



RBI Merges VRR into General Route

New FPI Debt Investment Limits for FY 2026-27 Explained

RBI CIRCULAR NO. 05

APRIL 6, 2026

FEMA

FPI DEBT

CROSS-BORDER INVESTMENT

The Big Change: VRR Merges into General Route

The **Voluntary Retention Route (VRR)**, introduced in 2019 to attract long-term foreign portfolio investment in Indian debt, has been formally merged into the General Route – marking a significant structural shift in India's cross-border debt investment framework.

Circular Reference

RBI A.P. (DIR Series) Circular No. 05, dated **April 6, 2026**

Effective Date

All provisions effective from **April 1, 2026**

Unified Route

All existing VRR investments now fall under **General Route limits**

FAR Continues

Fully Accessible Route continues **separately** without investment ceilings

📌 **Why It Matters:** Simplifies compliance, reduces tracking overhead, and signals market maturity in India's debt capital markets.



FPI Debt Limits: H1 FY 2026-27


April to September 2026

₹15.51L Cr

Total H1 FY27 Limit

Combined FPI debt investment ceiling across all categories

| Category | Limit (Rs Crore) |
|---------------------------------|------------------|
| G-Sec (General) | 2,96,745 |
| G-Sec (Long-term) | 1,65,745 |
| State Govt Securities (General) | 1,45,943 |
| Corporate Bonds | 9,36,113 |
| TOTAL FPI DEBT LIMIT | 15,51,646 |

 **Note:** G-Sec incremental increase is split **50:50** between General and Long-term sub-categories for H1 FY 2026-27.

FPI Debt Limits: H2 FY 2026-27

October 2026 to March 2027

| Category | Limit (Rs Crore) |
|---------------------------------|------------------|
| G-Sec (General) | 3,04,003 |
| G-Sec (Long-term) | 1,73,003 |
| State Govt Securities (General) | 1,57,142 |
| Corporate Bonds | 9,91,392 |
| TOTAL FPI DEBT LIMIT | 16,32,640 |

₹14.70L Cr

FY 2025-26 Limit

Previous year total FPI debt ceiling

₹16.32L Cr

H2 FY 2026-27 Limit

New expanded ceiling for second half

+₹1.6L Cr

Year-on-Year Increase

Over Rs 1.6 lakh crore additional capacity

G-Secs

6% of outstanding stock – unchanged

SGSs

2% of outstanding stock – unchanged

Corporate Bonds

15% of outstanding stock – unchanged

Allocation Rules and CDS Limits

Allocation Mechanism

- G-Sec Incremental Increase
Split **50:50** between General and Long-term sub-categories
- SGS Allocation
Entire increase allocated to **General sub-category only**
- Fully Accessible Route (FAR)
Continues **without any investment ceilings** – supports JP Morgan GBI-EM index inclusion

Credit Default Swaps (CDS)

Aggregate CDS Cap

5% of outstanding stock of corporate bonds

FY 2026-27 CDS Limit

Rs 3,30,464 crore notional amount

Purpose of CDS

Enables FPIs to **hedge credit risk** on corporate bond holdings

Enhanced Exit Flexibility for Former VRR Investors

Before — VRR Regime

Mandatory Retention

Committed retention period was strictly mandatory with no flexibility

Restricted Exit

Early exit was restricted and subject to penalties

Separate Tracking

Separate tracking and reporting required under VRR framework

After — Merged General Route

Flexible Liquidation


Former VRR investors can liquidate portfolios in whole or in part upon completion of minimum 3-year retention period

No Separate Tracking

No separate VRR category tracking needed — unified under General Route

Unified Reporting

Single reporting framework reduces operational overhead significantly

 **Key Benefit:** Improved portfolio management flexibility without abandoning market stability safeguards.





Stakeholder Impact

FPIs and VRR Investors

- Auto-migrated to General Route
- Enhanced exit flexibility after minimum retention
- Review portfolio allocations immediately
- Assess revised exit strategy under new framework

Indian Bond Issuers and Startups

- Higher absolute limits mean more foreign capital availability
- Corporate bond limit: Rs 9.91 lakh crore by H2
- Plan foreign debt fundraising strategy proactively
- Consult FEMA specialist for compliance review

CA Professionals and Custodians

- Simplified compliance: one route instead of two
- VRR tracking no longer required separately
- Update client advisories on FEMA compliance
- Unified reporting reduces operational overhead

Important Caveats and Warnings

These are regulatory ceilings. Individual FPI positions are subject to separate single-investor limits and SEBI reporting requirements.

