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<b>Organization Type</b>	Industry Association	<b>Organization name</b>	ASIFMA Asset Management Group (AAMG)		
<b>Consultation Paper</b>	Consultation paper on proposal to improve ease of doing business with respect to the additional disclosure framework for large FPIs				
<b>Description</b>	To improve ease of doing business, rather than requiring disclosure of all investors/stakeholders, it is proposed to require disclosures of an appropriate majority of investors for identification and categorization of an FPI as an LBC or a non-LBC entity, subject to which need for granular disclosures would be determined.				
<b>Regulation</b>	FPI Regulations, 2019				

Question 1: Do you agree with the proposal to modify the disclosure requirements and link the same to an appropriate minimum threshold of disclosure for identification and categorization of an FPI as an LBC or non-LBC entity?	
Level of Agreement	Strongly Agree / Agree / Partially Agree / Disagree / Strongly Disagree
Comments	Rationale
<p>Our members generally support the proposal to prescribe a suitable risk-based threshold for identification and categorization of an FPI as an LBC or non-LBC entity to ease the burden of disclosure for certain FPIs. However, questions remain over the definition and scope of an LBC.</p> <p>1. We suggest that SEBI clarify <b>in writing</b> what it considers to be LBCs (such as the territories that they include) and what it considers to be 'entities owning/controlling/holding an economic interest' in an FPI for purposes of LBC/non-LBC categorization. In addition, whether 'entities' include</p>	<ol style="list-style-type: none"> <li>1. Clarification of what SEBI considers to be an 'LBC' and what it considers to be 'entities owning/controlling/holding an economic interest' in an FPI would ensure uniformity in interpretation and obviate regulatory arbitrage. This is needed to eliminate continued ambiguity with the 'scope of LBC' and 'meaning of beneficial owner' as has been under PN3 of 2020.</li> <li>2. This suggestion would remove ambiguity regarding the documentation requirements amongst the DDPs. Further, disclosure of investor identities and size of investments may be restricted by data privacy laws in other countries as well as fund's/ asset manager's</li> </ol>

individuals and whether the determination has to be done on a 'look-through basis'.

2. Since para 4.5 of this proposal requires DDPs to verify actual disclosures by FPIs as an LBC or non-LBC and not merely accept declarations by FPIs, we suggest that such verification may be made with a third party, such as a fund administrator or a fund auditor, without the need to disclose an FPI's underlying fund investors, which verification can be relied on by the DDPs.

Also, we suggest that SEBI clarify **in writing** that the disclosure and verification by the fund administrator would only be required of the relevant 50% / 67% LBC / non-LBC investor base, respectively, and not the 100% breakdown of an FPI's investor base.

3. Once an FPI has established its LBC/non-LBC status, we suggest that it should only be required to update and furnish proof of the same to its DDP:
  - a. when it comes to know about a change in the investor base changing its LBC/non-LBC status and resulting in a 'Type I material change' under the FPI Regulations; and/ or
  - b. if the FPI's Indian equity AUM fluctuates between < and > INR 25,000 crores; *provided that*, if such fluctuations occur within a short period of time, for instance 3 months, on account of portfolio rebalancing and/or market volatility, no such repeated proofs should be required; and/ or
  - c. on an annual basis.

confidentiality agreements with their investors. In practice, FPIs (particularly FPIs who are large and more established institutions, with a broad investor base) may not be able to disclose the identities and respective holdings of individual investors to their DDPs or any other third parties without obtaining prior consent from each individual investor. This would impact the practical benefits that SEBI aims to achieve with the proposed relaxation. Moreover, if the underlying investor information needs to be based on information/database from the regulator of the fund's domicile, this does not exist in the usual jurisdictions in which many funds are established. Hence, allowing verification with third party fund administrators or auditors, without disclosure of the actual investors, would be more feasible and should provide the requisite comfort to SEBI.

3. Frequent or repeated disclosures by FPIs to the DDP of their eligibility status should not be warranted unless the suggested triggers are achieved. Since FPIs keep making investments and divestments, and the price of the securities also fluctuate, the AUM of the FPI may often fluctuate and some flexibility should be considered to ease the burden on FPIs.

**Question 2: Do you agree with the proposal to keep the threshold for classification of an FPI as LBC at more than 50% of the AUM of the FPI?**

<b>Level of Agreement</b>	Strongly Agree / <b>Agree</b> / Partially Agree / Disagree / Strongly Disagree
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Comments	Rationale
<p>Our members generally agree with the proposal to keep the threshold for categorization of an FPI as LBC at more than 50% of the AUM of the FPI.</p> <p>However, we suggest that SEBI clarify whether it means more than 50% of the India equity AUM of the FPI and not the Global AUM of the FPI which may include non-India AUM as well.</p>	<p>Clarification that the more than 50% of AUM of the FPI for LBC identification means the FPI’s India equity AUM would be helpful to eliminate any confusion.</p>

**Question 3: Do you agree with the proposal to keep the threshold for classification of an FPI as non-LBC at more than 67% of the AUM of the FPI?**

<b>Level of Agreement</b>	Strongly Agree / <b>Agree</b> / Partially Agree / Disagree / Strongly Disagree
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Comments	Rationale
<p>Our members understand the reason for the higher threshold for non-LBC identification (i.e., only 33% would be from an LBC) and generally agree with the proposal to keep the threshold for categorization of an FPI as non-LBC at more than 67% of the AUM of the FPI.</p> <p>However, one member is of the view that it would be cleaner to have the same threshold of more than 50% apply to non-LBC categorization.</p>	<p>Reduction to 50% threshold for non-LBC will create uniformity with the LBC categorization threshold. In any case, an FPI with more than 50% LBC participation is getting the exemption from making granular disclosures, thus the end result being the same as a non-LBC FPI.</p>

**Question 4: Do you agree with the proposal that in case aforesaid LBC or non-LBC thresholds are not met, categorization of the FPI shall be made on the basis of disclosures made by the FPI, considering the country/nationality of entities owning/ controlling/ holding economic interest in majority (i.e., more than 50%) of AUM of the FPI?**

**Level of Agreement** Strongly Agree / Agree/ **Partially Agree** / Disagree / Strongly Disagree

**Comments**

1. Our members generally do not understand the legislative or policy intent behind SEBI requiring FPIs that do not meet the proposed LBC and non-LBC identification thresholds to make granular disclosures required under the August Circular. Such FPIs may, in actuality, have a diversified investor base and not concentrated as in the case of an LBC or a non-LBC.
2. Our members also do not understand the policy intent behind SEBI requiring the categorization of the FPIs which do not meet either of the thresholds on the basis of majority participation of the entities in the AUM of such FPIs, as given under para 4.3(c).

**Rationale**

1. The requirement of disclosure of investors on a granular basis by the FPIs which do not have a concentrated investor participation seems to not solve the issue highlighted in para 3.2.
2. Since such FPIs will be required to make the granular disclosures, we don't understand the need for categorization into LBC and non-LBC on the basis of more than 50% ownership/control/holding of economic interest in the FPI.