To
All Authorised persons

Madam / Sir,

‘Voluntary Retention Route’ (VRR) for Foreign Portfolio Investors (FPIs) investment in debt – relaxations

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to the Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide Notification No. FEMA. 396/2019-RB dated October 17, 2019, as amended from time to time, and relevant directions issued thereunder. Attention is also invited to A.P. (DIR Series) Circular No. 34 dated May 24, 2019 (hereinafter Directions).

2. On a review, the following changes are made to the Directions governing investment through the Voluntary Retention Route (VRR).
   a) The investment cap is increased to Rs. 1,50,000 crores from Rs. 75,000 crores.
   b) FPIs that have been allotted investment limits under VRR may, at their discretion, transfer their investments made under the General Investment Limit to VRR.
   c) FPIs are also allowed to invest in Exchange Traded Funds that invest only in debt instruments.

3. The updated Directions are attached.

4. These directions are issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Yours faithfully

(Saswat Mahapatra)
Deputy General Manager (O-i-C)