Key highlights of the Master Direction - Reserve Bank of India (Non-resident Investment in Debt Instruments) Directions, 2025

RBI has issued the Master Direction on Non-resident Investment in Debt Instruments, 2025, to regulate foreign investments in debt instruments in India, consolidating provisions under Foreign Exchange Management (Permissible Capital Accounts Transactions) Regulations, 2000, Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, Foreign Exchange Management (Debt Instruments) Regulations, 2019, and directions. The Directions mainly provide for Investment Channels along with eligible investors and eligible instruments under each type of channel. Following are the modes for non-resident investment in Debt Instruments:

I. GENERAL ROUTE:

- **Eligible Non-residents:** Foreign Portfolio Investors (FPIs)
- **Eligible Instruments and Investment Limits**:
  - i. Central Government securities (including Treasury Bills), excluding specified securities under Fully Accessible Route: 6% of the outstanding stock
  - ii. State Government securities: 2% of the outstanding stock.
  - iii. Corporate debt securities: 15% of the outstanding stock.

- **Government Securities Investment Terms:** No minimum residual maturity requirement for FPIs.
  - i. **Short-term Investment Limit:** FPIs can invest in Government securities with a residual maturity of up to one year, but such investments cannot exceed 30% of the total investment in each category.
  - ii. **Security-wise limit:** FPI investment in any Central Government security cannot exceed 30% of the outstanding stock.
  - iii. **Concentration Limit**: FPI's total investment in Government securities (including related FPIs) cannot exceed 15% for long-term FPIs and 10% for others.

- **Corporate Debt Securities Investment Terms:**
  - i. **Minimum residual maturity**: FPIs must invest in corporate debt securities with a original/residual maturity of more than one year. The Directions also specify list of Debt Instruments in which FPI shall not invest.
  - ii. **Short-term investment limit**: Similar to Government securities, investments in corporate debt with a maturity of up to one year must not exceed 30% of the total FPI investments.
  - iii. **Issue-wise limit:** An FPI cannot hold more than 50% of any specific corporate debt security issue.
  - iv. **Concentration limit:** Investments by an FPI in corporate debt should not exceed 15% of the total investment limit for long-term FPIs and 10% for others.

II. VOLUNTARY RETENTION ROUTE (VRR)

- **Eligible Investors**: Foreign Portfolio Investor
- **Eligible Instruments:** Corporate and Government debt securities (excluding certain ETFs).
- **Investment Limit:** ₹2,50,000 crore or higher, allocated in one or more tranches by the Reserve Bank

- **VRR Investment Rules:**
  - **i.** FPIs must invest 75% of their Committed Portfolio Size (CPS) within three months of the allotment date.
  - **ii.** FPIs can transfer investments under the General Route to VRR.
  - **iii.** Custodians must ensure FPIs maintain at least 75% of CPS during the retention period.

- **Exit Provisions:** At the end of the retention period, FPIs can opt to liquidate, shift to the General Route, or continue investments. Early exit is permitted by selling to other FPIs.

- **Special Non-Resident Rupee (SNRR) Account:** An FPI must open SNRR accounts for VRR transactions.

III. FULLY ACCESSIBLE ROUTE(FAR)

- **Eligible investors:**
  - i. Foreign Portfolio Investors, Non-Resident Indians (NRIs) and Overseas Citizens of India (OCI).
  - ii. Any other person resident outside India, as may be notified by the Reserve Bank from time to time.

- **Eligible instruments** (‘Specified securities’):
  - i. All securities included under the FAR on the date of issuance of these Directions ; all new issuances of 5-year, 7-year and 10-year tenors by the Central Government; and any other security that the RBI may notify in this regard.
  - ii. The Reserve Bank may add new tenors or change the tenors of new securities to be designated as ‘specified securities’ from time to time.
  - iii. Specified securities, once so designated, shall remain eligible for investment under the FAR until maturity.
  - iv. FPI investment in Specified securities under this Route shall not be subject to any investment limit or macro-prudential controls as applicable for investments in Government securities through the General Route.

IV. **Investments in Sovereign Green Bonds** issued by the Government of India may be made by eligible investors in the International Financial Services Centre in India. Such investment shall be in terms of the ‘Scheme for Trading and Settlement of Sovereign Green Bonds in the International Financial Services Centre in India’.

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