

**GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
LOK SABHA  
STARRED QUESTION NO. \*120  
TO BE ANSWERED ON FRIDAY, FEBRUARY 09, 2018 / MAGHA 20/1939 (SAKA)**

**MONEY TRANSFER AND FUNDING**

**\*120: Smt. V.Sathya Bama and Shri. PR. Senthil Nathan**

**Will the Minister of FINANCE be pleased to state:**

- (a) Whether the money coming into India from foreign countries for various purposes as Participatory Notes was monitored/ probed/scanned;***
- (b) if so, the details thereof and the agency-wise findings thereof during the last three years, agency-wise;***
- (c) the action taken by the Government in this regard so far;***
- (d) whether the Government has booked any individual/company/trust for transferring large amount from India to tax havens and if so, the details thereof; and***
- (e) whether the Government has entered into agreements with Singapore, Mauritius, Cayman Islands and other tax havens to share the information pertaining to money transfer and funding and if so, the details thereof?***

**ANSWER**

**MINISTER OF FINANCE  
(SHRI ARUN JAITLEY)**

(a) to (e): A statement is laid on the Table of the House.

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**STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. \*120 RAISED BY SMT. V.SATHYA BAMA AND SHRI. PR. SENTHIL NATHAN, HON'BLE MEMBERS OF PARLIAMENT TO BE ANSWERED ON 09.02.2018 REGARDING "MONEY TRANSFER AND FUNDING."**

(a) to (c): Foreign Portfolio Investors (FPIs) who issue Offshore Derivative Instruments (ODIs), also known as Participatory Notes (PNs), are required to submit the details of their ODI/PN activity to Securities and Exchange Board of India (SEBI) in the prescribed format on monthly basis and the same is uploaded on the SEBI website. The reporting format for ODI activities was modified vide SEBI Circular dated June 10, 2016. As per the submissions made by the ODI issuing FPIs the outstanding notional value of ODIs issued by them during last four years is given at Annexure-A. In order to ensure transparency, and in light of various recommendations of Special Investigating Team (SIT) on black money appointed by Honorable Supreme Court of India, SEBI has been constantly tightening norms for taking exposure in Indian Capital Markets through ODI/ PN route. Some of the recent measures taken by SEBI are stated at Annexure-B.

(d): Income-tax Department takes action against individual/company/trust etc. involved in the violation of various provisions of Direct tax laws. Such actions include search and seizure, assessment of income, levy of tax, penalty and prosecution as applicable. Apart from taking actions under the provisions of Income tax Act 1961, the Income tax department has also issued 54 notices under the Black Money (Undisclosed Foreign Income & Assets) Act 2015, to various assessees, who had undisclosed assets abroad, including in no tax/low tax jurisdiction. Further the provisions of section 84 of the Black Money (Undisclosed Foreign Income & Assets) Act 2015, read with section 138 of the Income-tax Act 1961 prohibit the disclosure of information of individual/company/trust under investigation.

(e): The Government of India has entered into Double Taxation Avoidance Agreements (DTAAs), Tax Information Exchange Agreements (TIEAs) and Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC) with over 130 countries including tax havens. These agreements allow exchange of information between countries for tax purposes including information pertaining to money laundering and funding. On request made by Government of India under the above agreements, these countries provide relevant information including information pertaining to money laundering and funding.

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**ANNEXURE -A REFERRED TO IN PART (a) to (c) OF THE REPLY TO LOK SABHA STARRED QUESTION NO. \*120 RAISED BY SMT. V.SATHYA BAMA AND SHRI. PR. SENTHIL NATHAN, HON'BLE MEMBERS OF PARLIAMENT TO BE ANSWERED ON 09.02.2018 REGARDING "MONEY TRANSFER AND FUNDING."**

<b>Outstanding Notional Value of Offshore Derivative Instruments (ODIs) Vs Assets Under Custody (AUC) of FPIs/deemed FPIs</b>					
<b>As on the last day of the Month</b>	<b>Notional Value of outstanding PNs on Equity, &amp; Debt and Derivatives * (INR cr.)</b>	<b>Assets Under Custody of all FPIs # (INR cr.)</b>	<b>Notional Value of outstanding PNs on Equity, Debt and Derivatives as % of B</b>	<b>Notional value of ODIs on Equity &amp; Debt excluding Derivatives (INR cr.)</b>	<b>Notional Value of outstanding PNs on Equity &amp; Debt excluding Derivatives as % of B</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
Jan-14	163,348	1,426,875	11.5	111,646	7.8
Feb-14	172,738	1,473,802	11.7	113,600	7.7
Mar-14	207,639	1,593,869	13.0	135,821	8.5
Apr-14	187,486	1,606,596	11.7	127,627	7.9
May-14	211,740	1,770,781	12.0	145,258	8.2
Jun-14	224,248	1,909,400	11.7	158,532	8.3
Jul-14	208,284	1,971,822	10.6	158,303	8.0
Aug-14	211,499	2,047,175	10.3	161,682	7.9
Sep-14	222,394	2,084,161	10.7	168,322	8.1
Oct-14	265,675	2,171,276	12.2	186,496	8.6
Nov-14	249,210	2,267,910	11.0	187,039	8.2
Dec-14	236,677	2,245,157	10.5	190,595	8.5
Jan-15	268,033	2,402,441	11.2	208,783	8.7
Feb-15	271,752	2,456,321	11.1	208,447	8.5
Mar-15	272,078	2,411,810	11.3	211,605	8.8
Apr-15	268,168	2,355,308	11.4	206,374	8.8
May-15	284,826	2,413,049	11.8	213,163	8.8
Jun-15	275,436	2,386,457	11.5	208,578	8.7
Jul-15	272,053	2,453,014	11.1	205,444	8.4
Aug-15	253,310	2,313,548	10.9	188,027	8.1
Sep-15	253,875	2,303,513	11.0	186,849	8.1
Oct-15	258,287	2,344,179	11.0	192,630	8.2
Nov-15	254,600	2,308,769	11.0	191,190	8.3
Dec-15	235,534	2,320,539	10.1	180,072	7.8
Jan-16	231,317	2,200,837	10.5	171,732	7.8

