GRC BULLETIN

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RBI

Limits for investment in debt and sale of Credit Default Swaps by Foreign Portfolio Investors

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Authority

Reserve Bank of India (RBI)

Circular Date

Apr 03, 2025

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RBI - LIMITS FOR INVESTMENT IN DEBT AND SALE OF CREDIT DEFAULT SWAPS BY FOREIGN PORTFOLIO INVESTORS

Applicability: Foreign Portfolio Investors (FPIs)
AD Category-I banks
Corporate bond market participants
Entities dealing in Credit Default Swaps (CDS)

The Reserve Bank of India (RBI) has released the revised investment limits for Foreign Portfolio Investors (FPIs) in debt instruments for the financial year 2025–26, alongside the updated guidelines for participation in Credit Default Swaps (CDS). This circular also outlines the total permissible investment levels across various categories and emphasizes the continued applicability of the Fully Accessible Route (FAR) for specific eligible securities.

1. **Investment Limits for FY 2025-26:**
   - **G-Secs**: 6% of outstanding stock
   - **SGSs**: 2% of outstanding stock
   - **Corporate Bonds**: 15% of outstanding stock
2. **Revised Half-Yearly Limits** (₹ in Crores):

Category	Apr–Sep 2025	Oct–Mar 2026
G-Sec (General)	₹2,79,236	₹2,89,488
G-Sec (Long-Term)	₹1,48,236	₹1,58,488
SGS (General)	₹1,26,248	₹1,34,744
SGS (Long-Term)	₹7,100	₹7,100
Corporate Bonds	₹8,22,169	₹8,80,835
Total Debt Limit	₹13,82,989	₹14,70,654

3. **Credit Default Swaps (CDS):**
   - FPIs can sell CDS up to 5% **of the outstanding stock of corporate bonds**
   - **CDS Limit for 2025–26 :** ₹2,93,612 crore

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This provision is intended to deepen the credit derivatives market in India and offer enhanced hedging tools for market participants.

4. Fully Accessible Route (FAR):

- Investments made by eligible investors in **"specified securities"** will continue to fall under FAR.
- Under FAR, there are no **investment restrictions**, thereby enabling greater flexibility and participation by global investors in select G-Secs.

Additional Points to Note

- The limits are reviewed on a half-yearly basis to ensure alignment with evolving market conditions, inflation forecasts, and fiscal policies.
- Market participants are advised to remain compliant with sectoral caps and should monitor RBI notifications for any changes or additional clarifications.
- The RBI has emphasized the importance of transparency and market discipline through periodic disclosures and updated regulatory frameworks.

Conclusion: This move reflects RBI's continued effort to enhance the depth and resilience of the Indian debt market, improve foreign investor participation, and strengthen the framework for credit risk management tools like CDS. By balancing liberalisation with oversight, the RBI aims to promote sustainable capital inflows and a more robust financial ecosystem.

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