



The landscape of foreign portfolio investment in India is currently undergoing its most significant structural realignment in a decade. As of late 2025, the Securities and Exchange Board of India (SEBI) has moved beyond mere oversight, implementing a *transparency-first* regime that effectively bridges the gap between direct Foreign Portfolio Investors (FPIs) and those utilizing the Offshore Derivative Instrument (ODI) route.

Through the landmark December 2024 Circular and subsequent 2025 amendments, the regulator has targeted regulatory arbitrage while simultaneously rolling out the "red carpet" for low-risk, long-term capital through the SWAGAT-FI framework.

The New Disclosure Paradigm: Eliminating Anonymity

The primary objective of the 2025 reforms is to ensure that the "look-through" requirements for ODIs mirror those of direct FPIs. By **November 17, 2025**, SEBI mandated that ODI subscribers meet the same granular disclosure triggers as direct funds.

The Concentration & Size Triggers

The following table outlines the specific thresholds that now mandate the disclosure of every natural person with an economic interest, without the benefit of materiality thresholds:

Trigger Category	Threshold Limit	Compliance Requirement
Concentration Criteria	>50% of Indian Equity AUM in a single corporate group	Full granular disclosure of UBOs up to the natural person level
Size Criteria	>INR 50,000 Crore (~USD 6 billion) total India equity AUM	Look-through disclosures for the entire investor group.
Exemption	Government funds, SWFs, and Public Retail Funds	Only grouping norms apply; exempt from granular look-through



Data Insight: The relaxation of the Size Criteria from the previous INR 25,000 crore to **INR 50,000 crore** in early 2025 was a strategic move to focus enforcement on "mega-funds" while reducing the compliance drag on mid-sized institutional investors.

Structural Engineering: The "Cash-Only" ODI

Effective **December 17, 2025**, SEBI fundamentally altered the DNA of ODIs. The regulator has effectively "securitised" these instruments, removing the layers of derivative complexity that once defined them.

Derivative Restrictions and Hedging Mandates

The transition from synthetic exposure to physical backing is now absolute. The new framework enforces a strict 1:1 correlation between the instrument issued and the underlying cash asset. This move eliminates the "leverage play" that was previously accessible to offshore investors through the derivative route.

Comparative Structural Shift:

Feature	Pre-December 2025 Regime	Post-December 2025 Regime
Underlying Assets	Cash equities, Debt, or Derivatives	Cash securities only (No derivatives)
Hedging Mechanism	Dynamic hedging using Futures & Options	One-to-one physical backing
FPI Registration	Common pool for Proprietary & ODI trades	Dedicated "ODI" suffixed registration
Proprietary Trading	Permitted in the same registration	Strictly Prohibited in ODI-dedicated funds



SWAGAT-FI: The Fast-Track for Trusted Capital

To counterbalance the tightening of ODI norms, SEBI notified the **SWAGAT-FI (Single Window Automatic and Generalised Access for Trusted Foreign Investors)** framework on **December 1, 2025**. This initiative is designed to reward "low-risk" investors with administrative ease.

Key Liberalisations for SWAGAT-FIs

The framework merges the FPI and Foreign Venture Capital Investor (FVCI) pathways, significantly enhancing investment flexibility. As of June 2025, registered FPIs in India have reached **11,913** with assets under custody hitting **INR 80.83 lakh crore**. SWAGAT-FI targets the "trusted" segment of this pool.

- 1. Removal of Investment Caps:** SWAGAT-FIs are exempt from the 66.67% (unlisted) and 33.33% (listed/debt) allocation limits previously imposed on FVCIs.
- 2. Extended Registration Validity:** Registration validity and KYC review cycles have been extended from **3 years to 10 years**, aligning with global best practices.
- 3. Consolidated Registration:** A single-window, automatic access route that eliminates duplicative documentation for investors holding both FPI and FVCI licenses.

Critical Compliance Timelines (The Road Ahead)

As we look toward 2026, market participants must navigate a series of "hard" deadlines to avoid portfolio liquidation or trading freezes.

Date	Milestone/Deadline	Impact on Investors
17th November 2025	Effective date for Granular Disclosures	ODI subscribers must begin reporting UBOs if thresholds are met.
17th December 2025	Derivative Ban Implementation	All non-compliant derivative-linked ODIs must be restructured.
15th February 2026	End of 90-day Realignment Period	Final date for existing ODI subscribers to reduce concentration.



1 st June 2026	SWAGAT-FI Full Implementation	New Amendment Regulations come into force for FPI/FVCI convergence.
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The Subject Matter Expert View: Unresolved Frictions

While the reforms are robust, two primary areas of friction remain for the global asset management community:

1. The "Accidental" Breach

The 50% Concentration Criteria is applied at an Indian corporate group level. For specialized sector funds (e.g., a Global Tech Fund), a surge in the market cap of a single Indian conglomerate can trigger a breach overnight. Experts suggest a **Value-based or AUM-linked relief** would be more equitable than a flat percentage-based trigger, preventing forced liquidations of high-performing assets.

2. Manual Exit Obstacles

Despite the digitalisation of entry through the India Market Access Portal, the "exit" remains cumbersome. Currently, there is no statutory timeline for account closure or license surrender. A move toward a **30-day "Deemed Closure"** policy would provide the certainty that institutional investors require for capital repatriation.

Summary and Conclusion

SEBI's 2025 regulatory overhaul is a clear pivot toward a **"High-Trust, High-Transparency"** market. By eliminating the hedging flexibility of ODIs and mandating granular UBO disclosures, the regulator has essentially neutralized the "opaque" advantages of P-Notes.

However, the introduction of SWAGAT-FI signals that India is not becoming more restrictive, but rather more selective. The road ahead will likely see a migration of global capital from synthetic products toward direct, "trusted" FPI registrations. For the professional investor, the cost of compliance has risen, but it is accompanied by the promise of a more stable, predictable, and institutionally-aligned Indian capital market.



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**SEBI's Evolving FPI Framework: ODI Reforms, Derivative
Restrictions, and the Road Ahead**

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