

Standard Operating Procedure for implementation of SEBI circular SEBI/HO/AFD/AFD-PoD-2/P/CIR/2024/77 dated June 05, 2024 providing framework for flexibility to FPIs in dealing with their securities post expiry of their registration read along with the Official Gazette Notification SEBI/LAD-NRO/GN/2024/183 published on 03 June 2024

1. SEBI vide circular no. SEBI/HO/AFD/AFD-PoD-2/P/CIR/2024/77 dated June 05, 2024 (hereinafter referred to as 'Flexibility Framework Circular'), has provided detailed guidelines with respect to provision of extension period and disposal of securities by FPIs whose license has either expired or has been rendered invalid on account of breach of criteria specified by SEBI under the SEBI (FPI) (Amendment) Regulations, 2024 and Master Circular no. SEBI/HO/AFD/AFD-PoD-2/P/CIR/2024/70 dated May 30, 2024.
2. The framework provides flexibility to FPIs in dealing with their securities post expiry of their registration and/or elapse of the time-period for disposal of securities under the following circumstances:
 - 2.1. Continuance of Registration
 - 2.2. Reclassification
 - 2.3. Change in Status of Compliant Jurisdictions
 - 2.4. Securities held by FPIs after expiry and/or elapse of the time-period for disposal of securities
 - 2.5. Securities held by FPIs whose registration has expired as provided under the proviso to Regulation 7(5)
 - 2.6. Securities written-off or deemed to have been written-off by the FPIs
3. To harmonize the procedure amongst all FPIs / DDPs / Custodians / Depositories / Stock Exchanges / Clearing Corporations, this Standard Operating Procedure (SOP) has been prepared by these stakeholders, in consultation with SEBI, to achieve uniformity in implementation of procedure.
4. **Calculation of Late Fees / Last Date for Renewal:**
 - 4.1. If the FPI fails to pay renewal fee prior to expiry date, the FPI account shall be blocked for further purchases.
 - 4.2. If DDP is in receipt of full fee amount (including late fee) prior to last date for reactivation of registration, i.e. day 30, but the due-diligence including KYC review is not complete by such last date due to non-submission of requisite information by the FPI, the freeze on further purchases shall continue till the necessary supporting information / documents such as Renewal request / supporting KYC / AML / CFT documents are received and intimation of continuance is given by DDP.

4.3. For the purpose of calculation of late fee, value date of remittance of the full fee amount (i.e. Renewal Fees + Late Fee + GST) by the applicant shall be considered as the relevant date.

e.g. if the FPI registration expires on June 30, 2024 and the value date of remittance of full fee is July 10, 2024, the late fee amount will be USD 50 / 5 (Cat I / Cat II as applicable) * 10 days i.e. USD 500 / 50 (excluding GST)

4.4. The late fee amount shall also be subject to GST at applicable rate.

5. **Date of Commencement:** The official gazette notification amending the FPI Regulations, 2019 was published on June 03, 2024. Accordingly, the timelines for such disposal of securities in terms of proviso to Regulation 7(5) of the FPI Regulations, 2019 shall commence with effect from June 03, 2024. Accordingly, with respect to the timelines prescribed under Para 18 of Part A of the Master Circular, the initial 180-day period for disposal of securities ends on November 30, 2024 and the additional 180-day period for disposal with a financial disincentive ends on May 29, 2025. Accordingly, the mandatory write off period for all such FPIs / FIIs / Sub Accounts / QFI begins from May 30, 2025. The opportunity to dispose securities in terms of proviso to Regulation 7(5) of the FPI Regulations shall be available to foreign investors registered earlier as FPIs / FII / Sub Accounts / QFIs whose registration has been invalidated or where the time-period for reactivation of account or time period for disposal of securities has already expired and there are securities blocked in the accounts of such investors. For the sake of clarity, certain instances are given below:

a. An FII/Sub Account whose license was rendered invalid on account of non-renewal in 2012, will receive a period of 360 days (split as per time period mentioned in point 5 above) from the date of commencement.

b. A QFI who failed to apply for conversion to FPI post January 2014 and let their license expire, will receive a period of 360 days (split as per time period mentioned in point 5 above) from the date of commencement.

c. An FPI registered on January 01, 2021 which did not meet the NRI criteria within 2 years i.e. by December 31, 2022 had time up to June 28, 2023 to dispose its securities without any financial disincentive. It will therefore, receive an additional time period of 360 days from June 03, 2024 i.e. up to November 30, 2024 to dispose its securities without financial disincentive and till May 29, 2025 with financial disincentive.

d. An FPI registered on January 01, 2022 which did not meet the NRI criteria within 2 years i.e. by December 31, 2023 had time up to June 28, 2024 (initial 180 days) to dispose its securities without any financial disincentive. It will however, receive an additional time period of 180 days from June 28, 2024 i.e. up to December 25, 2024 to dispose its securities with financial disincentive.

