SEBI'S SWAGAT-FI REFORMS: A PARADIGM SHIFT IN FOREIGN PORTFOLIO AND VENTURE CAPITAL INVESTMENT

Shubham Pathak, GITAM University

SEBI, on December 3r,d 2025, updated its framework around foreign investors and amended the SEBI (Foreign Portfolio Investors) Regulations, 2025, and SEBI (Foreign Venture Capital Investors) Regulations, 2025. One of the major changes brought about by the amendments is Single Window Automatic & Generalised Access for Trusted Foreign Investors (SWAGAT-FI). This framework has relaxed the onboarding and ongoing compliance for a specific set of Foreign Portfolio Investors (FPIs)- viz., Government-owned funds and certain regulated Public Retail Funds that are objectively verified as belonging to a low-risk category.[1] The initiative seeks to reduce procedural complexity for both Foreign Portfolio Investors (FPIs) and Foreign Venture Capital Investors (FVCIs), facilitating seamless registration, compliance, and investment in India.[2] The amendments rationalise the eligibility criteria under the framework and revise the fee structure to promote long-term investment and reduce administrative complexity.

Foreign Portfolio Investor (FPI) are overseas investors who are registered under Chapter II of SEBI (Foreign Portfolio Investors) Regulations 2019. They include foreign governments, banks, pension funds, corporate bodies, charitable endowments etc. Foreign Venture Capital Investors (FVCI) are investors incorporated and established outside India, who are registered with SEBI. In order to simplify the regulatory framework around foreign investment, SEBI introduced a measure to provide a single access route to investment in India.[3]

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[1] SEBI, Consultation Paper on introduction of "Single Window Automatic & Generalized Access for Trusted Foreign Investors (SWAGAT-FI)" framework for FPIs and FVCIs, Para- 1.1, Report for public comments, "08 Aug 2025", https://www.sebi.gov.in/reports-and-statistics/reports/aug-2025/consultation-paper-on-introduction-of-single-wi ndow-automatic-and-generalised-access-for-trusted-foreign-investors-swagat-fi-framework-for-fpis-and-fvcis_9 5955.html.

[2] Asha Kiran Sharma, SWAGAT-FI Framework: Streamlining Foreign Investment in India, King- Stubb & Kasiva (Advocates and Attorneys), "03 Dec 2025" https://ksandk.com/fdi/swagat-fi-framework-to-ease-foreign-investment-in-india/.

[3] Consultation Paper on introduction of "SWAGAT-FI" Framework, supra note 2, Para-2.2.

"**SWAGAT-FI**" is a single-window, low-compliance access mechanism for trusted, low-risk foreign investors. It allows FPIs and FVCIs to invest in India both without undergoing multiple registrations, repetitive documentation, or frequent compliance reviews.

SEBI, in its consultation paper, stated that the SWAGAT-FI framework would be characterised by:

i) Easier Investment Access: To provide a simplified and more direct entry point into the Indian securities market for foreign investors who are objectively identified and verified as belonging to a low-risk category.

ii) Unified Registration Process: To create a single, streamlined registration process that grants eligible entities access across multiple investment routes governed by SEBI, starting with the FPI and FVCI routes.

iii) Reduced Compliance and Documentation: To significantly lower the burden of repetitive paperwork and ongoing compliance obligations for these trusted investors, thereby reducing operational costs and delays.

Key changes

Under the newly inserted clause (r) of Regulation 2(1) of the SEBI (FPI) Regulations 2019,[4] SWAGAT-FI can be utilised by the following:

i) Government and Government-related investors as provided under Regulation 5(a)(i) which includes- central banks, sovereign wealth funds, international or multilateral organizations or agencies, including entities controlled or at least 75% directly or indirectly owned by such Government and Government-related investors.[5] and

ii) Public retail funds as defined in the Explanation clause under Regulation 22(4), which includes-

a. mutual funds or unit trusts, which are open for subscription to retail investors

[4] SEBI, SEBI (FPI) Second Amendment Regulation 2025.
[5] SEBI, SEBI (FPI) Regulations 2019, Regulation- 5(a)(i).

and which do not have specific investor type requirements like accredited investors

b. insurance companies where a segregated portfolio with one-to-one correlation with a single investor is not maintained; and

c. pension funds.[6]

Under Regulation 2(1)(ka) of the SEBI (FVCI) Regulations 2000, SWAGAT-FI is applicable in the same manner as Regulation 2(1)(r) of the SEBI (FPI) Regulations 2019.

This facility has been extended only to a specific set of FPIs that collectively held more than 70% of the total FPI Assets Under Custody (AUC) as of June 30, 2025.[7] These FPIs have been categorised as low-risk because they are either government-owned or widely held and are subject to robust regulatory oversight in their respective home jurisdictions.[8]

Further, the amendments introduce a proviso to Regulation 3(2) of the SEBI (FVCIs) Regulations, 2000[9]. This proviso clarifies that Regulation 3 of the (FVCI) Regulations, 2000, which governs the application for grant of a certificate as a Foreign Venture Capital Investor, shall not apply to entities classified as SWAGAT-FIs. This exemption has been provided in recognition of the fact that SWAGAT-FIs, by virtue of already being registered as FPIs, undergo a substantially smoother onboarding process. Such entities are deemed to have already satisfied key eligibility and due diligence requirements, enabling a single-window and streamlined onboarding under the SWAGAT-FI framework. In particular, SWAGAT-FIs are required to comply with the following conditions:[10]

i) The investor is resident in a jurisdiction whose securities regulator is a signatory to the International Organisation of Securities Commissions' Multilateral Memorandum of Understanding (IOSCO MMoU).

