Q67

Which of the following is issued by registered foreign portfolio investors to overseas investors who want to be part of Indian stock market without registering themselves directly? (a) Certificate of Deposits (b) Commercial Paper (c) Promissory Note (d) Participatory Note Official key: D.

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Explanation

(a)

(a) Certificate of Deposit is a short-term bank deposit instrument in the money market, not a note issued by FPIs to overseas investors. Not the key.

(b)

(b) Commercial Paper is an unsecured short-term corporate IOU in the Indian money market. It is not the overseas-access product in the question, so it is not the key.

(c)

(c) Promissory note is a generic negotiable instrument. It is not the registered-FPI product named here, so it is not the key.

(d) Official key

(d) Participatory Note (P-note) is issued by registered foreign portfolio investors to overseas investors who want Indian-market exposure without registering with SEBI themselves. That is the official key.

Summary

Official key is (d). Participatory notes are offshore derivative instruments issued by SEBI-registered FPIs. CDs, commercial paper and ordinary promissory notes are domestic money-market or negotiable instruments. Honour (d).

Related possible facts

These can be asked in a future Prelims paper.

P-notes
Offshore derivative instruments on Indian securities

Issuer
SEBI-registered FPI

SEBI concern
KYC and round-tripping; periodic tightening of P-note norms

Certificate of Deposit
Negotiable bank deposit; money market

Commercial Paper
Unsecured corporate short-term paper