- e. An FPI (non-individual) who failed to provide its Legal Entity details by October 31, 2023 were to be considered as ineligible to continue in the Indian securities market. Such FPIs will therefore have a period of 360 days from the commencement date to dispose their securities within 180 days without financial disincentive and thereafter additional 180 days with financial disincentive.
- f. An FPI who was required to provide additional disclosures by March 12, 2024, but failed to do so, had a period of 180 days i.e. up to September 08, 2024 to dispose its securities without any financial disincentive. It will however, receive an additional time period of 180 days from September 09, 2024 i.e. up to March 07, 2025 to dispose its securities with financial disincentive.
- g. An FPI registered on January 01, 2024 intimates changes specified under Para 13 & Para 15 of the FPI Master Circular to the DDP on January 01, 2025 will have a time period until expiry i.e. up to December 31, 2026 to dispose securities without any financial disincentive. However, if such change had been communicated on November 01, 2026, then the FPI will have 180 days i.e. up to April 30, 2027 for such disposal

6. Timelines applicable for disposal of securities by FPIs who fail to comply with any of the instances mentioned under Para 17 of Part A of the FPI Master Circular post the date of commencement: In order to have standard timelines being adopted across custodians / DDPs, the following table may be referred to

Breach Type (as per Master Circular)	Time Period for Disposal (without disincentive)
Para 1. ii. f. of Part A – FPI not complying with NRI / OCI / RI criteria within 2 years of registration	180 Days from expiry of 2 year period
Para 1. ii. g. of Part A – FPI not complying with NRI / OCI / RI criteria within 90 days of temporary breach	180 Days from expiry of 90 day period
Para 13 of Part A – FPI not submitting additional KYC requirements (if any) in case of Reclassification	180 Days from date of notification of change by FPI or until expiry whichever is later
Para 15 of Part A – FPIs located in a jurisdiction where there is a change in compliant status*	180 Days from change of status of compliant jurisdiction or until expiry whichever is later
Para 4. viii. of Part A – Non-payment of renewal fee within 30 day extension period	210 (30 + 180) Days from the expiry date

Para 1. xxi. of Part C – Non disclosure of granular details by FPI by the last day of disclosure period	180 Days from expiry of disclosure period
Breach of any of the above timelines due to regulatory/ statutory restrictions on sale of securities held	Time-period as per the direction of the respective enforcement agency/ regulator/ Court, or 180 days of removal of such regulatory/ statutory restrictions if no time-period provided by enforcement agency/ regulator/ Court

Notes:

1. For all those FPIs who have been unable to dispose within the above period, an additional period of 180 days shall be available for disposal along with a financial disincentive
 2. For all those FPIs who have been unable to dispose within the financial disincentive period, the custodian will need to trigger the mandatory write off process as prescribed under the circular
 3. The last day of the applicable disposal periods shall be considered as the last date on which the sale transaction can be executed (trade date) by the FPI
 4. Proceeds received from such sale shall be remitted / repatriated to the FPI on receipt of necessary instructions, tax clearances etc. as applicable which may be post the 360-day period.
7. **Validity of FPI license during disposal period:** The license of an FPI will continue to be considered valid (for sale purposes only) till the expiry of disposal period (including financial disincentive period) even if the actual 3-year validity period expires during such time. The FPI need not apply for renewal during such period. The DDP shall mark such clients as invalid on the FPI portal from the date of invalidation.
8. **Application of KYC, AML/CFT requirements:** Any activity/process which is subject to FPI fulfilling/complying with “KYC”, “AML/CFT” requirements, the Custodian/DDP shall permit such activity/process post completion of full KYC review of the applicant/FPI, in terms of the applicable law.
9. **Restriction on Corporate Benefits and Voting Rights:** Flexibility Framework Circular provides for continuation of accrual of “*monetary/non-monetary corporate benefits/voting rights with respect to the securities held by the FPI, if any*” in certain cases. Accordingly, unless specifically provided under FPI Regulations or circulars issued thereunder, restriction on accrual of such Corporate Benefits and Voting Rights shall not be applicable, except in cases where
- 9.1. the FPI license is invalidated on account of non-disclosure of granular details or
 - 9.2. where the regulatory / court / enforcement agency specifically restricts such rights
10. **Deduction of Financial Disincentive amount:** Financial disincentive at a rate of 5% of settlement amount shall be deducted by the DDP/Custodian and remitted to SEBI’s IPEF, as specified under the Flexibility Framework Circular.

11. **Securities Written Off by FPIs, FIIs, Sub Accounts and QFIs:** Without seeking any further instructions from the client, the Custodians shall transfer any securities written off prior to the issuance of Flexibility Framework Circular to the Escrow Account(s) operated by exchange empaneled Broker latest by 30th November 2024.
12. First reminder / MIS for renewal of registration shall be sent by the DDP/Custodian at least four months prior to expiry date. Subsequent reminders / MIS shall be sent on monthly basis for all pending renewals.
13. This SOP may be updated on an ongoing basis by these stakeholders, in consultation with SEBI, based on the experience and feedback received and basis any further guidelines issued by SEBI in this regard.