



Income Tax Department

Government of India

FOREIGN EXCHANGE MANAGEMENT (TRANSFER OR ISSUE OF SECURITY BY A PERSON RESIDENT OUTSIDE INDIA) REGULATIONS, 2000*

FEMA 20/2000-RB, dated 3-5-2000 [GSR 406(E), dated 3-5-2000] - In exercise of the powers conferred by clause (b) of sub-section (3) of section 6 and section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank makes the following regulations to prohibit, restrict or regulate, transfer or issue security by a person resident outside India, namely :—

Short title and commencement.

1. (1) These Regulations may be called the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000.

(2) They shall come into effect on the 1st day of June, 2000.

Definitions.

2. In these Regulations, unless the context requires otherwise—

(i) ‘Act’ means the Foreign Exchange Management Act, 1999 (42 of 1999);

¹[(ia) ‘Asset Reconstruction Company’ (ARC) means a company registered with the Reserve Bank of India under section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act);

¹[(ii) ‘Capital’ means equity shares, preference shares and convertible debentures;]

²(iia) ‘entity incorporated outside India’ means an entity incorporated/registered under the relevant statutes, laws of the host country;]

³[(iib) ‘preference shares’ means compulsorily and mandatorily convertible preference shares;]

⁴(iic) ‘debenture’ means compulsorily and mandatorily convertible debenture;]

⁵[(iid) ‘Domestic Depository’ shall have the meaning as assigned to it in the Companies (Issue of Indian Depository Receipts) Rules, 2004;

(iie) ‘Eligible Company’ means a Company eligible to issue Indian Depository Receipts under rule 4 of the Companies (Issue of Indian Depository Receipts) Rules, 2004;]

(iii) ‘registered Foreign Institutional Investor (FII)’ means the foreign institutional investor registered with SEBI; ⁶(iiia) ‘Foreign Venture Capital Investor’ means an investor incorporated and established outside India which proposes to make investment in Venture Capital Fund(s) or Venture Capital Undertaking(s) in India and is registered with SEBI under SEBI (Foreign Venture Capital Investors) Regulations, 2000;]

⁷[(iiib) ‘Foreign Central Bank’ means an institution/organisation/body corporate established in a country outside India and entrusted with the responsibility of carrying out central bank functions under the law for the time being in force in that country;]

(iv) ‘Government approval’ means approval from the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion, Government of India or as the case may be, Foreign Investment Promotion Board (FIPB) of the Government of India;

⁸[(iva) ‘Group company’ means two or more enterprises which, directly or indirectly, are in a position to:

- (i) exercise twenty-six per cent, or more of voting rights in other enterprise; or
(ii) appoint more than fifty per cent, of members of board of directors in the other enterprise;]

(v) 'Indian company' means a company incorporated in India;

⁹[(va) 'Indian Depository Receipts (IDRs)' shall have the meaning as assigned to it in the Companies (Issue of Indian Depository Receipts) Rules, 2004;]

¹⁰/~~11~~[(vb)] 'Indian Venture Capital Undertaking' means a company incorporated in India whose shares are not listed on a recognized stock exchange in India and which is not engaged in an activity under the negative list specified by SEBI;]

(vi) 'Investment on repatriation basis' means an investment the sale proceeds of which are, net of taxes, eligible to be repatriated out of India, and the expression 'Investment on non-repatriation basis', shall be construed accordingly;

(vii) Joint Venture (JV) and Wholly Owned Subsidiary shall have the meanings respectively assigned to them in the Foreign Exchange Management (Transfer and Issue of Foreign Security) Regulations, 2000;

¹[(viii) NRI shall have the same meaning assigned to him under the Foreign Exchange Management (Deposit) Regulations, 2000;]

(viii) ²[***] 'Overseas Corporate Body (OCB)', shall have the meanings respectively assigned to them in the Foreign Exchange Management (Deposit) Regulations, 2000;

³(viii) 'Qualified Foreign Investor' (QFI) means:

(a) during the period from 9th day of August, 2011 to 15th day of July, 2012, a person who satisfied the following criteria at the relevant time,

(i) resident of a country, that is compliant with the Financial Action Task Force (FATF) standards and is a signatory to the IOSCO's Multilateral Memorandum of Understanding (MMoU); and

(ii) satisfied the KYC requirements stipulated by SEBI:

Provided that such a person is not registered with SEBI as a Foreign Institutional Investor (FIT) or Foreign Venture Capital Investor (FVCI).

(b) with effect from 16th day of July, 2012, a person who satisfies the following criteria at the relevant time:

(i) Resident in a country that is a member of FATF or a member of a group which is a member of FATF; and

(ii) Resident in a country that is a signatory to IOSCO's MMoU (and referred to as Appendix A Signatories therein) or a signatory of a bilateral MoU with SEBI:

Provided that the person is not resident in a country listed in the public statements issued by FATF from time to time on jurisdictions having strategic AML/CFT deficiencies to which counter measures apply or that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies:

Provided that such person is not resident in India:

Provided further that such person is not registered with SEBI as a FII or Sub-Account of an FII or FVCI.

Explanation.-For the purposes of this clause :

1. 'bilateral MoU with SEBI' shall mean a bilateral MoU between SEBI and the overseas regulator that, inter alia, provides for information sharing arrangements.
2. Member of FATF shall not mean an associate member of FATF.]

(ix) 'SEBI' means the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(x) 'Secretariat for Industrial Assistance' means Secretariat for Industrial Assistance in the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Govt. of India;

(xi) Transferable Development Rights (TDR)' shall have the same meaning as assigned to it in the Regulations made under sub-section (2) of section 6 of the Act;

¹[(xii) 'Venture Capital Fund' means a fund established in the form of a trust, a company including a body corporate and registered under the Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996 which has a dedicated pool of capital raised in a manner specified under the said Regulations and which invests in Venture Capital Undertakings in accordance with the said Regulations;]

(xiii) The words and expressions used but not defined in these Regulations shall have the same meanings respectively assigned to them in the Act.

Restriction on issue or transfer of Security by a person resident outside India.

3. Save as otherwise provided in the Act, or rules or regulations made thereunder, no person resident outside India shall issue or transfer any security:

Provided that a security issued prior to, and held on, the date of commencement of these Regulations, shall be deemed to have been issued under these Regulations and shall accordingly be governed by these Regulations :

Provided further that the Reserve Bank may, on an application made to it and for sufficient reasons, permit a person resident outside India to issue or transfer any security, subject to such conditions as may be considered necessary.

Restriction on an Indian entity to issue security to a person resident outside India or to record a transfer of security from or to such a person in its books.

4. Save as otherwise provided in the Act or Rules or Regulations made thereunder, an Indian entity shall not issue any security to a person resident outside India or shall not record in its books any transfer of security from or to such person :

Provided that the Reserve Bank may, on an application made to it and for sufficient reasons, permit an entity to issue any security to a person resident outside India or to record in its books transfer of security from or to such person, subject to such conditions as may be considered necessary.

Permission for purchase of shares by certain persons resident outside India.

5. (1) ²[(i)] A person resident outside India (other than a citizen of Bangladesh or Pakistan ³[***) or an entity ⁴incorporated outside India] (other than an entity in Bangladesh or Pakistan), may purchase shares or convertible debentures of an Indian company under Foreign Direct Investment Scheme, subject to the terms and conditions specified in Schedule 1.

⁵[(ii) Notwithstanding anything contained in sub-regulation (i) above, a person who is a citizen of Bangladesh or an entity incorporated in Bangladesh may, with the prior approval of the Foreign Investment Promotion Board of the Government of India, purchase shares and convertible debentures of an Indian company under Foreign Direct Investment Scheme, subject to the terms and conditions specified in Schedule 1.]

⁶[(iii) Further, notwithstanding anything contained in clause (i) of the sub-regulation (1) above, a person who is a citizen of Pakistan or an entity incorporated in Pakistan may, with the prior approval of the Foreign

Investment Promotion Board of the Government of India, purchase shares and convertible debentures of an Indian company under Foreign Direct Investment Scheme, subject to the terms and conditions specified in Schedule 1 :

Provided further that notwithstanding anything contained in Schedule 1, the Indian company, receiving such foreign direct investment, is not engaged or shall not engage in sectors/activities pertaining to defence, space and atomic energy and sectors/activities prohibited for foreign investment.]

(2) A registered Foreign Institutional Investor (FH) may purchase shares or convertible debentures of an Indian company under the Portfolio Investment Scheme, subject to the terms and conditions specified in Schedule 2 ¹[and the limits and margin requirements prescribed by RBI/SEBI as well as the stipulations regarding collateral securities as specified by the Reserve Bank from time to time]:

²[***]

³[**Provided further** that Foreign Institutional Investors shall not invest in the paid up equity capital of Asset Reconstruction Companies.]

⁴[(3) (i) A Non-resident Indian (NRI) may purchase shares or convertible debentures of an Indian Company on a Stock Exchange under Portfolio Investment Scheme, subject to the terms and conditions specified in Schedule 3 ⁵[***].

(ii) A Non-resident Indian ⁶[***] may purchase shares or convertible debentures of an Indian Company on non-repatriation basis other than under Portfolio Investment Scheme subject to the terms and conditions specified in Schedule 4 ⁷[***]].

⁸[(4) A non-resident Indian or a registered FII or a Foreign Central Bank ⁹[or a QFI or any other person resident outside India included in Schedule 5] may purchase securities, other than shares or convertible debentures of an Indian company, subject to the terms and conditions specified in Schedule 5.]

¹[(5) A Foreign Venture Capital Investor registered with SEBI may make investment in a Venture Capital Fund or an Indian Venture Capital Undertaking, in the manner and subject to the terms and conditions specified in Schedule 6.]

²[***]

³[(6) A registered Foreign Institutional Investor (FH) having valid approval under the Foreign Exchange Regulation Act, 1973 or under the Foreign Exchange Management Act, 1999 may trade in all exchange traded derivative contracts approved by RBI/SEBI subject to the limits and margin requirement prescribed by RBI/SEBI as well as the stipulations regarding collateral securities as directed by the Reserve Bank from time to time.]

(7) A Non-Resident Indian (NRI) may invest in exchange traded derivative contracts approved by SEBI from time to time out of INR funds held in India on non-repatriable basis subject to the limits prescribed by SEBI. Such investments will not be eligible for repatriation benefits.

⁴[(7A) A QFI may purchase equity shares of an Indian company subject to the terms and conditions specified in Schedule 8.]

⁵[*Explanation:* For the purposes of sub-regulations (1) to (7) above, no class of investor referred to in those sub-regulations shall make investment, directly or indirectly, in any security, issued by an Indian company which is engaged or proposes to engage in any of the activities in which foreign investment is prohibited under sub-regulation (b) of regulation 4 of the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000, as amended from time to time.]

⁶[(8) A registered Foreign Institutional Investor (FH) including SEBI approved sub-accounts of the FHs, registered with SEBI or a Non-Resident Indian (NRI) may purchase, hold or sell Indian Depository Receipts (IDRs) of eligible companies resident outside India and issued in the Indian capital market, subject to the terms and conditions specified in Para 2 of Schedule 7.]

Acquisition of right shares.

6. (1) A person resident outside India may purchase equity or preference shares or convertible debentures offered on right basis by an Indian company which satisfies the conditions specified in sub-regulation (2).

(2) An Indian company which satisfies the following conditions, may offer to a person resident outside India, equity or preference shares or convertible debentures on right basis, namely :-

(i) The offer on right basis does not result in increase in the percentage of foreign equity already approved, or permissible under the Foreign Direct Investment Scheme in terms of these Regulations;

¹[(ii) The existing non-resident shareholders may apply for issue of additional shares, and the investee company may allot the same subject to the condition that the overall issue of shares to non-residents in the total paid-up capital does not exceed the sectoral cap;]

²[(iii)] The existing shares or debentures against which shares or debentures are issued by the company on right basis were acquired and are held by the person resident outside India in accordance with these Regulations;

³[(iv) The offer on right basis to the persons resident outside India shall be :

(a) in the case of shares of a company listed on a recognized stock exchange in India, at a price as determined by the company;

(b) in the case of shares of a company not listed on a recognized stock exchange in India, at a price which is not less than the price at which the offer on right basis is made to resident shareholders.]

(3) The right shares or debentures purchased by the person resident outside India shall be subject to same conditions including restrictions in regard to repatriability as are applicable to the original shares against which right shares or debentures are issued :

Provided that the amount of consideration for purchase of right shares or debentures is paid by way of inward remittance in foreign exchange through normal banking channels or by debit to NRE/ FCNR account, when the shares or debentures are issued on repatriation basis:

Provided further that in respect of the shares or debentures issued on non-repatriation basis, the amount of consideration may also be paid by debit to NRO/NRSR/NRNR account.

