

RBI integrates Voluntary Retention Route (VRR) with General Foreign Portfolio Investors (FPIs) Debt Investment Limits and enhances flexibility for Exits effective April 2026

The Reserve Bank of India (RBI) vide its Notification No. RBI/2025-26/205 dated February 06, 2026, has announced changes to the regulatory framework governing investments by Foreign Portfolio Investors (FPIs) under the Voluntary Retention Route (VRR) for debt instruments. The circular refers to the Statement on Developmental and Regulatory Policies announced as part of the Bi-monthly Monetary Policy Statement for 2025-26 and draws attention to the Foreign Exchange Management (Debt Instruments) Regulations, 2019, and the Master Direction - Reserve Bank of India (Non-resident Investment in Debt Instruments) Directions, 2025, as amended from time to time.

Key changes:

- a) The investment limits under the VRR shall be subsumed under the investment limit for FPI investments under the General Route. Consequently, all investments through VRR in Central Government securities (including Treasury Bills), State Government Securities, and corporate debt securities shall be reckoned under the investment limit for the respective securities under the General Route.
- b) The FPIs that have availed retention periods longer than the minimum retention period stipulated in the Directions shall have the option of liquidating their portfolio, fully or partly, and exiting the VRR after the end of the minimum retention period.

These Directions shall come into force with effect from April 01, 2026. All existing investments under VRR as on April 01, 2026, shall be transferred to the respective investment limits under the General Route. The amendments being made to the Master Direction are provided in the Annex to the circular. Authorised Dealer Category-I banks are directed to bring the contents of this circular to the notice of their constituents and customers concerned.

The Directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions or approvals, if any, required under any other law. The Annex to the circular details the specific amendments to the Master Direction, including the subsuming of VRR investment limits under the General Route and the option for FPIs to exit after the minimum retention period if they had initially opted for a longer retention period.

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