



SEBI increases overseas investment limits for each mutual fund with an overall industry cap

INSIGHTS

November 6, 2020

In a significant change, SEBI has revised the overseas investment limits for mutual funds as follows: The move will help mutual funds to further tap the global markets and offer diversification of portfolios to the investors with greater global offerings. Set out below are the revised investment limits, allocation of those limits and the disclosure norms:

Investment limit

Particulars	Revised Limit
Overseas investments	Mutual Funds can make overseas investments subject to a maximum of USD 600 million per Mutual Fund and within the overall industry limit of USD 7 billion.
Investment in overseas Exchange Traded Fund (ETFs)	Mutual Funds can make investments in overseas ETFs subject to a maximum of USD 200 million per Mutual Fund and within the overall industry limit of USD 1 billion.

Allocation of investment limits

- Limits for each mutual fund: In case of overseas investments specified in Point 1(a) above, USD 50 million would be reserved for each Mutual Fund individually, within the overall industry limit of USD 7 billion.
- New Fund Offers (NFOs): Mutual Funds launching new schemes intending to invest in overseas securities/ overseas ETFs are required to ensure that the scheme documents disclose the intended amount that they plan to invest in overseas securities/ overseas ETFs subject to maximum investment limits specified above. Such limits disclosed in scheme documents will be valid for a period of six (6) months from the date of closure of NFO. Thereafter the unutilized limit, if any, will not be available to the Mutual Fund for investment in overseas securities/ overseas ETFs and will be available towards the unutilized industry wide limits. Any further investments should follow the norms for ongoing schemes.
- Ongoing schemes: For all ongoing schemes that invest or are allowed to invest in overseas securities/ overseas ETFs, an investment headroom of 20% of the average Asset under Management (**AUM**) in overseas securities/ overseas ETFs of the previous three calendar months would be available to the Mutual Fund for that month to invest in overseas securities/ overseas ETFs subject to maximum investment limits specified above.

Reporting

Mutual Funds are required to report the utilization of the overseas investment limits on monthly basis, within 10 days from end of each month in the prescribed format.

Aforementioned changes have been made vide SEBI Circular dated November 5, 2020 ([available here](#)).

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com

Disclaimer: The information provided in this update is intended for informational purposes only and does not constitute legal opinion or advice. Readers are requested to seek formal legal advice prior to acting upon any of the information provided herein. This update is not intended to address the circumstances of any particular individual or corporate body. There can be no assurance that the judicial/quasi-judicial authorities may not take a position contrary to the views mentioned herein.