⁴**[Acquisition of Bonus shares.**

6A. An Indian company may issue bonus shares to its non-resident shareholders, subject to the following conditions:

(a) the shares against which bonus shares are issued by the company (hereinafter referred to as 'the original shares') were acquired or held by the non-resident shareholder in accordance with the Rules/Regulations applicable to such acquisition;

(b) the bonus shares acquired by the non-resident shareholder shall be subject to the same conditions including restrictions in regard to repatriability as are applicable to the original shares.

Report to RBI.

⁵**[6B.** A company issuing rights shares or bonus shares in terms of these Regulations shall report to the Reserve Bank in Form FC-GPR as stipulated in Paragraph 9(1)(b) of Schedule 1 to these Regulations.]]

Issue and acquisition of shares after merger or demerger or amalgamation of Indian companies.

7. Where a Scheme of merger or amalgamation of two or more Indian companies or a reconstruction by way of demerger or otherwise of an Indian company, has been approved by a Court in India, the transferee company or, as the case may be, the new company may issue shares to the shareholders of the transferor company resident outside India, subject to the following conditions, namely:

(a) the percentage of shareholding of persons resident outside India in the transferee or new company does not exceed the percentage specified in the approval granted by the Central Government or the Reserve Bank, or specified in these Regulations :

Provided that where the percentage is likely to exceed the percentage specified in the approval or the Regulations, the transferor company or the transferee or new company may, after obtaining an approval from the Central Government, apply to the Reserve Bank for its approval under these Regulations;

(b) the transferor company or the transferee or new company shall not engage in agriculture, plantation or real estate business or trading in TDRs; and

(c) the transferee or the new company files a report within 30 days with the Reserve Bank giving full details of the shares held by persons resident outside India in the transferor and the transferee or the new company, before and after the merger/amalgamation/reconstruction, and also furnishes a confirmation that all the terms and conditions stipulated in the scheme approved by the Court have been complied with.

Issue of shares under Employees Stock Options Scheme to persons resident outside India.

8. (1) An Indian company may issue shares under the Employees' Stock Options Scheme, by whatever name called, to its employees or employees of its joint venture or wholly owned subsidiary abroad who are resident outside India, directly or through a Trust:

Provided that

(a) the scheme has been drawn in terms of regulations issued under the Securities and Exchange Board of India Act, 1992; and

(b) face value of the shares to be allotted under the scheme to the non-resident employees does not exceed 5 per cent of the paid-up capital of the issuing company.

(2) The Trust and the issuing company shall ensure that value of shares held by persons resident outside India under the scheme does not exceed the limit specified in clause (b) of sub-regulation (1).

(3) The issuing company shall furnish to the Reserve Bank, within thirty days from the date of issue of shares under the scheme, a report giving the following particulars/documents—

(i) names of persons to whom shares are issued under the scheme and number of shares issued to each of them;

(ii) a certificate from the Company Secretary of the issuing company that the value of shares issued under the scheme does not exceed 5 per cent of the paid-up capital of the issuing company and that the shares are issued in compliance with the regulations issued by the SEBI in this behalf.

Transfer of shares and convertible debentures of an Indian company by a person resident outside India.

9. (1) Subject to the provisions of sub-regulation (2), a person resident outside India holding the shares or debentures of an Indian company in accordance with these Regulations, may transfer the shares or debentures so held by him, in compliance with the conditions specified in the relevant Schedule of these regulations.

¹[(2)(i) A person resident outside India, not being a non-resident Indian or an overseas corporate body, may transfer by way of sale or gift the shares or convertible debentures held by him or it to any person resident outside India;

(ii) A non-resident Indian ²[***] may transfer by way of sale or gift, the shares or convertible debentures held by him or it to another non-resident Indian ³[***] only;

⁴[***]

(iii) A person resident outside India holding the shares or convertible debentures of an Indian company in accordance with these Regulations,

(a) may transfer the same to a person resident in India by way of gift;

(b) may sell the same on a recognized Stock Exchange in India through a registered broker.]

⁵[Permission] of Reserve Bank in certain cases for transfer of security.

10. A. TRANSFER BY WAY OF GIFT OR SALE BY A PERSON RESIDENT IN INDIA

A person resident in India who proposes to transfer to a person resident outside India ⁶[not being erstwhile OCBs]:

⁷[(a) (i) any security, by way of gift, shall make an application to the Reserve Bank for its approval.

(ii) The Reserve Bank may grant such approval on being satisfied of the following conditions :

(a) The donee is eligible to hold such a security under Schedules 1, 4 and 5 of these Regulations.

(b) The gift does not exceed 5 per cent of the paid up capital of the Indian company/ each series of debentures/each mutual fund scheme.

(c) The applicable sectoral cap/foreign direct investment limit in the Indian company is not breached.

(d) The donor and the donee are relatives as defined in section 6 of the Companies Act, 1956.

¹[(e) The value of security to be transferred by the donor together with any security transferred to any person residing outside India as gift during the financial year does not exceed the rupee equivalent of US \$ 50,000.]

(f) Such other conditions as considered necessary in public interest by the Reserve Bank.

(iii) The application for approval referred to in sub-clause (i) shall contain the following information/documents:

(a) Name and address of the donor and the donee.

(b) Relationship between the donor and the donee.

(c) Reasons for making the gift.

(d) In case of Government dated securities and treasury bills and bonds, a certificate issued by a Chartered Accountant on the market value of such securities.

(e) In case of units of domestic mutual funds and units of Money Market Mutual Funds, a certificate from the issuer on the Net Asset Value of such security.

(f) In case of shares and debentures, a certificate from a Chartered Accountant on the value of such securities according to the guidelines issued by the Securities and Exchange Board of India or the erstwhile CCI with regard to listed companies and unlisted companies respectively.

(g) Certificate from the concerned Indian company certifying that the proposed transfer of shares/convertible debentures, by way of gift, from resident to the nonresident shall not breach the applicable sectoral cap/FDI limit in the company and that the proposed number of shares/convertible debentures to be held by the nonresident transferee shall not exceed 5 per cent of the paid up capital of the company;]

²[(b) any shares or convertible debentures of an Indian company under the Foreign Direct Investment Scheme, whose activities fall under Annex B to Schedule 1, shall, subject to sectoral limits specified therein, transfer such shares or convertible debentures without prior approval of the Reserve Bank if the same is by way of sale, subject to the following:

(i) that the parties concerned adhere to the pricing guidelines, documentation and reporting requirements for such transfers, stipulated by the Reserve Bank from time to time.

(ii) where the transfer of shares or convertible debentures requires the prior approval of the Foreign Investment Promotion Board (FIPB) as per the extant Foreign Direct Investment (FDI) policy:

(a) the requisite approval of the FIPB has been obtained; and

(b) the transfer of shares or convertible debentures adheres with the pricing guidelines and documentation, reporting requirements as stipulated by the Reserve Bank from time to time.

(iii) where SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 are attracted, the pricing guidelines and documentation, reporting requirements as stipulated by SEBI are complied with:

Provided howsoever that in case the SEBI guidelines as aforesaid are not complied with, for the purposes of this Regulation, compliance with pricing guidelines, reporting and documentation requirements as stipulated by RBI shall be sufficient.

(iv) where the pricing guidelines under the Foreign Exchange Management Act, (FEMA) 1999 are not complied with—

- (a) The resultant FDI is in compliance with the requirements of Schedule 1, other than pricing guidelines; and
- (b) The pricing for the transaction is compliant with the applicable SEBI regulations/ guidelines; and
- (c) Chartered Accountants Certificate to the effect that compliance with the applicable SEBI regulations/guidelines as indicated above is attached to the Form FC-TRS to be filed with the AD bank.

(v) where the investee company is in the financial services sector:

- (a) ¹[***]
- (b) The requirements of Schedule 1 are complied with.

Explanation: For the purpose of this Regulation, "financial services", shall mean service rendered by banking and non-banking companies regulated by the Reserve Bank, insurance companies regulated by Insurance Regulatory and Development Authority (IRDA), pension funds regulated by the Pension Fund Regulatory and Development Authority, other companies regulated by any other financial regulator and such other services as may be directed by Reserve Bank from time to time,]

²[(c) any shares or convertible debentures by way of sale, shall make an application to the Reserve Bank for its approval if:

- (i) the transfer is to take place at a price which is not in conformity with the pricing guidelines stipulated by either the Reserve Bank or the SEBI, or
- (ii) it is not covered by clause (b) above.]

¹[(d) any shares or convertible debentures by way of sale, shall make an application to the Reserve Bank for its approval if the non-resident acquirer proposes deferment of payment of the amount of consideration.]

²[*Expknation.-For* the purpose of this Regulation, "financial services" shall mean service rendered by banking and non-banking companies regulated by the Reserve Bank, insurance companies regulated by Insurance Regulatory and Development Authority (IRDA) and other companies regulated by any other financial regulator as the case may be.]

B. TRANSFER BY WAY OF SALE NOT COVERED BY REGULATION 9 BY A PERSON RESIDENT OUTSIDE INDIA

(1)³[***]

⁴[(2) A person resident outside India, may transfer share or convertible debenture of an Indian Company, without the prior permission of the Reserve Bank, by way of sale, to a person resident in India subject to the adherence to pricing guidelines, documentation and reporting requirements for such transfers as may be specified by Reserve Bank from time to time.]

¹[(3) Where pricing guidelines under the Foreign Exchange Management Act (FEMA), 1999 are not complied with, a person resident outside India, may transfer shares or convertible debentures of an Indian Company, by way of sale, to a person resident in India, without the prior permission of the Reserve Bank, subject to the following:

- (a) The original and resultant investment are in conformity with the requirements of Schedule 1, other than pricing guidelines; and
- (b) The pricing for the transaction is compliant with the applicable SEBI regulations/guidelines; and
- (c) Chartered Accountants Certificate to the effect that compliance with the applicable SEBI regulations/guidelines as indicated above is attached to the Form FC-TRS to be filed with the AD bank.]

²[C. A person resident outside India may open an Escrow account with an authorized dealer bank in Indian Rupees in India, subject to the terms and conditions as specified in the Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time for acquisition of shares or convertible debentures through open offers/delisting/exit offers, subject to compliance with the relevant SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time. Such Escrow account may be funded by way of inward remittance through normal banking channel and/or by way of guarantee issued by an authorized dealer bank, subject to terms and conditions as specified in the Foreign Exchange Management (Guarantees) Regulations, as amended from time to time.]

¹[D. A non-resident including Non-Resident Indian may acquire shares of a listed Indian company on the recognised stock exchange through a registered broker under FDI Scheme provided that :

(a) The non-resident investor has already acquired the control in accordance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations and continues to hold such control;

(b) The amount of consideration for purchase of shares on the recognised stock exchange for transfer to non-residents may be paid as specified in para 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, dated 3rd May, 2000 or out of the dividend payable by Indian investee company in which the non-resident has acquired and continues to hold the control in accordance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, provided the right to receive dividend is established and the dividend amount has been credited to specially designated non-interest bearing rupee account for acquisition of shares on the recognised stock exchange.]

Remittance of sale proceeds.

11. (1) No remittance of sale proceeds of an Indian security held by a person resident outside India shall be made otherwise than in accordance with these Regulations and the conditions specified in the relevant Schedule.

(2) An authorised dealer may allow the remittance of sale proceeds of a security (net of applicable taxes) to the seller of shares resident outside India :

Provided-

(a) the security was held by the seller on repatriation basis;

(b) either the security has been sold on a recognised stock exchange in India through a stock broker at the ruling market price as determined on the floor of the exchange, or the Reserve Bank's approval has been obtained in other cases for sale of the security and remittance of the sale proceeds thereof; and

(c) a no objection/tax clearance certificate from the income-tax authority has been produced.

²[**Pledge of shares of company incorporated in India**

12. (i) Any person being a promoter of a company registered in India (borrowing company), which has raised external commercial borrowing, may pledge the shares of the borrowing company or that of its associate resident companies for the purpose of securing the external commercial borrowing (ECB) raised by the borrowing company:

Provided that no person shall pledge any such share unless no-objection has been obtained from a bank which is an authorised dealer.

(II) A bank which is an authorised dealer may grant 'no objection' for pledge of shares under clause (i) after satisfying itself of the following:

(a) the underlying ECB is strictly in compliance with the extant ECB guidelines,

(b) the loan agreement has been signed by both the lender and the borrower,

(c) there exists a security clause in the Loan Agreement requiring the borrower to create charge on financial securities, and

(d) the borrower has obtained Loan Registration Number (LRN) from the Reserve Bank : (Amendment) Rules, 2009 :

Provided that the 'no objection' may be granted by a bank which is an authorised dealer subject to the following conditions, namely:-

(a) the period of such pledge shall be co-terminus with the maturity of the underlying external commercial borrowing;

(b) in case of invocation of pledge, transfer shall be in accordance with the extant FDI policy and directions issued by the Reserve Bank;

(c) the Statutory Auditor has certified that the borrowing company will utilise/has utilised the proceeds of the external commercial borrowing for the permitted end-use/s only.]