[6] SEBI (FPI) Regulations 2019, Regulation- 22(4) Explanation.
[7] SEBI, Consultation Paper on introduction of the "SWAGAT-FI" Framework, supra note 1, para-4.5.
[8] [Akash Shirore, Chandrashekar K, Radhika Parikh and Kishore Joshi], Regulatory Digest- SEBI Says SWAGAT to Global Investors by Unlocking Landmark Reforms in India's FPI Framework, Nishith Desai Associates, Sep 23, 2025, https://nishithdesai.com/default.aspx?id=15453
[9] SEBI FVCIs regulations, 2000, https://www.sebi.gov.in/legal/regulations/sep-2024/securities-and-exchange-board-of-india-foreign-venture-capital-investor-regulations-2000-last-amended-on-september-6-2024-_86924.html
[10] Proposal to introduce the SWAGAT-FI framework, public comments report, supra note 9, para- 5.2.2.4

ii) Neither the investor nor its beneficial owner appears on the United Nations sanctions list.

iii) The investor or its beneficial owner is not resident in, or associated with, a country listed on the Financial Action Task Force (FATF) blacklist.

This change is consistent with SEBI's broader objective of aligning the regulatory frameworks governing FPIs and FVCIs, a process SEBI has been actively pursuing over the past few years. A significant step was taken in 2024 by bringing an amendment in SEBI (FVCI) regulations, which seek to streamline the registration process for FVCIs by shifting the responsibility of processing registration applications and conducting due diligence to the Designated Depository Participants (DDPs) registered with SEBI. That shift would align the FVCI registration framework with the existing Foreign Portfolio Investors (FPI) framework.[11] That was a pivotal shift in aligning the FPI and FVCI registration process. The present amendment further advances regulatory convergence by providing for an option for registration under the new structure SWAGAT-FI. Entities applying for or already holding FPI status will also be able to register as FVCIs without submitting any additional paperwork.[12] This dual registration will allow them to:

a. Invest in listed equities and debt instruments as FPIs, and

b. Gain access to unlisted companies and startups in designated sectors under FVCI rules.[13]

1. Another change was introduced through the insertion of a proviso to Regulation 11(c) of the SEBI (Foreign Venture Capital Investors) Regulations, 2000. This proviso

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[11] [Ashwin Singh, Ritul Sarraf, Prakhar Dua and Kishore Joshi] Regulatory Digest- SEBI amends Foreign Venture Capital Investor Regulations: Aligns the Registration and Governance Framework with Foreign Portfolio Investment Laws, Nishith Desai Associates, Sep 10, 2024, https://nishithdesai.com/default.aspx?id=15117

[12] Sachin Gupta, SEBI Introduced SWAGAT-FI for FPI's and FVCI's Entry into Indian Market, Angle One, 4th Dec 2025, https://www.angelone.in/news/market-updates/sebi-introduced-swagat-fi-for-fpi-s-and-fvci-s-entry-into-indianmarket

[13] Asha Kiran Sharma, SWAGAT-FI Framework: Streamlining Foreign Investment in India, TOC:2 single window registration, supra note 2.

clarifies that Regulation 11 of the FVCI Regulations, which governs investment criteria for (FVCI), shall not apply to entities classified as SWAGAT-FIs.

This relaxation has been provided with the objective of easing compliance requirements for SWAGAT-FIs, in recognition of their low-risk profile and the streamlined regulatory oversight applicable to such investors.[14] Under this regulation, an FVCI is required, inter alia, to invest at least 66% of its funds in eligible unlisted investments and up to 33.33% in IPOs of venture capital undertakings or investee companies (provided the FVCI already holds equity in such companies), debt investments in investee companies, etc.[15] This ensures that FVCIs primarily fund early-stage and growth-stage unlisted companies, which is the purpose of venture capital.

