One more footstep taken towards economic recovery; Nation to attract more foreign flows via VRR – says Brickwork Ratings

Brickwork Ratings, Mumbai, 24 January 2020: The revision in investment limit under Voluntary Retention Route (VRR) to INR 1.5 trillion from earlier limit of INR 750 billion, announced by Reserve Bank of India, is a big positive for debt market as availability of on tap investment facility with first come first serve basis will boost the foreign flows in India at the right time which the nation needs in a bid to shore up its economy. Also, the minimum retention period of 3 years will further help to stabilize the economic situation on the back of voluntary commitment to retain a minimum percentage (75%) of investments for a definite period.

The step is another smart move by RBI, in continuation to the earlier measures taken for deepening and widening of bond market, which will help to bring down bond yields, interest rates and boost liquidity. It will also increase the countries’ foreign exchange reserves.

This announced new scheme will substantially boost the facilitation of long-term investment in debt market. The investments in this route are free from macro-prudential and other regulatory norms unlike general investment route for FPI investments in debt market.

The Reserve Bank of India has increased the investment limit to INR 1.5 trillion with fresh allotments accordingly hiked to INR 906.30 billion (net of extant allotments and adjustments), and thus, shall be allotted under the VRR–Combined category.

The RBI stated that, under the revised VRR scheme, the FPIs that have been allotted investment limits under the VRR may, at their discretion, transfer their investments made under the General Investment Limit to the VRR.

Also, the FPIs may apply for the investment limits online to Clearing Corporation of India Ltd. (CCIL) through their respective custodians.

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