¹[(iii) Any person being a non-resident investor of a company registered in India (resident investee company) may pledge the shares or convertible debentures of that company to a bank in India to secure the credit facilities being extended to that company for bona fide purposes, subject to the AD bank satisfying itself of the compliance of the conditions stipulated by the Reserve Bank, from time to time, in this regard.

(iv) Any person being a non-resident investor of a company registered in India (resident investee company) may pledge the shares or convertible debentures of that company to an overseas bank to secure the credit facilities being extended to the non-resident investor or non-resident promoter of the resident investee company or its overseas group company subject to the AD bank satisfying itself of the compliance of the conditions stipulated by the Reserve Bank from time to time in this regard.]

²[Issue of Indian Depository Receipts.

13. An eligible company resident outside India may issue IDRs through a Domestic Depository, to persons resident in India and outside India, subject to the terms and conditions specified in Para 1 of Schedule 7.]

³[Guidelines for calculation of total foreign investment in Indian companies, transfer of ownership and control of Indian companies and downstream investment by Indian companies

14. Definition : For the purpose of this regulation,

1. (i) *Ownership and control shall mean*

(a) *Company "Owned by resident Indian citizens "shall be an Indian company if more than 50% of the capital in it is beneficially owned by resident Indian citizens and/or Indian companies, which are ultimately owned and controlled by resident Indian citizens; ¹[***]*

(b) *Company "Owned by non-residents" means an Indian company where more than 50% of the capital in it is beneficially owned by non-residents; ²[***]*

³[(ia) *"Control" shall include the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.]*

(ii) *"Direct foreign investment" shall mean investment received by an Indian Company from nonresident entities regardless of whether the said investments have been made under Schedules 1, 2, 3, 6 and 8 of the Notification No. FEMA 20/2000-RB dated May 3,2000, as amended from time to time;*

(iii) *"Downstream investment" means indirect foreign investment, by one Indian company into another Indian company, by way of subscription or acquisition;*

(iv) *"Holding Company" would have the same meaning as defined in Companies Act, 1956;*

(v) *"Indirect foreign investment" means entire investment in other Indian companies by an Indian company (IC), having foreign investment in it provided (a) IC is not "owned and controlled" by resident Indian citizens and/or Indian Companies which are owned and controlled by resident Indian citizens or (b) where the IC is owned or controlled by non-residents.*

However, as an exception, the indirect foreign investment in the 100% owned subsidiaries of operating-cum-investing/investing companies will be limited to the foreign investment in the operating-cum-investing/investing company.

(vi) *"Investing Company" means an Indian company holding only investments in other Indian company/ies directly or indirectly, other than for trading of such holdings/securities;*

(vii) "Non-Resident Entity" means "person resident outside India"[as defined at section 2(w) of FEMA, 1999];

(viii) "Resident Entity" means "person resident in India"[as defined at section 2(v) of FEMA, 1999], excluding an individual;

(ix) "Resident Indian citizen" shall be interpreted in line with the definition of person resident in India as per FEMA, 1999, read in conjunction with the Indian Citizenship Act, 1955.

(x) "Total foreign investment" in an Indian Company would be the sum total of direct and indirect foreign investment.

2. Investment in Indian companies can be made by both non-resident as well as resident Indian entities. Any non-resident investment in an Indian company is direct foreign investment. Investment by resident Indian entities could again comprise both resident and non-resident investments. Thus, such an Indian company would have indirect foreign investment if the Indian investing company has foreign investment in it. The indirect investment can also be through multi-layered structure.

Guidelines for calculation of total foreign investment, i.e., direct and indirect foreign investment in an Indian company.

3. (i) Counting of direct foreign investment: All investments made directly by non-resident entities into the Indian company would be counted towards "Direct foreign investment".

(ii) **Counting of indirect foreign investment:** The entire indirect foreign investment by the investing company into the other Indian Company would be considered as indirect foreign investment for the purpose of computation of indirect foreign investment. However, as an exception, the indirect foreign investment in the 100% owned subsidiaries of operating-cum-investing/investing companies will be limited to the foreign investment in the operating-cum-investing/investing company. This exception has been made since the downstream investment of a 100% owned subsidiary of the holding company is akin to investment made by the holding company and the downstream investment should be a mirror image of the holding company. This exception, however, is strictly for those cases where the entire capital of the downstream subsidiary is owned by the holding company.

(iii) The methodology for calculation of total foreign investment would apply at every stage of investment in Indian companies and thus in each and every Indian company.

(iv) Additional requirements

(A) The full details about the foreign investment including ownership details etc. in Indian company/ies and information about the control of the company/ies would be furnished by the Company/ies to the Government of India at the time of seeking approval

(B) In any sector/activity, where Government approval is required for foreign investment and in cases where there are any inter se agreements between/amongst shareholders which have an effect on the appointment of the Board of Directors or on the exercise of voting rights or of creating voting rights disproportionate to shareholding or any incidental matter thereof, such agreements will have to be informed to the approving authority. The approving authority will consider such inter se agreements for determining ownership and control when considering the case for approval of foreign investment.

(C) In all sectors attracting sectoral caps, the balance equity i.e. beyond the sectoral foreign investment cap would specifically be beneficially owned by/held with/in the hands of resident Indian citizens and Indian companies, owned and controlled by resident Indian citizens.

(D) In the I&B and Defence sectors where the sectoral cap is less than 49%, the company would need to be "owned and controlled" by resident Indian citizens and Indian companies, which are owned and controlled by resident Indian citizens :

(a) For this purpose, the equity held by the largest Indian shareholder would have to be at least 51 % of the total equity, excluding the equity held by Public Sector Banks and Public Financial Institutions, as defined in section 4A of the Companies Act, 1956. The term "largest Indian shareholder", used in this clause, will include any or a combination of the following:

(aa) In the case of an individual shareholder;

(aai) *The individual shareholder.*

(aaii) *A relative of the shareholder within the meaning of section 6 of the Companies Act, 1956.*

(aaiii) *A company/group of companies in which the individual shareholder/HUF to which he belongs has management and controlling interest.*

(ab) *In the case of an Indian company,*

(abi) *The Indian company.*

(abii) *A group of Indian companies under the same management and ownership control.*

(b) *For the purpose of this clause, "Indian company" shall be a company which must have a resident Indian or a relative as defined under section 6 of the Companies Act, 1956/HUF, either singly or in combination holding at least 51% of the shares.*

(c) *Provided that, in case of a combination of all or any of the entities mentioned in sub-clauses (aa) and (ab) above, each of the parties shall have entered into a legally binding agreement to act as a single unit in managing the matters of the applicant company.*

(E) *If a declaration is made by persons as per section 187C of the Indian Companies Act about a beneficial interest being held by a non-resident entity, then even though the investment may be made by a resident Indian citizen, the same shall be counted as foreign investment.*

4. *The above mentioned policy and methodology would be applicable for determining the total foreign investment in all sectors, except in sectors where it is specified in a statute or a rule thereunder. The above methodology of determining direct and indirect foreign investment therefore does not apply to the insurance sector which will continue to be governed by the relevant Regulation.*

Guidelines for establishment of Indian companies/transfer of ownership or control of Indian companies, from resident Indian citizens and Indian companies to non-resident entities, in sectors with caps.

5. *In sectors/activities with caps, including, inter alia, defence production, air transport services, ground handling services, asset reconstruction companies, private sector banking, broadcasting, commodity exchanges, credit information companies, insurance, print media, telecommunications and satellites. Government approval/FIPB approval would be required in all cases where:*

(i) *An Indian company is being established with foreign investment and is not owned by a resident entity or*

(ii) *An Indian company is being established with foreign investment and is not controlled by a resident entity or*

(iii) *The control of an existing Indian company, currently owned or controlled by resident Indian citizens and Indian companies, which are owned or controlled by resident Indian citizens, will be/is being transferred/passed on to a non-resident entity as a consequence of transfer of shares and/or fresh issue of shares to non-resident entities through amalgamation, merger/demerger, acquisition, etc. or*

(iv) *The ownership of an existing Indian company, currently owned or controlled by resident Indian citizens and Indian companies, which are owned or controlled by resident Indian citizens, will be/is being transferred/passed on to a non-resident entity as a consequence of transfer of shares and/or fresh issue of shares to non-resident entities through amalgamation, merger/demerger, acquisition, etc. or*

(v) *It is clarified that these guideline will not apply to sectors /activities where THE are NO FORGINE investment caps, that is, where 100% foreign investment is permitted under the automatic route.*

(vi) *For the purpose of computation of indirect foreign investment, foreign investment shall include all types of direct foreign investments in the Indian company making downstream investment. For this purpose portfolio investments either by FIIs, NRIs or QFIs holding as on March 31 of the previous year would be taken into account, e.g. for monitoring foreign investment for the financial year 2011-12, investment as on March 31, 2011 would be taken into account. Besides, investments in the form of Foreign Direct Investment,*

Foreign Venture Capital Investment, ADRs/GDRs, Foreign Currency Convertible Bonds (FCCB) will also be taken into account. Thus, regardless of the investments having been made under Schedules 1, 2, 3, 6 and 8, the same will be taken into account.

Downstream investment by an Indian company which is not owned and/or controlled by resident entity/ies.

6. (i) *Downstream investment by an Indian company, which is not owned and/or controlled by resident entity/ies, into another Indian company, would be in accordance/compliance with the relevant sectoral conditions on entry route, conditionalities and caps, with regard to the sectors in which the latter Indian company is operating.*

Note : *With effect from 31st day of July, 2012, Downstream investment/s made by a banking company, as defined in clause (c) of section 5 of the Banking Regulation Act, 1949, incorporated in India, which is owned and/or controlled by non-residents/a non-resident entity/nonresident entities, under Corporate Debt Restructuring (CDR), or other loan restructuring mechanism, or in trading books, or for acquisition of shares due to defaults in loans, shall not count towards indirect foreign investment. However, their "strategic downstream investment-shall count towards indirect foreign investment. For this purpose, 'strategic downstream investments' would mean investment by these banking companies in their subsidiaries, joint ventures and associates.*

(ii) *Downstream investments by Indian companies will be subject to the following conditions:*

(a) *such a company has to notify Secretariat for Industrial Assistance, DIPP and FIPB of its downstream investment in the form available at <http://www.fipbindia.com> within 30 days of such investment, even if capital instruments have not been allotted along with the modality of investment in new/existing ventures (with/without expansion programme);*

(b) *downstream investment by way of induction of foreign equity in an existing Indian company to be duly supported by a resolution of its Board of Directors as also a Shareholders 'Agreement, if any;*

(c) *issue/transfer/pricing/valuation of shares shall continue to be in accordance with extant SEBI/RBI guidelines;*

(d) *for the purpose of downstream investment, the Indian companies making the downstream, investments would have to bring in requisite funds from abroad and not use funds borrowed in the domestic market. This would, however, not preclude downstream operating companies, from raising debt in the domestic market.*

¹*[Downstream investments through internal accruals are permissible by an Indian company, subject to the provisions of clause (i) above and as also elaborated below:]*

A. *Foreign investment into an Indian company, engaged only in the activity of investing in the capital of other Indian company/ies, will require prior Government/FIPB approval, regardless of the amount or extent of foreign investment. Foreign investment into Non-Banking Finance Companies (NBFCs), carrying on activities approved for FDI, will be subject to the conditions specified in Annex B of Schedule I to these Regulations.*

B. *Those companies, which are Core Investment Companies (CICs), will have to additionally follow RBI's Regulatory Framework for CICs.*

C. *For infusion of foreign investment into an Indian company which does not have any operations and also does not have any downstream investments. Government/FIPB approval would be required, regardless of the amount or extent of foreign investment. Further, as and when such a company commences business(es) or makes downstream investment, it will have to comply with the relevant sectoral conditions on entry route, conditionalities and caps.*

Note: *Foreign investment into other Indian companies would be in accordance/compliance with the relevant sectoral conditions on entry route, conditionalities and caps;*

(e) *the FDI recipient Indian company at the first level which is responsible for ensuring compliance with the FDI conditionalities like no indirect foreign investment in prohibited sector, entry route, sectoral cap/conditionalities, etc. for the downstream investment made by in the subsidiary companies at second level and so on and so forth would obtain a certificate to this effect from its statutory auditor on an annual basis as regards status of compliance with the instructions on downstream investment and compliance with FEMA provisions. The fact that statutory auditor has certified that the company is in compliance with the regulations as regards downstream investment and other FEMA prescriptions will be duly mentioned in the*

Director's report in the Annual Report of the Indian company. In case statutory auditor has given a qualified report, the same shall be immediately brought to the notice of the Reserve Bank of India, Foreign Exchange Department (FED) Regional Office (RO) of the Reserve Bank in whose jurisdiction the Registered Office of the company is located and shall also obtain acknowledgement from the RO of having intimated it of the qualified auditor report. RO shall file the action taken report to the Chief General Manager-in-Charge, Foreign Exchange Department, Reserve Bank of India, Central Office, Central Office Building, Shahid Bhagat Singh Road, Mumbai-400001.]

