



**PENSION FUND REGULATORY
AND DEVELOPMENT AUTHORITY**
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PFRDA/2021/27/REG-PF/1

Date: 20th July, 2021

CIRCULAR

To

- CEOs of All Pension Funds

Dear Sir/Madam,

SUBJECT: Change in Guidelines on aggregate holding of equity shares by a foreign company in Pension Funds as provided under Section 24 of the PFRDA Act, 2013 - Manner of calculation of such aggregate holding of equity shares by a foreign company in a Pension Fund under National Pension System -reg.

Reference is invited to the Circular No. PFRDA/2020/34/REG-PF/4 dated 13th August, 2020 on Guidelines on aggregate holding of equity shares by a foreign company in Pension Funds as provided under Section 24 of the PFRDA Act, 2013 and Circular No. PFRDA/2020/52/REG-PF/8 dated 10th December, 2020 regarding change in the above mentioned guidelines, hereinafter called as 'the said guidelines'.

2. In a partial modification to the said guidelines, it has been decided by the Authority to make the following changes:

Ref. No.	Existing Guidelines	Revised Guidelines
Para 2	Insurance Laws (Amendment Act), 2015 raised the Foreign Holding limit in Indian Insurance Company to 49% by amending Section 2 (7A) of the Indian Insurance Act, 1938, accordingly, the Foreign Holding limit in the Pension Funds stands raised to 49% of the paid-up capital.	Insurance Laws (Amendment Act), 2021 raised the Foreign Holding limit in an Indian Insurance Company to 74% by amending Section 2 (7A) of the Indian Insurance Act, 1938, accordingly, the Foreign Holding limit in the Pension Funds stands raised to 74% of the paid-up capital.

Para 6	Both direct and indirect foreign investment would be considered for calculating the total foreign investment in Pension Funds irrespective of whether the direct and the indirect investments in Pension Fund are both by the same foreign investors or otherwise so as to ensure that the total foreign holding, whether direct or indirect, remains capped at 49%.	Both direct and indirect foreign investment would be considered for calculating the total foreign investment in Pension Funds irrespective of whether the direct and the indirect investments in Pension Fund are both by the same foreign investors or otherwise so as to ensure that the total foreign holding, whether direct or indirect, remains capped at 74%.
Annexure I	Example 2- attached to the said guidelines.	Revised example 2 is as per sheet attached.

3. Subject to the aforementioned revision, all other terms and conditions as contained in the said guidelines shall remain unchanged. All Pension funds are called upon to note these changes and ensure necessary compliance.

4. This circular is issued in exercise of powers of the Authority under Section 14 (1) of the PFRDA Act, 2013.

5. The revision shall be effective from the date of this circular.

Yours sincerely,

Sd/-

(A. G. Das)
Executive Director

Attachment: As above.

Revised Example 2 (Where sponsor is a Banking company/Public Financial Institution):

In Pension Fund- 'A' Pension Management Co. Ltd., X Bank Ltd. and Y Co. Ltd. are the sponsors with the following shareholding:

Shareholding pattern of 'A' Pension Management Co. Ltd. (Pension Fund) (including name of shareholders):-

Name of Shareholder	% of Holding	Remarks
X Bank Ltd. (Domestic) – Sponsor 1	99.9997	
Mr. A (Nominee)	0.0001	
Mr. B (Nominee)	0.0001	
Ms. C (Nominee)	0.0001	
Total	100.00	

Shareholding pattern of X Bank Ltd. (Sponsor 1) (including name of shareholders):-

Name of Shareholder	% of Holding	Remarks
Z Co. Ltd. (Domestic)	51.00	(16% of it is held by foreign investors as detailed in below table)
Promoter (Foreign)	44.00	Total foreign holding in X Bank Ltd. is 49%
Public (Foreign- Foreign Portfolio Investors/Foreign Bodies/Non-resident Indians/NRI-Non Repatriation)	03.00	
Others (To be clearly specified whether domestic or foreign) In this case we presume that it is foreign holding	02.00	
Total	100.00	

Shareholding pattern of Z Co. Ltd. (Promotor of Sponsor 1) (including name of shareholders):-

Name of Shareholder	% of Holding
Promoters (Domestic)	74.00 (No foreign holdings)
Promoter (Foreign)	16.00
Others (Domestic)	10.00
Total	100.00

Calculation of total foreign investment in 'A' Pension Management Co. Ltd. - Pension Fund (Both direct and indirect)

Direct FI:- Nil

Indirect FI:-

Through X Bank Ltd. (Sponsor 1) : Foreign holding= 99.9997 X 49% = 48.99%

And 51 X 16% = 8.16% (Foreign holding in Z Co. Ltd.)

Total Indirect FI is 57.15%

Total Direct and Indirect Foreign Investment in 'A' Pension Management Co. Ltd.: Nil + 57.15% = 57.15%

However, indirect foreign shareholding need not be included for calculation Foreign Investment in Pension Fund due to carve out available to Banking Companies/Public Financial Institutions in terms of Clause 6(ii) of the above guidelines.

Accordingly, the same would be construed as compliant with the guidelines.
