relocating foreign funds to the IFSC and is in compliance with the provisions of the SEBI circular on "Off-market transfer of securities by FPI" dated June 01, 2021; and
   b. The "resultant fund" in IFSC shall abide by all the terms and conditions applicable to the "original fund" under the VRR.

3. It has been decided to also permit transfer of a VRR investment limit after its expiry, when an FPI relocates to IFSC, subject to conditions set out at paragraph 2(a) and 2(b) above. Transfer of a VRR investment limit after the expiry of the committed retention period shall only be permitted if the FPI concerned had opted to continue to hold its investments in terms of paragraph 5.5 (i)(c) of the aforesaid Master Directions and only in respect of such investments under an expired VRR limit that it holds at the time of relocation.
4. The Reserve Bank of India has also advised the Clearing Corporation of India Ltd. (CCIL) to make necessary arrangements to facilitate the above.

Custody banks are requested to take note of the above.

Chief Executive