SCHEDULE 1

[See Regulation 5(1)]

FOREIGN DIRECT INVESTMENT SCHEME

Purchase by a person resident outside India of equity /preference/convertible preference shares and convertible debentures issued by an Indian company.

1. ¹[(I) A person resident outside India referred to in clauses (i), (ii) and (iii) of sub-regulation (1) of Regulation 5, may purchase shares or convertible debentures issued by an Indian company up to the extent and subject to the terms and conditions set out in this Schedule.]

(2) ²[***]

Automatic Route of Reserve Bank for Issue of shares by an Indian company.

2. ³[(1) An Indian company, not engaged in any activity/sector mentioned in Annex A to this Schedule, may issue shares or convertible debentures to a person resident outside India, subject to the limits prescribed in Annex B to this Schedule, in accordance with the Entry Routes specified therein and the provisions of Foreign Direct Investment Policy, as notified by the Ministry of Commerce & Industry, Government of India, from time to time :

¹[**Provided** that the shares or convertible debentures are not being issued by the Indian company with a view to acquire existing shares of any Indian company. However, downstream investment by an Indian company receiving Foreign Direct Investment would be permitted to the extent specified in Regulation 14.]

Explanation.—A company which proposes to embark on expansion programme to undertake activities or manufacture items included in Annex B to this Schedule may issue shares or debentures out of fresh capital proposed to be issued by it for the purpose of financing expansion programme, up to the extent indicated in Annex B, subject to compliance with the provisions of this paragraph.]

²[(2) A company which is an Micro and Small Enterprise (MSE) (earlier Small Scale Industrial Unit) including an Export Oriented Unit or a Unit in a Free Trade Zone or in an Export Processing Zone or in a Software Technology Park or in an Electronic Hardware Technology Park, and which is not engaged in any activity/sector mentioned in Annex A to this Schedule may issue shares or convertible debentures to a person resident outside India referred to in paragraph 1, subject to the limits prescribed in Annex B to this Schedule, in accordance with the Entry Routes specified therein and the provision of Foreign Direct Investment Policy, as notified by the Ministry of Commerce & Industry, Government of India, from time to time.]

³[(3) Any Industrial undertaking, with or without Foreign Direct Investment, which is not an MSE, having an industrial license under the provisions of the Industries (Development & Regulation) Act, 1951 for manufacturing items reserved for manufacture in the MSE sector may issue shares to persons resident outside India referred to in paragraph 1, to the extent of 24 per cent of its paid-up capital. Issue of shares in excess of 24 per cent of paid-up capital shall require prior approval of the Foreign Investment Promotion Board of the Government of India and shall be in compliance with the terms and conditions of such approval.]

¹[*Explanation.—For the purposes of sub-paragraphs (2) and (3) above, in terms of the provisions of the Micro, Small and Medium Enterprises Development Act, (i) in the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951, a micro enterprise means where the investment in plant and machinery does not exceed twenty five lakh rupees; a small enterprise means where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; (ii) in the case of the enterprises engaged in providing or rendering services,*

amicroenterprisemeanswheretheinvestmentinequipmentdoesnotexceedtenlakhrupees;asmall enterprise means where the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees.]

²³[(4)] An Indian company, otherwise eligible to issue shares under this Schedule may issue equity/preference shares, subject to pricing guidelines as given in paragraph 5 of this Schedule, to a person resident outside India,

(i) being a provider of technology/technical know-how, against Royalty/Lump sum fees due for payment;

(ii) against External Commercial Borrowing (ECB) (other than import dues deemed as ECB or Trade Credit as per RBI Guidelines);

⁴[(iii) against import of capital goods by units in SEZs, subject to the valuation by a Committee consisting of Development Commissioner and the appropriate Customs officials:]

Provided that the foreign equity in the company after the conversion of Royalty/Lump sum fee/ ECB into equity is within the sectoral cap notified, if any.]

⁵[Issue of shares by a company requiring the Government approval.

⁶[3. An Indian company intending to issue shares to a person resident outside India in accordance with these regulations directly against foreign inward remittance (or by debit to NRE account/FCNR account) or against consideration other than inward remittance *ie.*, against royalty/lump sum fee due for payment/import of capital goods by units in SEZs/ECBs (excluding those deemed as ECBs) shall obtain prior approval of the Foreign Investment Promotion Board (FIPB) of Government of India, if the Indian Company:

(a) is engaged or proposes to engage, in any activity specified in Annex A to this Schedule; or

(b) proposes to issue shares to a person resident outside India beyond sectoral limits or the activity of the Indian company faUs under the FIPB route, as stipulated in Annex B to this Schedule; or

(c) proposes to issue shares to a person resident outside India against shares swap* *ie.* in lieu of consideration to be paid for shares acquired in the overseas company; or

(d) proposes to issue shares to a person resident outside India against import of capital goods / machinery/equipment ¹[(excluding second-hand machinery)] subject to compliance with the conditions specified by the Government of India and the Reserve Bank from time to time; or

(e) proposes to issue shares to a person resident outside India against pre-operative/pre-incorporation expenses (including payments of rent etc.), subject to compliance with the conditions specified by the Government of India and the Reserve Bank from time to time.]]

Issue of Shares by International offering through ADR and/or GDR.

4. (1) An Indian company may issue its rupee denominated shares to a person resident outside India being a depository for the purpose of issuing Global Depository Receipts (GDRs) and/or American Depository Receipts (ADRs):

Provided the Indian company issuing such shares-

(a) has an approval from the Ministry of Finance, Government of India to issue such ADRs and/or GDRs or is eligible to issue ADRs/GDRs in terms of the relevant scheme in force or notification issued by the Ministry of Finance, and

(b) is not otherwise ineligible to issue shares to persons resident outside India in terms of these Regulations, and

(c) the ADRs/GDRs are issued in accordance with the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and guidelines issued by the Central Government thereunder from time to time.

(2) The Indian company issuing shares under sub-paragraph (1), shall furnish to the Reserve Bank, full details of such issue in the ²[Form DR], within 30 days from the date of closing of the issue.

(3) The Indian company issuing shares against ADRs/GDRs shall furnish a quarterly return in the ³[Form DR-Quarterly] to Reserve Bank within fifteen days of the close of the calendar quarter.

(4) Pending repatriation or utilisation of foreign exchange resources raised in terms of clause (1) the Indian company may invest the foreign currency funds in—

⁴[(a) deposits with or Certificate of Deposit or other instruments offered by banks who have been rated by Standard and Poor, Fitch, IBCA or Moody's etc.; and such rating not being less than the rating stipulated by Reserve Bank from time to time for the purpose,]

(b) deposits with branch outside India of an authorised dealer in India, and

(c) treasury bills and other monetary instruments with a maturity or unexpired maturity of the instrument of one year or less.

¹**4A.** A registered broker in India may purchase shares of an Indian Company on behalf of a person resident outside India, for the purpose of converting the shares so purchased into ADRs/GDRs :

Provided that—

(z) the shares are purchased on a recognized stock exchange;

(ii) the Indian company has issued ADRs/GDRs;

(iii) the shares are purchased with the permission of Custodian of the ADRs/GDRs of the concerned Indian company and are deposited with the Custodian;

(iv) the number of shares so purchased shall not exceed ADRs/GDRs converted into underlying shares and shall be subject to sectoral caps as applicable;

(v) the non-resident investor, broker, Custodian and the overseas depository comply with the provisions of the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and guidelines issued thereunder by the Central Government from time to time.

²**4B.** An Indian company may sponsor an issue of ADRs/GDRs with an overseas depository against shares held by its shareholders at a price to be determined under the provisions of the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and guidelines issued by the Government of India and the reporting requirements as directed by Reserve Bank, from time to time.]]

³**[Issue price**

5. Price of shares issued to persons resident outside India under this Schedule, shall not be less than :-

(a) the price worked out in accordance with the SEBI guidelines, as applicable, where the shares of the company is listed on any recognized stock exchange in India;

(b) the fair valuation of shares done by a SEBI registered Category-I Merchant Banker or a Chartered Accountant as per the discounted free cash flow method, where the shares of the company is not listed on any recognized stock exchange in India; and

(c) the price as applicable to transfer of shares from resident to non-resident as per the pricing guidelines laid down by the Reserve Bank from time to time, where the issue of shares is on preferential allotment.]

5A. ¹[***]

²**5B.** Notwithstanding anything contained in paragraph 5 above, where shares in an Indian company are issued to a person resident outside India in compliance with the provisions of the Companies Act, 1956, by way of subscription to Memorandum of Association, such investments may be made at face value subject to eligibility to invest under this Schedule.]

³**[Issue price of ADRs/GDRs.**

6. The pricing of ADRs/GDRs to be issued to a person resident outside India shall be determined under the provisions of the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and guidelines issued by the Government of India from time to time.]

Rate of Dividend on Preference Shares.

7. The rate of dividend on preference shares or convertible preference shares issued under these Regulations shall not exceed 300 basis points over the Prime Lending Rate of State Bank of India prevailing as on the

date of the Board meeting of the company in which issue of such shares is recommended.

Mode of payment for shares issued to persons resident outside India.

8. A company in India issuing shares or convertible debentures under this Schedule to a person resident outside India shall receive the amount of consideration for such shares-

(i) by inward remittance through normal banking channels,

(ii) by debit to NRE/FCNR account of the person concerned maintained with an authorised dealer/authorised bank, or

¹[(iii) by debit, to a non-interest bearing Escrow account (in Indian Rupees) maintained in India with an AD bank in accordance with Foreign Exchange Management (Deposit) Regulations, 2000.]

²*Explanation:* Conversion of Royalty/Lump sum fee due for payment or conversion of ECB, as given elsewhere in this Schedule, ³[import payables of capital goods by units in Special Economic Zones] shall be treated as consideration for issue of shares within the meaning of this paragraph:]

⁴[**Provided** that if the shares or convertible debentures are not issued within 180 days from the date of receipt of the inward remittance or date of ⁵[debit to NRE/FCNR(B)/Escrow account], the amount of consideration so received shall be refunded to the person concerned by outward remittance through normal banking channels or by credit to his NRE/FCNR(B) account, as the case may be:

Provided further that the Reserve Bank may, on an application made to it and for sufficient reasons permit an Indian company to refund the amount of consideration received towards issue of security, if such amount is outstanding beyond a period of 180 days from the date of receipt.]

⁶[**Reporting of issuance of shares of Indian company.**

9. (1) An Indian company issuing shares or convertible debentures in accordance with these Regulations shall submit through AD bank to the Regional Office concerned of the Reserve Bank under whose jurisdiction the Registered office of the company operates,

(A) not later than 30 days from the date of receipt of the amount of consideration received by Indian company for issue of shares and convertible debentures, a report in form specified in Annex C to this Schedule along with a copy/ies of Foreign Inward Remittance Certificate/s (FIRC), Know Your Customer (KYC) report on the non-resident investor and details of the Government approval, if any.

(B) not later than 30 days from the date of issue of shares, ¹[a report in the Form FC-GPR as specified by the Reserve Bank from time to time] together with,

(i) a certificate from the Company Secretary of the company accepting investment from persons resident outside India certifying that:

(a) all the requirements of the Companies Act, 1956 have been complied with;

(b) terms and conditions of the Government approval, if any, have been complied with;

(c) the company is eligible to issue shares under these Regulators; and

(d) the company has all original certificates issued by authorised dealers in India evidencing receipt of amount of consideration in accordance with paragraph 8 of this Schedule;

(ii) a certificate from SEBI registered Merchant Banker or Chartered Accountant indicating the manner of arriving at the price of the shares issued to the persons resident outside India:

Provided that, in addition to above, the company shall report the conversion of ECB into equity, in ECB-2 Return of the respective month in case of full conversion of ECB. In case of partial conversion of ECB, the converted portion shall be reported in Form FC-GPR to the Regional Office concerned of Reserve Bank and non-converted portion in Form ECB-2.]