<b>Outstanding Notional Value of Offshore Derivative Instruments (ODIs) Vs Assets Under Custody (AUC) of FPIs/deemed FPIs</b>					
<b>As on the last day of the Month</b>	<b>Notional Value of outstanding PNs on Equity, &amp; Debt and Derivatives * (INR cr.)</b>	<b>Assets Under Custody of all FPIs # (INR cr.)</b>	<b>Notional Value of outstanding PNs on Equity, Debt and Derivatives as % of B</b>	<b>Notional value of ODIs on Equity &amp; Debt excluding Derivatives (INR cr.)</b>	<b>Notional Value of outstanding PNs on Equity &amp; Debt excluding Derivatives as % of B</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
Feb-16	217,740	2,043,139	10.7	160,946	7.9
Mar-16	223,077	2,224,537	10.0	169,470	7.6
Apr-16	212,132	2,281,346	9.3	161,280	7.1
May-16	215,338	2,348,618	9.2	160,867	6.8
Jun-16	210,731	2,387,685	8.8	161,379	6.8
Jul-16	212,179	2,514,038	8.4	162,921	6.5
Aug-16	216,232	2,565,304	8.4	158,848	6.2
Sep-16	212,509	2,556,450	8.3	152,624	6.0
Oct-16	199,987	2,577,073	7.8	143,235	5.6
Nov-16	179,648	2,409,042	7.5	126,596	5.3
Dec-16	157,306	2,348,007	6.7	112,243	4.8
Jan-17	175,088	2,456,716	7.1	119,309	4.9
Feb-17	170,191	2,563,431	6.6	115,413	4.5
Mar-17	178,437	2,705,729	6.6	124,277	4.6
Apr-17	168,545	2,786,083	6.0	128,380	4.6
May-17	180,718	2,856,637	6.3	133,045	4.7
June-17	165,241	2,883,104	5.7	132,785	4.6
July-17	135,297	3,055,984	4.4	127,075	4.2
Aug-17	125,037	3,035,509	4.1	116,393	3.8
Sep-17	122,684	3,003,476	4.1	113,706	3.8
Oct-17	131,006	3,170,194	4.1	120,629	3.8
Nov-17	128,639	3,188,354	4.0	123,567	3.9
Dec-17	124,810	3,280,283	3.8	121,820	3.7
* Figures compiled based on reports submitted by FPIs issuing PNs.					
# AUC figures are compiled based on reports submitted by custodians & do not include positions taken by FPIs in derivatives.					

**ANNEXURE - B REFERRED TO IN PART (a) to (c) OF THE REPLY TO LOK SABHA STARRED QUESTION NO. \*120 RAISED BY SMT. V.SATHYA BAMA AND SHRI. PR. SENTHIL NATHAN, HON'BLE MEMBERS OF PARLIAMENT TO BE ANSWERED ON 09.02.2018 REGARDING "MONEY TRANSFER AND FUNDING."**

**Recent measures undertaken by SEBI for tightening the norms for ODI/PN**

1. In terms of SEBI (FPI) Regulations, 2014, ODIs/ PNs can be issued only to those entities which are regulated by the appropriate regulatory authority in the countries of their incorporation, after compliance with "Know Your Client" (KYC) norms. Further, only Category (I) and Category (II) FPIs can issue/subscribe or otherwise deal in ODIs/PNs whereas none of the Category (III) FPIs can deal in ODIs.
2. In terms of SEBI (FPI) Regulations 2014, an FPI shall ensure that transfer of ODIs/PNs are done to persons which are regulated by the appropriate regulatory authority in the countries of their incorporation, after compliance with "Know Your Client" (KYC) norms and prior consent of the FPI is obtained for such transfer, except when the persons to whom the ODIs/PNs are to be transferred to are pre-approved by the FPI itself.
3. In terms of SEBI circular dated November 24, 2014 the applicable eligibility norms between Foreign Portfolio Investors (FPI) regime and subscription through the ODIs have been aligned.
4. In terms of SEBI circular dated June 10, 2016 FPIs are required to maintain the BO information of its ODI subscribers in line with the Rule 9 of PMLA, i.e., BO information is to be furnished in case the holding of natural person(s) is above specified thresholds.
5. In terms of SEBI (FPI) Regulations, 2014 Resident Indians/NRIs or the entities which are beneficially owned by Resident Indians/NRIs cannot subscribe to Offshore Derivative Instruments.
6. In terms of SEBI (FPI) Regulations, 2014, an ODI issuing FPI is required to collect regulatory fee, as specified in Part C of the Second Schedule, from every subscriber of offshore derivative instrument (ODI), issued by it and deposit the same with the Board.
7. In terms of SEBI circular dated July 7, 2017 the ODI issuing FPIs were advised that from the date of the circular, they shall not be allowed to issue ODIs with derivative as underlying, with the exception of those derivative positions that are taken by the ODI issuing FPI for hedging the equity shares held by it, on a one to one basis.

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