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FPI – DEBT INVESTMENTS IN INDIA VIA VOLUNTARY RETENTION ROUTE – INCREASE IN INVESTMENT LIMIT

11 February 2022

The Reserve Bank of India (RBI) on 10 February 2022, vide A.P. (DIR Series) Circular No. 22 (2022 VRR Circular) has increased the investment limit under the Voluntary Retention Route (VRR) for Foreign Portfolio Investors (FPIs) for investment in debt markets in India.

Introduced in March 2019, the VRR is a separate investment channel that allows FPIs to invest in debt markets in India. Investments made through the VRR will remain free from macro-prudential and other regulatory norms which apply to FPI investments in debt markets in India, subject to such FPIs voluntarily committing to retain at least 75% of their total investments under VRR for a period of 3 (three) years.

Initially, the investment limit under the VRR was INR 75,000 crores, which was revised to INR 1,50,000 crores in January 2020. Vide the 2022 VRR Circular, the RBI has now further increased the investment limit to INR 2,50,000 crores.

Vide a press release dated 10 February 2022 the RBI has also made the following announcements:

- The increased investment limits will be open for allotment from 1 April 2022.
- As on 10 February 2022, around INR 1,49,995 crores have already been availed under the VRR against the amount of INR 1,50,000 crores offered in 3 (three) tranches.
- The total investment limit available for fresh allotment (net of the existing allotments and adjustments) is INR 1,04,800 crores, which will be allotted under the VRR-Combined category.

Comment:

The VRR has seen a positive response from the FPIs, which is evidenced by the near complete exhaustion of the existing limits. With this move of further increasing the investment limit under the VRR, the RBI has reinforced its commitment to facilitate debt investments by FPIs via the VRR.

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