¹[(2) All Indian companies which have received Foreign Direct Investment in the previous year(s) including the current year shall submit to the Reserve Bank of India, on or before the 15th day of July of each year, a report titled "Annual Return on Foreign Liabilities and Assets" in the form specified in Annex E to this Schedule.

(3) Reserve Bank may, by notification, modify from time to time, the format of report titled "Annual Return on Foreign Liabilities and Assets" specified in Annex E to this Schedule.]

2[Reporting of transfer of shares of Indian company.

10. (i) In case of transfer of shares or convertible debentures of an Indian company by way of sale from a person resident in India to a person resident outside India or vice versa, the transferor/ transferee, resident in India, shall submit to the AD bank 3[a report in the Form FC-TRS, as specified by the Reserve Bank from time to time], within 60 days from the date of receipt or payment of the amount of consideration. The onus of submission of the Form FC-TRS within the specified time shall be on the transferor/transferee, resident in India.

(ii) 4[***]

(iii) The IBD/FED/nodal branch of the AD bank shall submit a consolidated monthly statement in respect of all such transactions reported by its branches, to the Reserve Bank in the form and manner stipulated by Reserve Bank, Foreign Exchange Department, Central Office, from time to time.

(iv) The sale consideration in respect of shares or convertible debentures remitted into India through normal banking channels, shall be subjected to a KYC check by the remittance receiving AD bank at the time of receipt of funds, in case, the remittance receiving AD bank is different from the AD bank handling the transfer transaction, the KYC check shall be carried out by the remittance receiving bank and the KYC report shall be submitted by the customer to the AD bank for carrying out the transaction along with the Form FC-TRS.

(v) In case prior approval of the Reserve Bank is granted for transfer of shares or convertible debentures, from a resident to the non-resident on deferred payment of consideration, the same shall be reported in Form FC-TRS, duly certified by the AD bank, within 60 days from the date of receipt of the full and final amount of consideration.]

Permission for retaining share subscription money received from persons resident outside India in a foreign currency account.

5[11.] Reserve Bank may, on an application made to it and on being satisfied that it is necessary so to do, permit an Indian company issuing shares to persons resident outside India under this Schedule, to retain the subscription amount in a foreign currency account, subject to such terms and conditions as it may stipulate.

1ANNEX A

SECTORS PROHIBITED FOR FDI

FDI is prohibited in:

- (a) Lottery Business including Government/private lottery, online lotteries, etc.
- (b) Gambling and Betting including casinos etc.
- (c) Chit funds
- (d) Nidhi company
- (e) Trading in Transferable Development Rights (TDRs)
- (f) Real Estate Business or Construction of Farm Houses
- (g) Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- (h) Activities/sectors not open to private sector investment e.g. Atomic Energy and Railway Transport (other than Mass Rapid Transport Systems).

Note: Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for Lottery Business and Gambling and Betting activities.

2ANNEX B

SECTOR-SPECIFIC POLICY FOR FOREIGN INVESTMENT

In the following sectors/activities, FDI upto the limit indicated against each sector/activity is allowed, subject to applicable laws/regulations; security and other conditionalities. In sectors/ activities not listed below, FDI is permitted upto 100% on the automatic route, subject to applicable laws/regulations; security and other conditionalities.

Wherever there is a requirement of minimum capitalization, it shall include share premium received alongwith the face value of the share, only when it is received by the company upon issue of the shares to the non-resident investor. Amount paid by the transferee during post-issue transfer of shares beyond the issue price of the share, cannot be taken into account while calculating minimum capitalization requirement.

SL. No.	Sector/Activity	% of Cap/Equity	Entry Route
AGRICULTURE			
1.	Agriculture & Animal Husbandry :		
	(a) Floriculture, Horticulture, Apiculture and Cultivation of vegetables & mushrooms under controlled conditions; (b) Development and production of seeds and planting material; (c) Animal Husbandry (including breeding of dogs), Pisciculture, Aquaculture, under controlled conditions; and (d) Services related to agro and allied sectors. <i>Note</i> : Besides the above, FDI is not allowed in any other agricultural sector/activity	100%	Automatic
1.1	Other Conditions :		
	I. For companies dealing with development of transgenic seeds/vegetables, the following conditions apply: <ul style="list-style-type: none"> (i) When dealing with genetically modified seeds or planting material the company shall comply with safety requirements in accordance with laws enacted under the Environment (Protection) Act on the genetically modified organisms. (ii) Any import of genetically modified materials if required shall be subject to the conditions laid down <i>vide</i> Notifications issued under Foreign Trade (Development and Regulation) Act, 1992. (iii) The company shall comply with any other Law, Regulation or Policy governing genetically modified material in force from time to time. (iv) Undertaking of business activities involving the use of genetically engineered cells and material shall be subject to the receipt of approvals from Genetic Engineering Approval Committee (GEAC) and Review Committee on Genetic Manipulation (RCGM). (v) Import of materials shall be in accordance with National Seeds Policy. 		
	II. The term "under controlled conditions" covers the following: <ul style="list-style-type: none"> ◆ 'Cultivation under controlled conditions' for the categories of Floriculture, Horticulture, Cultivation of vegetables and Mushrooms is the practice of cultivation wherein rainfall, temperature, solar radiation, air humidity and culture medium are controlled artificially. Control in these parameters may be effected through protected cultivation under green houses, net houses, poly houses or any other improved infrastructure facilities where micro-climatic conditions are regulated anthropogenically. ◆ In case of Animal Husbandry, scope of the term 'under controlled conditions' covers- <ul style="list-style-type: none"> • Rearing of animals under intensive farming systems with stall-feeding. Intensive farming system will require climate systems (ventilation, temperature/humidity management), health care and nutrition, herd registering/pedigree recording, use of machinery, waste management systems. • Poultry breeding farms and hatcheries where micro-climate is controlled through advanced technologies like incubators, ventilation systems etc. ◆ In the case of pisciculture and aquaculture, scope of the term 'under controlled conditions' covers- <ul style="list-style-type: none"> • Aquariums 		

	<ul style="list-style-type: none"> • Hatcheries where eggs are artificially fertilized and fry are hatched and incubated in an enclosed environment with artificial climate control. ◆ In the case of apiculture, scope of the term "under controlled conditions" covers- <ul style="list-style-type: none"> • Production of honey by bee-keeping, except in forest/wild, in designated spaces with control of temperatures and climatic factors like humidity and artificial feeding during lean seasons. 		
2.	Tea Plantation		
2.1	Tea sector including tea plantations <i>Note</i> : Besides the above, FDI is not allowed in any other plantation sector/activity	100%	Government
2.2	Other Condition:		
	Prior approval of the State Government concerned in case of any future land use change.		
3.	MINING		
3.1	Mining and Exploration of metal and non-metal ores including diamond, gold, silver and precious ores but excluding titanium bearing minerals and its ores; <i>subject to</i> the Mines and Minerals (Development & Regulation) Act, 1957.	100%	Automatic
3.2	Coal and Lignite		
	(1) Coal & Lignite mining for captive consumption by power projects, iron & steel and cement units and other eligible activities permitted under and <i>subject to</i> the provisions of Coal Mines (Nationalization) Act, 1973.	100%	Automatic
	(2) Setting up coal processing plants like washeries, subject to the condition that the company shall not do coal mining and shall not sell washed coal or sized coal from its coal processing plants in the open market and shall supply the washed or sized coal to those parties who are supplying raw coal to coal processing plants for washing or sizing.	100%	Automatic
3.3	Mining and mineral separation of titanium bearing minerals and ores, its value addition and integrated activities		
3.3.1	Mining and mineral separation of titanium bearing minerals & ores, its value addition and integrated activities <i>subject to</i> sectoral regulations and the Mines and Minerals (Development and Regulation) Act, 1957	100%	Government
3.3.2	Other conditions:		
	<p>India has large reserves of beach sand minerals in the coastal stretches around the country. Titanium bearing minerals <i>viz</i> Ilmenite, rutile and leucoxene and Zirconium bearing minerals including zircon are some of the beach sand minerals which have been classified as 'prescribed substances' under the Atomic Energy Act, 1962.</p> <p>Under the Industrial Policy Statement 1991, mining and production of minerals classified as 'prescribed substances' and specified in the Schedule to the Atomic Energy (Control of Production and Use) Order, 1953 were included in the list of industries reserved for the public sector. <i>Vide</i> Resolution No. 8/1(1)/97-PSU/1422 dated 6th October, 1998 issued by the Department of Atomic Energy laying down the policy for exploitation of beach sand minerals, private participation including Foreign Direct Investment (FDI), was permitted in mining and production of Titanium ores (Ilmenite, Rutile and Leucoxene) and Zirconium minerals (Zircon).</p>		

Vide Notification No. S.O. 61(E), dated 18-1-2006, the Department of Atomic Energy re-notified the list of 'prescribed substances' under the Atomic Energy Act, 1962. Titanium bearing ores and concentrates (Ilmenite, Rutile and Leucosene) and Zirconium, its alloys and compounds and minerals/concentrates including Zircon, were removed from the list of 'prescribed substances'.

(i) FDI for separation of titanium bearing minerals & ores will be subject to the following additional conditions *viz*:

(A) value addition facilities are set up within India along with transfer of technology;

(B) disposal of tailings during the mineral separation shall be carried out in accordance with regulations framed by the Atomic Energy Regulatory Board such as Atomic Energy (Radiation Protection) Rules, 2004 and the Atomic Energy (Safe : Disposal of Radioactive Wastes) Rules, 1987.

(ii) FDI will not be allowed in mining of 'prescribed substances' listed in the Notification No. SO 61(E), dated 18-1-2006 issued by the Department of Atomic Energy.

Clarification: (1) For titanium bearing ores such as Ilmenite, Leucosene and Rutile, manufacture of titanium dioxide pigment and titanium sponge constitutes value addition, Ilmenite can be processed to produce Synthetic Rutile or Titanium Slag as an intermediate value added product.

(2) The objective is to ensure that the raw material available in the country is utilized for setting up downstream industries and the technology available internationally is also made available for setting up such industries within the country. Thus, if with the technology transfer, the objective of the FDI Policy can be achieved, the conditions prescribed at (i) (A) above shall be deemed to be fulfilled.

4.	Petroleum & Natural Gas		
4.1	Exploration activities of oil and natural gas fields, infrastructure related to marketing of petroleum products and natural gas, marketing of natural gas and petroleum products, petroleum product pipelines, natural gas/pipelines, LNG Regasification infrastructure, market study and formulation and Petroleum refining in the private sector, subject to the existing sectoral policy and regulatory framework in the oil marketing sector and the policy of the Government on private participation in exploration of oil and the discovered fields of national oil companies.	100%	Automatic
4.2	Petroleum refining by the Public Sector Undertakings (PSUs), without any disinvestment or dilution of domestic equity in the existing PSUs.	49%	Automatic
	MANUFACTURING		
5.	Manufacture of items reserved for production in Micro and Small Enterprises (MSEs)		
5.1	FDI in MSEs [as defined under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006)] will be subject to the sectoral caps, entry routes and other relevant sectoral regulations. Any industrial undertaking which is not a Micro or Small Scale Enterprise, but manufactures items reserved for the MSE sector would require Government route where foreign investment is more than 24% in the capital. Such an undertaking would also require an Industrial License under the Industries (Development & Regulation) Act, 1951, for such manufacture. The issue of Industrial License is subject to a few general conditions and the specific condition that the Industrial Undertaking shall undertake to export a minimum of 50% of the new or additional annual production of the MSE reserved items to be achieved within a maximum period of three years. The export obligation would be applicable from the date of commencement of commercial production and in accordance with the provisions of section 11 of the Industries (Development & Regulation) Act, 1951.		
6.	DEFENCE		

6.1	Defence Industry subject to Industrial license under the Industries (Development & Regulation) Act, 1951	26%	Up to 26% Government. Above 26% to Cabinet Committee on Security (CCS) on case to case basis, which ensure access to modern and 'state-of-art' technology in the country.
6.2	Other conditions:		
	<ul style="list-style-type: none"> (i) Licence applications will be considered and licences given by the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, in consultation with Ministry of Defence. (ii) The applicant should be an Indian company/partnership firm. (iii) The management of the applicant company/partnership should be in Indian hands with majority representation on the Board as well as the Chief Executives of the company/partnership firm being resident Indians. (iv) Full particulars of the Directors and the Chief Executives should be furnished along with the applications. (v) The Government reserves the right to verify the antecedents of the foreign collaborators and domestic promoters including their financial standing and credentials in the world market. Preference would be given to original equipment manufacturers or design establishments, and companies having a good track record of past supplies to Armed Forces, Space and Atomic Energy sections and having an established R&D base. (vi) There would be no minimum capitalization for the FDI. A proper assessment, however, needs to be done by the management of the applicant company depending upon the product and the technology. The licensing authority would satisfy itself about the adequacy of the net worth of the non-resident investor taking into account the category of weapons and equipment that are proposed to be manufactured. (vii) There would be a three-year lock-in period for transfer of equity from one non-resident investor to another non-resident investor (including NRIs & erstwhile OCBs with 60% or more NRI stake) and such transfer would be subject to prior approval of the Government. 		

