

RBI's Scheme for Trading and Settlement of Sovereign Green Bonds in the IFSC in India

[See Link: RBI Circular No. CO.FMRD.FMIA.No.S242/11-01-051/2024-2025 dated 29th August 2024](#)

- A. Purpose:** To provide liquidity for investments in Sovereign Green Bonds of Government of India (SGB-GOI) in the IFSC in India.
- B. Eligible Securities:** SGB-GOI subject to following conditions:
- (i) SGB-GOI as 'specified securities' under Fully Accessible Route (FAR) for Non-residents governed by RBI Directions for FAR.
 - (ii) Other SGB-GOI: Investment limits and conditions for Foreign Portfolio Investors (FPI) apply.
- C. Eligible investors:**
- (i) All funds/ schemes regulated under the IFSCA (Fund Management) Regulations, 2022.
 - (ii) Persons resident outside India (Not incorporated in High-Risk Jurisdictions (FATF identified)) as per:
 - (a) Sec. 2(w) of FEMA 1999.
 - (b) Sec. 3 of FEMA (IFSC) Regulations 2015 (but not a branch/ JV/ subsidiary/ trust of entity incorporated in India)
 - (iii) IFSC Banking Unit (IBU) of a foreign bank not operating in India.
- D. Eligible IBUs** (to participate in Scheme): IBUs of a bank in India and a foreign bank operating in India.
- E. Scheme Provisions:**
- (i) Eligible Investors can participate in – (i) primary auctions by RBI and (ii) secondary market in IFSC.
 - (ii) Eligible IBUs can transact in secondary market.
 - (iii) Authorised depository (AD) and authorised clearing corporation(s) (ACC) facilitate the Scheme to open:
 - (a) CSGL account and current account with RBI.
 - (b) INR account with a commercial bank in India.
- F. Primary Market:**
- (i) To submit competitive bids in auction through ACC (acting as aggregator and facilitator)
 - (ii) ACC to keep its current account funded at start of settlement day.
 - (iii) Allotted securities credited to the CSGL account of ACC on settlement day.
 - (iv) On same day:
 - (a) ACC to make value free transfer (VFT) of securities to CSGL account of AD.
 - (b) AD to credit the demat/ securities account of investors.
- G. Secondary Market:** All transactions within IFSC.
- (i) Investors can trade with other investors and eligible IBUs. No transaction allowed between two eligible IBUs.
 - (ii) Securities available for trading in the OTC markets.
 - (iii) Settlement cycle shall be T+1 or T+2.
 - (iv) Conditions for trade between IBU and Investor:
 - (a) To be on a 'back-to-back' arrangement – with both legs on same date.
 - (b) IBUs not to have overnight open position, to close by reversing trade with - Indian parent bank (IPB) or branch/ subsidiary in India of the foreign parent bank (FPB) on T+0 basis.
 - (v) Trade with IPB/ FPB to be for due consideration.
 - (vi) Settlement between two investors or an investor and IBU: Of securities: AD books (clearing arrangement); Of funds: in foreign currency.
 - (vii) Settlement between IBU and IPB/ FPB:
 - (a) To be on bilateral basis.
 - (b) Securities transfer by Clearing Corporation of India Limited (CCIL) between SGL a/c of bank and CSGL a/c of AD.
 - (c) Fund leg to be settled in foreign currency.
- H. Coupon payment and redemption:**
- (i) Amounts will be credited to current account of AD.
 - (ii) AD to credit amounts (after tax deduction) to accounts of investor on same day/ value dated.
 - (iii) Exceptional circumstances: investors to be credited on next working day.
 - (iv) Credits to investors later than due date – without recourse to GOI or RBI, as per AD's agreement with investor.
- I. Other conditions:**
- (i) Repackaging or derivative instruments by investors not permitted.
 - (ii) Repo transactions not permitted.
 - (iii) Shifting securities between onshore gilt/ demat account and IFSC demat/ securities account prohibited.
- J. Other aspects**
- (i) KYC/ CDD of investors to be undertaken.
 - (ii) Data and records maintenance by AD and ACC:
 - (a) To maintain records of activities/ transactions for at least 10 years.
 - (b) To maintain records of information sought by RBI for at least 3 years from end of investigation.
 - (c) To ensure strict confidentiality, privacy and security of all data, and adherence to laws.
 - (iii) Reports to RBI of transactions in SGB-GOI to be submitted by:
 - (a) AD/ ACC/ CCIL/ other agency - secondary market transactions in IFSC.
 - (b) Indian bank/ branch or subsidiary in India of foreign bank/ any other agency – transactions between an IBU and parent bank/ branch/ subsidiary of parent bank (in India).
 - (c) AD: Details of beneficial owners.
 - (d) AD and ACC: any material event of disruption in settlement or market abuse.
 - (iv) Government Securities Act, 2006, Foreign Exchange Management Act, 1999 and regulations, rules, directions apply.

End

2.9.2024