

## Corpsec Hotline

October 08, 2008

### P NOTES- ALMOST FULL CIRCLE, CONT....

In furtherance to the press release on October 6, 2008, the Securities Exchange Board of India (“SEBI”) today announced vide a circular that the removal of the restrictions on issuance of Offshore Derivative Instruments (“ODIs”) by Foreign Institutional Investors (“FII”) will be effective from the close of market hours on October 7, 2008.

Further, we received some clarifications on an informal basis from SEBI officials and we were made to understand that these changes are currently only being effected on two aspects:

- The 40% cap of assets under custody (“AUC”) on FIIs to issue ODIs has been removed; and
- FIIs can now issue ODIs with underlying as derivatives.

We understand that currently there seems to be no relaxation on the aspects of ODIs being issued only to “person regulated by an appropriate foreign regulatory authority”; and on the prohibition on sub-accounts to issue ODIs. Hopefully, the formal amendments to the FII Regulations will bring in more clarity to the same.

Reference: P Notes- Almost Full Circle

Source: [Removal of restrictions on ODIs](#)

- Divaspati Singh & Anshumita Singhania  
You can direct your queries or comments to the authors

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