

STRATAGE UPDATES

Off market transfer of securities by FPI

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Following the tax incentives provided by the Finance Act, 2021, SEBI has streamlined the fund relocation process by Foreign Portfolio Investors (**FPIs**) to funds in International Financial Services Centre (**IFSC**) in Gift City, in the following manner:

- FPI, the original fund or its wholly owned special purpose vehicle, is required to approach its Designated Depository Participant (DDP) for approval of a one-time ‘off-market’ transfer of its securities to the resultant fund.
- Pursuant thereto, the DDP is required to conduct appropriate due diligence, and then it may grant an approval for a one-time ‘off-market’ transfer of securities for such relocation.
- Such a request for relocation request would imply that the FPI has deemed to have applied for surrender of its registration and the DDP may be guided by the guidelines pertaining to surrender of FPI registration.
- The ‘off-market’ transfer would be without prejudice to provisions of tax and foreign exchange laws.

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- The terms ‘*original fund*’, ‘*relocation*’ and ‘*resultant fund*’ have been defined in detail under the Finance Act, 2021 ([available here](#)). For reference,
- ‘**Original Fund**’ means a fund incorporated outside India, subject to other conditions set out in the definition;
- ‘**Relocation**’ means transfer of assets of the original fund, or of its wholly owned special purpose vehicle, to a resultant fund on or before March 31, 2023, subject to conditions set out in the definition; and
- ‘**Resultant Fund**’ means a fund established in India and registered as an Alternative Investment Fund and located in any IFSC.

The aforementioned changes were notified by SEBI vide a circular dated June 1, 2021 ([available here](#)).

The extant operational guidelines for foreign portfolio investors, designated depository participants and eligible foreign investors in relation to off-market transfer of securities stand revised in accordance with the provisions of the said SEBI circular.