- (viii) The Ministry of Defence is not in a position to give purchase guarantee for products to be manufactured. However, the planned acquisition programme for such equipment and overall requirements would be made available to the extent possible.
- (ix) The capacity norms for production will be provided in the licence based on the application as well as the recommendations of the Ministry of Defence, which will look into existing capacities of similar and allied products.
- (x) Import of equipment for pre-production activity including development of prototype by the applicant company would be permitted.
- (xi) Adequate safety and security procedures would need to be put in place by the licensee once the licence is granted and production commences. These would be subject to verification by authorized Government agencies.
- (xii) The standards and testing procedures for equipment to be produced under licence from foreign collaborators or from indigenous R&D will have to be provided by the licensee to the Government nominated quality assurance agency under appropriate confidentiality clause. The nominated quality assurance agency would inspect the finished product and would conduct surveillance and audit of the Quality Assurance Procedures of the licensee. Self-certification would be permitted by the Ministry of Defence on case-to-case basis, which may involve either individual items, or group of items manufactured by the licensee. Such permission would be for a fixed period and subject to renewals.
- (xiii) Purchase preference and price preference may be given to the Public Sector organizations as per guidelines of the Department of Public Enterprises.
- (xiv) Arms and ammunition produced by the private manufacturers will be primarily sold to the Ministry of Defence. These items may also be sold to other Government entities under the control of the Ministry of Home Affairs and State Governments with the prior approval of the Ministry of Defence. No such item should be sold within the country to any other person or entity. The export of manufactured items would be subject to policy and guidelines as applicable to Ordnance Factories and Defence Public Sector Undertakings. Non-lethal items would be permitted for sale to persons/entities other than the Central or State Governments with the prior approval of the Ministry of Defence. Licensee would also need to institute a verifiable system of removal of all goods out of their factories. Violation of these provisions may lead to cancellation of the licence.
- (xv) Investment by Foreign Institutional Investors (Fife) through portfolio investment is not permitted.
- (xvi) All applications seeking permission of the Government for FDI in defence would be made to the Secretariat of the Foreign Investment Promotion Board (Fin) in the Department of Economic Affairs.

	<p>(xvii) Applications for FDI upto 26% will follow the existing procedure with proposals involving inflows in excess of Rs. 1200 crore being approved by Cabinet Committee on Economic Affairs (CCEA). Applications seeking permission of the Government for FDI beyond 26%, will in all cases be examined additionally by the Department of Defence Production (DoDP) from the point of view particularly of access to modern and 'state-of-art' technology.</p> <p>(xviii) Based on the recommendation of the DoDP and FIPB, approval of the Cabinet Committee on Security (CCS) will be sought by the DoDP in respect of cases which are likely to result in access to modern and 'state-of-art' technology in the country.</p> <p>(xix) Proposals for FDI beyond 26% with proposed inflow in excess of Rs. 1200 crores, which are to be approved by CCS will not require further approval of the Cabinet Committee of Economic Affairs (CCEA).</p> <p>(xx) Government decision on applications to-FIPB for FDI in defence industry sector will be normally communicated within a time frame of 10 weeks from the date of acknowledgement.</p>	
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SERVICES SECTOR

INFORMATION SERVICES

7.	Broadcasting		
7.1	Broadcasting Carriage Services		
7.1.1	<p>(1) Teleports (setting up of up-linking HUBs/Teleports);</p> <p>(2) Direct to Home (DTH);</p> <p>(3) Cable Networks [Multi System Operators (MSOs) operating at National or State or District level and undertaking upgradation of networks towards digitalization and addressability];</p> <p>(4) Mobile TV;</p> <p>(5) Headend-in-the Sky Broadcasting Service (HITS)</p>	74%	Automatic up to 49% Government route beyond 49% and up to 74%
7.1.2	Cable Networks [Other MSOs not undertaking upgradation of networks towards digitalization and addressability and Local Cable Operators (LCOs)].	49%	Automatic
7.2	Broadcasting Content Services		
7.2.1	Terrestrial Broadcasting FM (FM Radio) , subject to such terms and conditions, as specified from time to time, by Ministry of Information & Broadcasting, for grant of permission for setting up of FM Radio stations.	26%	Government
7.2.2	Up-linking of 'News & Current Affairs' TV Channels	26%	Government
7.2.3	Up-linking a Non-'News & Current Affairs' TV Channels/ Down-linking of TV Channels	100%	Government
7.3	FDI for Up-linking/Down-linking TV Channels will be subject to compliance with the relevant Up-linking/ Down-linking Policy notified by the Ministry of Information & Broadcasting from time to time.		

7.4	Foreign Investment (FI) in companies engaged in all the aforesaid services will be subject to relevant regulations and such terms and conditions, as may be specified from time to time, by the Ministry of Information and Broadcasting.
7.5	The Foreign Investment (FI) limit in companies engaged in the aforesaid activities shall include, in addition to FDI, investment by Foreign Institutional Investors (FIIs), Non-Resident Indians (NRIs), Foreign Currency Convertible Bonds (FCCBs), American Depository Receipts (ADRs), Global Depository Receipts (GDRs) and convertible preference shares held by foreign entities.
7.6	<p>Foreign investment in the aforesaid broadcasting carriage services will be subject to the following security conditions/terms:</p> <p>Mandatory Requirement for Key Executives of the Company</p> <p>(i) The majority of Directors on the Board of the Company shall be Indian Citizens.</p> <p>(ii) The Chief Executive Officer (CEO), Chief Officer In-charge of technical network operations and Chief Security Officer should be resident Indian Citizens.</p> <p>Security Clearance of Personnel</p> <p>(iii) The Company, all Directors on the Board of Directors and such key executives like Managing Director/ Chief Executive Officer, Chief Financial Officer (CFO), Chief Security Officer (CSO), Chief Technical Officer (CTO), Chief Operating Officer (COO), shareholders who individually hold 10% or more paid-up capital in the company and any other category, as may be specified by the Ministry of Information and Broadcasting from time to time, shall require to be security cleared.</p> <p>In case of the appointment of Directors on the Board of the Company and such key executives like Managing Director/Chief Executive Officer, Chief Financial Officer (CFO), Chief Security Officer (CSO), Chief Technical Officer (CTO), Chief Operating Officer (COO), etc., as may be specified by the Ministry of Information and Broadcasting from time to time, prior permission of the Ministry of Information and Broadcasting shall have to be obtained.</p> <p>It shall be obligatory on the part of the company to also take prior permission from the Ministry of Information and Broadcasting before effecting any change in the Board of Directors.</p> <p>(iv) The Company shall be required to obtain security clearance of all foreign personnel likely to be deployed for more than 60 days in a year by way of appointment, contract, and consultancy or in any other capacity for installation, maintenance, operation or any other services prior to their deployment. The security clearance shall be required to be obtained every two years.</p> <p>Permission <i>vis-a-vis</i> Security Clearance</p> <p>(v) The permission shall be subject to permission holder /licensee remaining security cleared throughout the currency of permission. In case the security clearance is withdrawn the permission granted is liable to be terminated forthwith.</p> <p>(vi) In the event of security clearance of any of the persons associated with the permission holder /licensee or foreign personnel is denied or withdrawn for any reasons whatsoever, the permission holder/licensee will ensure that the concerned person resigns or his services terminated forthwith after receiving such directives from the Government, failing which the permission/license granted shall be revoked and the company shall be disqualified to hold any such Permission/license in future for a period of five years.</p> <p>Infrastructure/Network/Software related requirement</p> <p>(vii) The officers/officials of the licensee companies dealing with the lawful interception of Services will be resident Indian citizens.</p> <p>(viii) Details of infrastructure/network diagram (technical details of the network) could be provided, on a need basis only, to equipment suppliers/manufactures and the affiliate of the licensee company. Clearance from the licensor would be required if such information is to be provided to anybody else.</p> <p>(ix) The Company shall not transfer the subscribers' databases to any person/place outside India unless permitted by relevant Law.</p> <p>(x) The Company must provide traceable identity of their subscribers.</p>

Monitoring, Inspection and Submission of Information

(xi) The Company should ensure that necessary provision (hardware/software) is available in their equipment for doing the Lawful interception and monitoring from a centralized location as and when required by Government.

(xii) The company, at its own costs, shall, on demand by the Government or its authorized representative, provide the necessary equipment, services and facilities at designated place(s) for continuous monitoring or the broadcasting service by or under supervision of the Government or its authorized representative.

(xiii) The Government of India, Ministry of Information & Broadcasting or its authorized representative shall have the right to inspect the broadcasting facilities. No prior permission/intimation shall be required to exercise the right of Government or its authorized representative to carry out the inspection. The company will, if required by the Government or its authorized representative, provide necessary facilities for continuous monitoring for any particular aspect of the company's activities and operations. Continuous monitoring, however, will be confined only to security related aspects, including screening of objectionable content.

(xiv) The inspection will ordinarily be carried out by the Government of India, Ministry of Information & Broadcasting or its authorized representative after reasonable notice, except in circumstances where giving such a notice will defeat the very purpose of the inspection.

(xv) The company shall submit such information with respect to its services as may be required by the Government or its authorized representative, in the format as may be required, from time to time.

(xvi) The permission holder/licensee shall be liable to furnish the Government of India or its authorized representative or TRAI or its authorized representative, such reports, accounts, estimates, returns or such other relevant information and at such periodic intervals or such times as may be required.

(xvii) The service providers should familiarize/train designated officials of the Government or officials of TRAI or its authorized representative(s) in respect of relevant operations/features of their systems.

National Security Conditions

(xviii) It shall be open to the licensor to restrict the Licensee Company from operating in any sensitive area from the National Security angle. The Government of India, Ministry of Information and Broadcasting shall have the right to temporarily suspend the permission of the permission holder/Licensee in public interest or for national security for such period or periods as it may direct. The company shall immediately comply with any directives issued in this regard failing which the permission issued shall be revoked and the company disqualified to hold any such permission, in future, for a period of five years.

(xix) The company shall not import or utilize any equipment, which are identified as unlawful and/or render network security vulnerable.

Other conditions

(xx) Licensor reserves the right to modify these conditions or incorporate new conditions considered necessary in the interest of national security and public interest or for proper provision of broadcasting services.

(xxi) Licensee will ensure that broadcasting service installation carried out by it should not become a safety hazard and is not in contravention of any statute, rule or regulation and public policy.

8.	Print Media		
8.1	Publishing of newspaper and periodicals dealing with news and current affairs	26% (FDI and investment by NRIs/PIOs/FII)	Government
8.2	Publication of Indian editions of foreign magazines dealing with	26% (FDI and	Government

	news and current affairs	investment NRIs/PIOs/FII)	
8.2.1	Other conditions:		
	<p>(i) 'Magazine', for the purpose of these guidelines, will be defined as a periodical publication, brought out on non-daily basis, containing public news or comments on public news.</p> <p>(ii) Foreign investment would also be subject to the Guidelines for Publication of Indian editions of foreign magazines dealing with news and current affairs issued by the Ministry of Information & Broadcasting on 4-12-2008.</p>		
8.3	Publishing/printing of Scientific and Technical Magazines/ specialty journals/periodicals, subject to compliance with the legal framework as applicable and guidelines issued in this regard from time to time by Ministry of Information and Broadcasting.	100%	Government
8.4	Publication of facsimile edition of foreign newspapers	100%	Government
8.4.1	Other conditions:		
	<p>(i) FDI should be made by the owner of the original foreign newspapers whose facsimile edition is proposed to be brought out in India.</p> <p>(ii) Publication of facsimile edition of foreign newspapers can be undertaken only by an entity incorporated or registered in India under the provisions of the Companies Act, 1956.</p> <p>(iii) Publication of facsimile edition of foreign newspaper would also be subject to the Guidelines for publication of newspapers and periodicals dealing with news and current affairs and publication of facsimile edition of foreign newspapers issued by Ministry of Information & Broadcasting on 31-3-2006, as amended from time to time.</p>		
9.	Civil Aviation		
9.1	<p>The Civil Aviation sector includes Airports, Scheduled and Non-Scheduled domestic passenger airlines, Helicopter services/Seaplane services, Ground Handling Services, Maintenance and Repair organizations; Flying training institutes; and Technical training institutions.</p> <p>For the purposes of the Civil Aviation sector:</p> <p>(i) "Airport" means a landing and taking off area for aircrafts, usually with runways and aircraft maintenance and passenger facilities and includes aerodrome as defined in clause (2) of section 2 of the Aircraft Act, 1934;</p> <p>(ii) "Aerodrome" means any definite or limited ground or water area intended to be used, either wholly or in part, for the landing or departure of aircraft, and includes all buildings, sheds, vessels, piers and other structures thereon or pertaining thereto;</p> <p>(iii) "Air transport service" means a service for the transport by air of persons, mails or any other thing, animate or inanimate, for any kind of remuneration whatsoever, whether such service consists of a single flight or series of flights;</p> <p>(iv) "Air Transport Undertaking" means an undertaking whose business includes the carriage by air of passengers or cargo for hire or reward;</p> <p>(v) "Aircraft component" means any part, the soundness and correct functioning of which, when fitted to an aircraft, is essential to the continued airworthiness or safety of the aircraft and includes any item of equipment;</p> <p>(vi) "Helicopter" means a heavier than air aircraft supported in flight by the reactions of the air on one or more power driven rotors on substantially vertical axis;</p> <p>(vii) "Scheduled air transport service" means an air transport service undertaken between the same two or more places and operated according to a published time table or with flights so regular or frequent that they constitute a recognizably systematic series, each flight being open to use by members of the public;</p>		

