



SEBI specifying Cyprus as “Category I Foreign Private Investor”

Alert

The Indian Government issued on the 14th of June 2021 an order specifying the Republic of Cyprus as an eligible country for the purposes of Regulation 5 (a)(iv) of the Securities and Exchange Board of India (“SEBI”) Foreign Portfolio Investors Regulations 2019 (hereafter referred to as the “FPI Regulation”).

The said classification as “Category I Foreign Private Investor” entails significant advantages in the manner in which business is to be conducted between the two countries with reliefs such as simplified Know Your Client (“KYC”) procedures required for business activities, enhanced trading limits and a new ability of Cypriot Funds to invest in Indian ODIs.

Per the FPI Regulation, the reliefs are available to the following entities:

- i) appropriately regulated Cypriot funds;
- ii) unregulated funds whose investment manager is appropriately regulated and registered as a Category I” foreign portfolio investor, provided that the investment manager undertakes the responsibility of all the acts of commission or omission of such unregulated funds; and
- iii) university related endowments of such universities that have been in existence for more than five years.

Cyprus’ revised classification by SEBI marks a milestone in the ongoing business relationship between Cyprus and India. Coupled with Cyprus’ status as a cooperative jurisdiction with India, allowing for Double Tax Treaty benefits for Cyprus-India structures, this development further promotes the use of Cypriot fund structures for India inbound investments and provides new opportunities for the two countries to strengthen their business relations.

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