2. Another change introduced by the amendment relates to the extension of the periodicity for registration renewal and KYC review. Under the existing framework, Regulation 7 of the SEBI (Foreign Portfolio Investors) Regulations, 2019 requires FPIs to renew their registration and submit relevant documentation every three years, with KYC reviews conducted annually or once every three years, depending on their risk classification. Similarly, under Regulation 9 of the SEBI (Foreign Venture Capital Investors) Regulations, 2000, FVCIs are required to renew their registration every five years, with KYC reviews conducted annually or once every five years, based on risk classification.[16]

For entities classified as SWAGAT-FIs, the amendments introduce a significant relaxation in the periodicity of registration renewal and KYC review. This has been effected through the insertion of a proviso to sub-regulation (6) of Regulation 7 of the SEBI (Foreign Portfolio Investors) Regulations, 2019 and a corresponding proviso to sub-regulation (2) of Regulation 9 of the SEBI (Foreign Venture Capital Investors) Regulations, 2000. Pursuant to these insertions, both registration renewal and KYC review for SWAGAT-FIs shall be conducted once every ten years. This aligns with the RBI's KYC framework for low-risk customers. However, the obligation to report any material changes remains in effect.[17] The fee for each such periodic review of KYC

[14] SEBI, Proposal to introduce the SWAGAT-FI framework, public comments report, supra note 9, para- 5.2.3.2
[15] SEBI (FVCI) regulations 2000, regulation-11.
[16] Asha Kiran Sharma, SWAGAT-FI Framework: Streamlining Foreign Investment in India, TOC:2, supra note
[17] Saif Ali, SWAGAT-FI: A Case for Principled Liberalization of Foreign Portfolio Investments, The Indian

shall be as applicable for other FPIs, currently set at USD 2,500. A total of 18 comments were received on this proposal, with 17 in favour and one dissenting commenter suggested retaining the existing KYC periodicity, noting that re-KYC helps capture unreported changes. However, since SWAGAT-FIs are low-risk FPIs whose status can be independently verified by the DDP, a longer KYC review periodicity has been retained.[18]

3. Another key amendment addresses the participation of NRIs, OCIs, and Resident Indians (RIs) in SWAGAT-FIs. Currently, FPIs are subject to a 50% aggregate cap on contributions from these investors. SWAGAT-FIs, designed to attract retail investors, propose removing this cap. No such restrictions exist for FVCIs, thereby providing greater flexibility to SWAGAT-FIs regarding NRI, OCI, and RI participation.[19]

A total of 18 comments were received from the public on this proposal and all were in favour, thereby it has been proposed to remove the cap of 50% on aggregate NRI, OCI and RI contribution in SWAGAT-FIs.[20]

4. To further streamline operational requirements, the amendments provide an option to maintain a Single Demat Account. Under the existing regime, foreign investors are required to maintain separate demat accounts for FPI and FVCI investments. SWAGAT-FI allows investors to maintain one demat account, with backend tagging mechanisms to distinguish investments as FPI, FVCI, or other foreign investor types. This makes managing their investments easier. At the same time, advanced technology will be used to label and track each investment properly, ensuring regulators can monitor everything clearly and securely.[21] A single demat account is

Review of Corporate and Commercial Laws (IRCCL), "Oct 5, 2025", https://www.irccl.in/post/swagat-fi-a-case-for-principled-liberalization-of-foreign-portfolio-investments

[18] SEBI, Proposal to introduce the SWAGAT-FI framework, public comments report, supra note 9, para- 5.2.4.4-5

[19] [Leelavathi Naidu, Prakhar Dua], FPI NAVIGATOR
FPI Regulatory Regime: Key Updates, IC RegFin Legal, "Dec 16, 2025", Page no-5, https://regfinlegal.com/wp-content/uploads/2025/08/FPI-Navigator-Key-Updates.pdf

[20] SEBI, Proposal to introduce the SWAGAT-FI framework, public comments report, supra note 9, para- 5.2.5.5-7

[21] Shrikant Malani, Single Window Automatic and Generalised Access for Trusted Foreign Investors (SWAGAT-FI) Framework, Desai and Diwanji, "Nov 15, 2025", Sub-heading: Flexible Securities Management with Single Demat Account, https://desaidiwanji.com/insights/articles/single-window-automatic-and-generalised-access-for-trusted-foreign-i nvestors-swagat-fi-framework

expected to avoid duplication of processes at the time of onboarding and carrying out KYC.

Implications

The SWAGAT-FI framework is expected to yield several benefits for Indian capital markets, which include:

i) Increased Capital Flows: Simplified access will encourage larger and more stable inflows from institutional investors.

ii) Reduced Compliance Burden: Streamlining documentation and processes will lower entry barriers and operational costs for investors.

iii) Enhanced Market Depth: Greater participation will improve liquidity in both equity and debt markets, benefiting all market participants.

iv) Improved Global Positioning: A modernized access regime will enhance India's reputation as a competitive and investor-friendly destination.

v) Alignment with Global Best Practices: The proposal aligns with the principle of proportionality in regulation- lighter touch for entities verified as low-risk and regulated entities.

There are also concerns regarding the effective monitoring of investors availing the SWAGAT-FI route. Thus, the SEBI Advisory Committee suggested that investors should continue to use separate demat accounts and avoid the co-mingling of assets. However, to simplify processes for users, SEBI allowed SWAGAT-FIs the option of using a single demat account for all securities held as FPI, FVCI, or foreign investors in investment vehicles, with depositories ensuring proper tagging and monitoring.

Conclusion

SEBI's recent amendments in FPIs and FVCIs regulation mark a positive step towards liberalising and streamlining. Collectively, these measures simplify the compliance burden, reduce the regulatory actions, and put them under scrutiny as well. These are also a signal that India's intent is to deepen its capital market and strengthen its global position