	<p>(viii) "Non-Scheduled Air Transport service" means any service which is not a scheduled air transport service and will include Cargo airlines;</p> <p>(ix) "Cargo airlines" would mean such airlines which meet the conditions as given in the Civil Aviation Requirements issued by the Ministry of Civil Aviation;</p> <p>(x) "Seaplane" means an aeroplane capable normally of taking off from and alighting solely on water;</p> <p>(xi) "Ground Handling" means (i) ramp handling, (ii) traffic handling both of which shall include the activities as specified by the Ministry of Civil Aviation through the Aeronautical Information Circulars from time to time, and (iii) any other activity specified by the Central Government to be a part of either ramp handling or traffic handling.</p>		
9.2	Airports		
	(a) Greenfield projects	100%	Automatic
	(b) Existing projects	100%	Automatic upto 7496 Government route beyond 7496
9.3	Air Transport Services		
	(1) Scheduled Air Transport Service/Domestic Scheduled Passenger Airline	49% FDI (100% for NRIs)	Automatic
	(2) Non-Scheduled Air Transport Service	74% FDI (100% for NRIs)	Automatic upto 49% Government route beyond 49% and up to 74%
	(3) Helicopter services/seaplane services requiring DGCA approval	100%	Automatic
9.3.1	Other conditions		
	<p>(a) Air Transport Services would include Domestic Scheduled Passenger Airlines; Non-Scheduled Air Transport Services, helicopter and seaplane services.</p> <p>(b) Foreign airlines are allowed to participate in the equity of companies operating Cargo airlines, helicopter and seaplane services, as per the limits and entry routes mentioned above.</p> <p>(c) Foreign airlines are also, henceforth, allowed to invest, in the capital of Indian companies, operating scheduled and non-scheduled air transport services, up to the limit of 49% of their paid-up capital. Such investment would be subject to the following conditions:</p> <p>(i) It would be made under the Government approval route.</p> <p>(ii) The 49% limit will subsume FDI and FII investment.</p> <p>(iii) The investments so made would need to comply with the relevant regulations of SEBI, such as the Issue of Capital and Disclosure Requirements (ICDR) Regulations/Substantial Acquisition of Shares and Takeovers (SAST) Regulations, as well as other applicable rules and regulations.</p> <p>(iv) A Scheduled Operator's Permit can be granted only to a company:</p> <p>(a) that is registered and has its principal place of business within India;</p> <p>(b) the Chairman and at least two-thirds of the Directors of which are citizens of India; and</p> <p>(c) the substantial ownership and effective control of which is vested in Indian nationals.</p>		

	<p>(v) All foreign nationals likely to be associated with Indian scheduled and non-scheduled air transport services, as a result of such investment shall be cleared from security view point before deployment; and</p> <p>(vi) All technical equipment that might be imported into India as a result of such investment shall require clearance from the relevant authority in the Ministry of Civil Aviation.</p> <p><i>Note:</i> The FDI limits/entry routes, mentioned at paragraph 9.3(1) and 9.3(2) above, are applicable in the situation where there is no investment by foreign airlines.</p> <p>(d) The policy mentioned at (c) above is not applicable to M/s Air India Limited.</p>		
9.4	Other services under Civil Aviation sector		
	(1) Ground Handling Services subject to sectoral regulations and security clearance	74% FDI (100% for NRIs)	Automatic upto 49% Government route beyond 49% and up to 74%
	(2) Maintenance and Repair organizations; flying training institutes and technical training institutions	100%	Automatic
10.	Courier services for carrying packages, parcels and other items which do not come within the ambit of the Indian Post Office Act, 1898 and excluding the activity relating to the distribution of letters.	100%	Automatic
11.	Construction Development: Townships, Housing, Built-up infrastructure		
11.1	Townships, housing, built-up infrastructure and construction-development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure)	100%	Automatic
11.2	<p>Investment will be subject to the following conditions:</p> <p>(1) Minimum area to be developed under each project would be as under:</p> <p>(i) In case of development of serviced housing plots, a minimum land area of 10 hectares.</p> <p>(ii) In case of construction-development projects, a minimum built-up area of 50,000 sq. mts.</p> <p>(iii) In case of a combination project, any one of the above two conditions would suffice.</p> <p>(2) Minimum capitalization of US\$10 million for wholly owned subsidiaries and US\$ 5 million for joint ventures with Indian partners. The funds would have to be brought in within six months of commencement of business of the Company.</p> <p>(3) Original investment cannot be repatriated before a period of three years from completion of minimum capitalization. Original investment means the entire amount brought in as FDI. The lock-in period of three years will be applied from the date of receipt of each instalment/tranche of FDI or from the date of completion of minimum capitalization, whichever is later. However, the investor may be permitted to exit earlier with prior approval of the Government through the FIPB.</p> <p>(4) At least 50% of each such project must be developed within a period of five years from the date of obtaining all statutory clearances. The investor/investee company would not be permitted to sell undeveloped plots. For the purpose of these guidelines, 'undeveloped plots' will mean where roads, water supply, street lighting, drainage, sewerage, and other conveniences, as applicable under prescribed regulations, have not been made available. It will be necessary that the investor provides, this infrastructure and obtains the completion certificate from the concerned local body/service agency before he would be allowed to dispose of service housing plots.</p>		

	<p>(5) The project shall conform to the norms and standards, including land use requirements and provision of community amenities and common facilities, as laid down in the applicable building control regulations, bye-laws, rules, and other regulations of the State Government/Municipal/Local Body concerned.</p> <p>(6) The investor/investee company shall be responsible for obtaining all necessary approvals, including those of the building/layout plans, developing internal and peripheral areas and other infrastructure facilities, payment of development, external development and other charges and complying with all other requirements as prescribed under applicable rules/bye-laws/regulations of the State Government/ Municipal/Local Body concerned.</p> <p>(7) The State Government/Municipal/Local Body concerned, which approves the building/development plans, would monitor compliance of the above conditions by the developer.</p> <p><i>Note :</i></p> <p>(i) The conditions at (1) to (4) above would not apply to Hotels & Tourism, Hospitals, Special Economic Zones (SEZs), Education Sector, Old age Homes and investment by NRIs.</p> <p>(ii) FDI is not allowed in Real Estate Business.</p>		
12.	Industrial Parks - New and existing	100%	Automatic
12.1	<p>(i) "Industrial Park" is a project in which quality infrastructure in the form of plots of developed land or built up space or a combination with common facilities, is developed and made available to all the allottee units for the purposes of industrial activity.</p> <p>(ii) "Infrastructure" refers to facilities required for functioning of units located in the Industrial Park and includes roads (including approach roads), water supply and sewerage, common effluent treatment facility, telecom network, generation and distribution of power, air conditioning.</p> <p>(iii) "Common Facilities" refer to the facilities available for all the units located in the industrial park, and include facilities of power, roads (including approach roads), water supply and sewerage, common effluent treatment, common testing, telecom services, air conditioning, common facility buildings, industrial canteens, convention/conference halls, parking, travel desks, security service, first aid centre, ambulance and other safety services, training facilities and such other facilities meant for common use of the units located in the Industrial Park.</p> <p>(iv) "Allocable area" in the Industrial Park means-</p> <p>(a) in the case of plots of developed land - the net site area available for allocation to the units, excluding the area for common facilities.</p> <p>(b) in the case of built up space - the floor area and built-up space utilized for providing common facilities.</p> <p>(c) in the case of a combination of developed land and built-up space - the net site and floor area available for allocation to the units excluding the site area and built-up space utilized for providing common facilities.</p> <p>(v) "Industrial Activity" means manufacturing; electricity; gas and water supply; post and telecommunications; software publishing, consultancy and supply; data processing, database activities and distribution of electronic content; other computer related activities; basic and applied R&D on bio-technology, pharmaceutical sciences/life sciences, natural sciences and engineering; business and management consultancy activities; and architectural, engineering and other technical activities.</p>		
12.2	<p>FDI in Industrial Parks would not be subject to the conditionalities applicable for construction development projects etc. spelt out in para 11 above, provided the Industrial Parks meet with the under-mentioned conditions:</p> <p>(i) it would comprise of a minimum of 10 units and no single unit shall occupy more than 50% of the allocable area;</p> <p>(ii) the minimum percentage of the area to be allocated for industrial activity shall not be less than 66% of the total allocable area.</p>		

13.	Satellites - Establishment and operation		
13.1	Satellites - Establishment and operation, subject to the sectoral guidelines of Department of Space/ISRO	74%	Government
14.	Private Security Agencies		49% Government
15.	Telecom services (including Telecom Infrastructure Providers Category-I) All telecom services including Telecom Infrastructure Providers Category-I, viz Basic, Cellular, United Access Services, Unified License (Access services), Unified License, National/ International Long Distance, Commercial V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communications Services (GMPCS), All types of ISP licences, Voice Mail/Audiotex/UMS, Resale of IPLC, Mobile Number Portability Services, Infrastructure Provider Category-I (providing dark fibre, right of way, duct space, tower) except Other Service Providers.	100%	Automatic upto 49% Above 49% Government
15.1.1	Other condition:		
	FDI upto 100% with 49% under automatic route and beyond 49% through FIPB route subject to observance of licensing and security conditions by licensee as well as investors as notified by the Department of Telecommunications (DoT) from time to time.		
16.	TRADING		
16.1	(i) Cash & Carry Wholesale Trading/Wholesale Trading (including sourcing from MSEs)	100%	Automatic
16.1.1	Definition: Cash & Carry Wholesale trading/Wholesale trading, would mean sale of goods/merchandise to retailers, industrial, commercial, institutional or other professional business users or to other wholesalers and related subordinated service providers. Wholesale trading would, accordingly, be sales for the purpose of trade, business and profession, as opposed to sales for the purpose of personal consumption. The yardstick to determine whether the sale is wholesale or not would be the type of customers to whom the sale is made and not the size and volume of sales. Wholesale trading would include resale, processing and thereafter sale, bulk imports with export/ex-bonded warehouse business sales and B2B e-Commerce.		
16.1.2	<p>Guidelines for Cash & Carry Wholesale Trading/Wholesale Trading (WT):</p> <p>(a) For undertaking WT, requisite licenses/registration/permits, as specified under the relevant Acts/Regulations/Rules/Orders of the State Government/Government Body/Government Authority/Local Self-Government Body under that State Government should be obtained.</p> <p>(b) Except in case of sales to Government, sales made by the wholesaler would be considered as 'cash & carry wholesale trading/wholesale trading' with valid business customers, only when WT are made to the following entities:</p> <ul style="list-style-type: none"> (i) Entities holding sales tax/VAT registration/service tax/excise duty registration; or (ii) Entities holding trade licenses <i>ie.</i> a license/registration certificate/membership certificate/registration under Shops and Establishment Act, issued by a Government Authority/Government Body/ Local Self-Government Authority, reflecting that the entity/person holding the license/registration certificate/membership certificate, as the case may be, is itself/himself/herself engaged in a business involving commercial activity; or (iii) Entities holding permits/license etc. for undertaking retail trade (like tehbazari and similar license for hawkers) from Government Authorities/Local Self Government Bodies; or (iv) Institutions having certificate of incorporation or registration as a society or registration as public trust for their self consumption. <p><i>Note:</i> An Entity, to whom WT is made, may fulfil any one of the 4 conditions.</p>		

