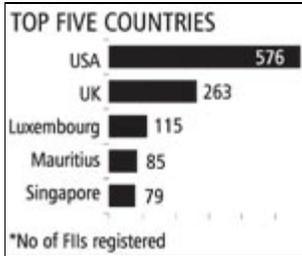


## 6 i g]bYgg GHUbXUF. FII registrations fall 70%

Deepak Korgaonkar / Mumbai December 2, 2009, 0:38 IST

The number of FIIs registering with Sebi this year touches six-year low.

Last year's global financial crisis has affected the number of investors registering with the Indian capital market regulator.



Despite equity markets gaining almost 80 per cent so far in the current year, the number of new foreign institutional investors (FIIs) coming to India has touched a six-year low.

The number of new FIIs registered with the Securities and Exchange Board of India (Sebi) has declined 70 per cent in the current calendar year. Only 111 new FIIs got registered with Sebi

till November, against as many as 375 in calendar year 2008 and 226 in 2007. The total number of FIIs with offices in India was 1,705 till November.

### OUT OF FAVOUR

Year	FIIs*	Sensex returns (%)
2004	120	13.07
2005	186	42.35
2006	170	46.70
2007	226	47.15
2008	375	-52.45
2009	111	78.27

Source: SEBI/BSE

Sebi has simplified the procedure for FII registration and reduced fees significantly, but larger market realities affected these institutions' decision to enter India and register here.

Siddharth Shah, head of fund practices, Nishith Desai Associates, said, "Following last year's global financial crisis, most FIIs have been facing redemption pressures from investors and that has resulted in shrinking of the global pool. Hedge funds, considered the most active and keen players in the Indian markets till 2008, were worst affected during the financial turmoil, resulting in several of them liquidating or significantly curtailing their international exposure to emerging markets like India."

Also, the number of new FII sub-accounts entering India declined over 60 per cent, with 475 new ones registering themselves with Sebi in 2009 as compared to 1,228 in 2008. The number of sub-accounts registered with Sebi was 5,347 as of November.

However, Vasudev Jagannath, head of institutional sales at India Infoline, says: "I don't think new FII registrations are directly related to the market performance. Many existing FIIs have been putting money." Actually, despite a sharp fall in new registrations, FIIs' net investments in the country in 2009 are \$15.27 billion so far, the second-highest annual investments since they were allowed to enter the Indian market. FII inflows were a record \$17.66 billion in 2007. This was followed by a net outflow of \$11.97 billion in 2008.

The Satyam fraud that came to light in January has also affected new registrations. The average monthly registrations has declined to 11 in 2009

from an average of 32 in 2008. A total of 1,705 FII from 51 countries have been registered with Sebi, of which as many as 576 are from the US, 263 from the UK, 115 from Luxembourg, 85 from Mauritius, 79 from Singapore, 69 from Australia, 68 from Canada, 65 from Hong Kong and 63 from Ireland.

Among the FIIs registered in the current calendar year, 45 were from the US, 14 from the UK, 12 from Luxembourg and five each from Mauritius and Canada. Insurance and pension funds are also featured in the list of the FIIs that have registered in 2009. Among them are Allianz Variable Insurance Products Trust, Columbia Funds Variable Insurance Trust, Legal and General Assurance Society, ITV Pension Scheme and Colleges of Applied Arts and Technology Pension Plan.

Shah believes that new registrations may not pick up in the near future. He said, "At some point, relatively speaking, other markets with significant corrections will start looking more attractive than the Indian markets, which some feel have already heated up, making some existing investors re-think their India strategy or defer their plans, resulting in lowering of interest in seeking FII or sub-account registrations."