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MUMBAI: The Indian equity market may see the entry of more government-promoted investment or sovereign funds as these investors seek higher returns in economies which have rebounded faster after the global financial crisis.

According to regulatory officials and lawyers who are engaged in helping some of these sovereign wealth funds or SWFs, more such funds are now planning to invest in India.

The latest one to register with Sebi is Oman Investment Fund, a person involved with the registration process said. Among SWFs which have been registered with capital market regulator Sebi are China's National Social Security Fund, Abu Dhabi Investment Council, Australia's Future Fund Board of Guardians, Ireland's National Pensions Reserve Fund, Brunei Investment Agency, New Zealand Superannuation Fund and Canada Pension Plan Investment Board. A few more SWFs from the Middle East are expected to sign up, the person quoted earlier said.

SWFs have so far invested a little over Rs 4,000 crore since 2003 in Indian equities. These funds have investible surplus amounting to billions of dollars, thanks to the earlier boom in commodity prices or owing to their economic success. They have a mandate to invest in markets which fetch them a superior return. Brazil, Russia, India and China, popularly known as the BRIC nations, figure in the list of top holdings of most fund managers ranging from Wall Street to Singapore, given the returns they have posted over the past few years and their economic growth projections for the next few years.

Says Divaspati Singh of Nishith Desai Associates, a leading law firm associated with the registration process: "With the opening up of the regime for sovereign wealth fund registrations as foreign institutional investor, we could see a plethora of new sovereign funds seeking registrations with Sebi."

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"Since India is a developing economy, it is imperative that the capital coming into the country is stable and unruffled in times of market movements. Unlike other hedge funds or investment funds, sovereign funds are not fettered by investor redemptions and liquidity concerns, thus their investments could be considered to be more stable than other conventional funds," Mr Singh said.

In May 2008, Sebi revised its foreign institutional investors regulations of 1995, to bring into force the policy measures on offshore derivative instruments (participatory notes) by including SWFs as a new investor category. Following the easing of rules, quite a few SWFs have applied to register with Sebi.

Advisors to SWFs in India said that with increasing investments from sovereign funds, many other investors who have been shy of India so far may now follow suit with their investments.

"There are certain people who follow an entity's market movements. Similarly, there are a lot of people who would be following certain sovereign funds and their investment trends. Sovereign wealth funds investments in

India could give more credibility to Indian markets," said a Mumbai-based foreign investment consultant.

The aggregate total assets under management of all sovereign wealth funds currently stands at an estimated \$3.51 trillion, according to London-based research firm Preqin.

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