Percentage Limits Unchanged

The percentage limits (6%, 2%, 15%) are **unchanged**. Only absolute limits have increased based on higher outstanding stock. Do not conflate the two.

Minimum Retention Still Applies

Former VRR investors **must still complete their minimum 3-year retention period** before exercising new exit flexibility under the merged General Route.

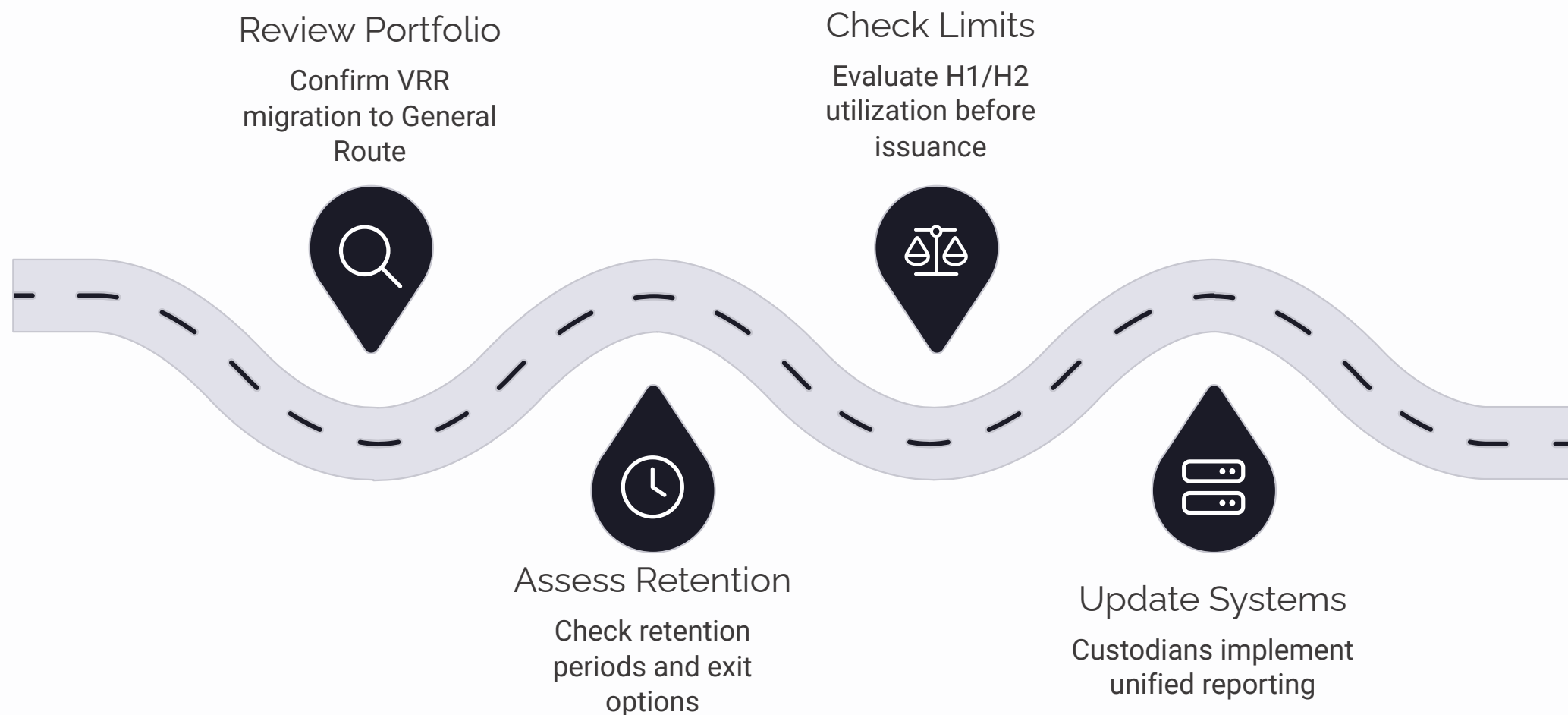
FAR is Separate

Fully Accessible Route (FAR) securities are **entirely separate** from these General Route limits. Do not confuse the two categories in reporting or compliance.

CDS Separate Cap

CDS positions are subject to a **separate 5% cap** (Rs 3.30 lakh crore notional). FPIs using CDS must independently monitor aggregate utilization.

Action Plan: What To Do Now



Follow these five steps to ensure full compliance with the merged General Route framework under RBI Circular No. 05 dated April 6, 2026.

📄 🎓 **Free FEMA Webinar:** "The 5 FEMA Mistakes Indian Startups Make When Going Global" – **April 18, 2026 at 11 AM IST.**
Register now to stay ahead of cross-border compliance requirements.