	<p>(c) Full records indicating all the details of such sales like name of entity, kind of entity, registration/license/permit etc. number, amount of sale etc. should be maintained on a day to day basis.</p> <p>(d) WT of goods would be permitted among companies of the same group. However, such WT to group companies taken together should not exceed 25% of the total turnover of the wholesale venture.</p> <p>(e) WT can be undertaken as per normal business practice, including extending credit facilities subject to applicable regulations.</p> <p>(f) A Wholesale/Cash & carry trader cannot open retail shops to sell to the consumer directly.</p>		
16.2	E-commerce activities	100%	Automatic
	E-commerce activities refer to the activity of buying and selling by a company through the e-commerce platform. Such companies would engage only in Business to Business (B2B) e-commerce and not in retail trading, <i>inter alia</i> implying that existing restrictions on FDI in domestic trading would be applicable to e-commerce as well.		
16.3	Test marketing - Activity deleted	-	-
16.4	Single Brand product retail trading	100%	Up to 49% Automatic. Above 49% Government
	<p>(1) Foreign Investment in Single Brand product retail trading is aimed at attracting investments in production and marketing, improving the availability of such goods for the consumer, encouraging increased sourcing of goods from India, and enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices.</p> <p>(2) FDI in Single Brand product retail trading would be subject to the following conditions:</p> <p>(a) Products to be sold should be of a 'Single Brand' only.</p> <p>(b) Products should be sold under the same brand internationally <i>ie.</i> products should be sold under the same brand in one or more countries other than India.</p> <p>(c) 'Single Brand' product-retail trading would cover only products which are branded during manufacturing.</p> <p>(d) A non-resident entity or entities, whether owner of the brand or otherwise, shall be permitted to undertake single brand product retail trading in the country, for the specific brand, directly or through a legally tenable agreement, with the brand owner for undertaking single brand product retail trading. The onus for ensuring compliance with this condition will rest with the Indian entity carrying out single-brand product retail trading in India. The investing entity shall provide evidence to this effect at the time of seeking approval, including a copy of the licensing/franchise/sub-licence agreement, specifically indicating compliance with the above condition. The requisite evidence should be filed with the RBI for the automatic route and SIA/FIPB for cases involving approval.</p> <p>(e) In respect of proposals involving FDI beyond 51%, sourcing of 30% of the value of goods purchased, will be done from India, preferably from MSMEs, village and cottage industries, artisans and craftsmen in all sectors. The quantum of domestic sourcing will be self-certified by the company, to be subsequently checked, by statutory auditors from the duly certified accounts which the company will be required to maintain. This procurement requirement would have to be met, in the first instance, as an average of five years; total value of the goods purchased, beginning 1st April of the year during which the first tranche of FDI is received. Thereafter, it would have to be met on an annual basis. For the purpose of ascertaining the sourcing requirement, the relevant entity would be the company, incorporated in India, which is the recipient of FDI for the purpose of carrying out single-brand product retail trading.</p> <p>(f) Retail trading, in any form, by means of e-commerce, would not be permissible for companies with FDI, engaged in the activity of single brand retail trading.</p>		

(3) Applications seeking permission of the Government for FDI exceeding 49% in a company which proposes to undertake single brand retail trading in India would be made to the Secretariat for Industrial Assistance (SIA) in the Department of Industrial Policy & Promotion. The applications would specifically indicate the product/product categories which are proposed to be sold under a 'Single Brand'. Any addition to the product/product categories to be sold under 'Single Brand' would require a fresh approval of the Government. In case of FDI upto 49% the product categories proposed to be sold except food products would be provided to the RBI.

(4) Applications would be processed in the Department of Industrial Policy & Promotion, to determine whether the proposed investments satisfies the notified guidelines, before being considered by the FIPB for Government approval.

16.5	Multi Brand Retail Trading	51%	Government
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FDI in multi brand retail trading, in all products, will be permitted, subject to the following conditions:

(i) Fresh agricultural produce, including fruits, vegetables, flowers, grains, pulses, fresh poultry, fishery and meat products, may be unbranded.

(ii) Minimum amount to be brought in, as FDI, by the foreign investor, would be US \$ 100 million.

(iii) At least 50% of total FDI brought in the first tranche of US \$ 100 million, shall be invested in 'back-end infrastructure' within three years, where 'back-end infrastructure' will include capital expenditure on all activities, excluding that on front-end units; for instance, back-end infrastructure will include investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, warehouse, agriculture market produce infrastructure etc. Expenditure on land cost and rentals, if any, will not be counted for purposes of back-end infrastructure. Subsequent investment in the back-end infrastructure would be made by the MBRT retailer as needed, depending upon its business requirements.

(iv) At least 30% of the value of procurement of manufactured/processed products purchased shall be sourced from Indian micro, small and medium industries, which have a total investment in plant & machinery not exceeding US \$ 2.00 million. This valuation refers to the value at the time of installation, without providing for depreciation. The 'small industry' status would be reckoned only at the time of first engagement with the retailer and such industry shall continue to qualify as a 'small industry' for this purpose, even if it outgrows the said investment of US \$ 2.00 million, during the course of its relationship with the said retailer. Sourcing from agricultural co-operatives and farmers' co-operatives would also be considered in this category. The procurement requirement would have to be met, in the first instance, as an average of five years' total value of the manufactured/processed products purchased, beginning 1st April of the year during which the first tranche of FDI is received. Thereafter, it would have to be met on an annual basis.

(v) Self-certification by the company, to ensure compliance of the conditions at serial Nos. (i), (ii) and (iv) above, which could be cross-checked, as and when required. Accordingly, the investors shall maintain accounts, duly certified by statutory auditors.

(vi) Retail sales outlets may be set up only in cities with a population of more than 10 lakh as per the 2011 Census or any other cities as per the decision of the receptive State Governments, and may also cover an area of 10 kms. around the municipal/urban agglomeration limits of such cities; retail locations will be restricted to conforming areas as per the Master/Zonal Plans of the concerned cities and provision will be made for requisite facilities such as transport connectivity and parking.

(vii) Government will have the first right to procurement of agricultural products.

(viii) The above policy is an enabling policy only and the State Governments/Union Territories would be free to take their own decisions in regard to implementation of the policy. Therefore, retail sales outlets may be set up in those States/Union Territories which have agreed, or agree in future, to allow FDI in MBRT under this policy. The States/Union Territories which have conveyed their concurrence are as under :

1. Andhra Pradesh

	<p>2. Assam</p> <p>3. Delhi</p> <p>4. Haryana</p> <p>5. Himachal Pradesh¹</p> <p>6. Jammu & Kashmir</p> <p>7. Karnataka²</p> <p>8. Maharashtra</p> <p>9. Manipur</p> <p>10. Rajasthan</p> <p>11. Uttarakhand</p> <p>12. Daman & Diu and Dadra and Nagar Haveli (Union Territories)</p> <p>The States/Union Territories, which are willing to permit establishment of retail outlets under this policy, would convey their concurrence to the Government of India through the Department of Industrial Policy & Promotion and additions would be made accordingly. The establishment of the retail sales outlets will be in compliance of applicable State /Union Territory laws/regulations, such as the Shops and Establishments Act etc.</p> <p>(ix) Retail trading, in any form, by means of e-commerce, would not be permissible, for companies with FDI, engaged in the activity of multi brand retail trading.</p> <p>(x) Applications would be processed in the Department of Industrial Policy & Promotion, to determine whether the proposed investment satisfies the notified guidelines, before being considered by the FIPB for Government approval.</p>		
	FINANCIAL SERVICES		
	Foreign investment in other financial services, other than those indicated below, would require prior approval of the Government:		
17.	Asset Reconstruction Companies		
17.1	Asset Reconstruction Company' (ARC) means a company registered with the Reserve Bank of India under section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act).	Upto 100% of paid-up capital of ARC (FDI & FIT)	Upto 49% Automatic Above 49% Government
17.2	Other conditions:		
	<p>(i) Persons resident outside India, can invest in the capital of Asset Reconstruction Companies (ARCs) registered with Reserve Bank, upto 49% under the Automatic Route and beyond 49% under the Government Route. Such investments have to be strictly in the nature of FDI. Investments by FHs are not permitted in the equity capital of ARCs.</p> <p>(ii) No sponsor shall be permitted to hold more than 50% of the shareholding in an ARC either by way of FDI or by routing through an FH The foreign investment in ARCs are required to comply with entry route conditionally and sectoral caps. However, the total shareholding of an individual FH shall not exceed 10% of the total paid-up capital of the ARC.</p> <p>(iii) FHs registered with SEBI can invest in the Security Receipts (SRs) issued by ARCs registered with Reserve Bank. FHs can invest up to 74% of the paid-up value of each tranche of scheme of Security Receipts issued by the ARCs.</p> <p>(iv) Any individual investment of more than 10% would be subject to provisions of section 3(3)(f) of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.</p>		
18.	Banking - Private sector		
18.1	Banking - Private sector	74% including	Automatic

investment by FHs	upto 49% Government route beyond 49% and upto 74%
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18.2 Other conditions:

(1) This 74% limit will include investment under the Portfolio Investment Scheme (PIS) by FHs, NRIs and shares acquired prior to September 16, 2003 by erstwhile OCBs, and continue to include IPOs, Private placements, GDR/ADRs and acquisition of shares from existing shareholders.

(2) The aggregate foreign investment in a private bank from all sources will be allowed - up to a maximum of 74 per cent of the paid-up capital of the Bank. At all times, at least 26 per cent of the paid up capital will have to be held by residents, except in regard to a wholly-owned subsidiary of a foreign bank.

(3) The stipulations as above will be applicable to all investments in existing private sector banks also.

(4) The permissible limits under portfolio investment schemes through stock exchanges for FHs and NRIs will be as follows:

(i) In the case of FIIs, as hitherto, individual FII holding is restricted to 10 per cent of the total paid-up capital, aggregate limit for all FHs cannot exceed 24 per cent of the total paid-up capital, which can be raised to 49 per cent of the total paid-up capital by the bank concerned through a resolution by its Board of Directors followed by a special resolution to that effect by its General Body:

(a) Thus, the FII investment limit will continue to be within 49 per cent of the total paid-up capital.

(b) In the case of NRIs, as hitherto, individual holding is restricted to 5 per cent of the total paid-up capital both on repatriation and non-repatriation basis and aggregate limit cannot exceed 10 per cent of the total paid-up capital both on repatriation and non-repatriation basis. However, NRI holding can be allowed up to 24 per cent of the total paid-up capital both on repatriation and non-repatriation basis provided the banking company passes a special resolution to that effect in the General Body.

(c) Applications for foreign direct investment in private banks having joint venture/subsidiary in insurance sector may be addressed to the Reserve Bank of India (RBI) for consideration in consultation with the Insurance Regulatory and Development Authority (IRDA) in order to ensure that the 26 per cent limit of foreign shareholding applicable for the insurance sector is not being breached.

(d) Transfer of shares under FDI from residents to non-residents will continue to require approval of RBI and Government as per para 3.6.2 of DIPP's Circular 1 of 2012 as applicable.

(e) The policies and procedures prescribed from time to time by RBI and other institutions such as SEBI, D/o Company Affairs and IRDA on these matters will continue to apply.

(f) **RBI** guidelines relating to acquisition by purchase or otherwise of shares of a private bank, if such acquisition results in any person owning or controlling 5 per cent or more of the paid-up capital of the private bank will apply to non-resident investors as well.

(ii) Setting up of a subsidiary by foreign banks

(a) Foreign banks will be permitted to either have branches or subsidiaries but not both.

(b) Foreign banks regulated by banking supervisory authority in the home country and meeting Reserve Bank's licensing criteria will be allowed to hold 100 per cent paid-up capital to enable them to set up a wholly-owned subsidiary in India.

(c) A foreign bank may operate in India through only one of the three channels *viz.*, (i) branches (ii) a wholly-owned subsidiary and (iii) a subsidiary with aggregate foreign

	<p>investment up to a maximum of 74 per cent in a private bank.</p> <p>(d) A foreign bank will be permitted to establish a wholly-owned subsidiary either through conversion of existing branches into a subsidiary or through a fresh banking license. A foreign bank will be permitted to establish a subsidiary through acquisition of shares of an existing private sector bank provided at least 26 per cent of the paid-up capital of the private sector bank is held by residents at all times consistent with para (i) (b) above.</p> <p>(e) A subsidiary of a foreign bank will be subject to the licensing requirements and conditions broadly consistent with those for new private sector banks.</p> <p>(f) Guidelines for setting up a wholly-owned subsidiary of a foreign bank will be issued separately by RBI.</p> <p>(g) All applications by a foreign bank for setting up a subsidiary or for conversion of their existing branches to subsidiary in India will have to be made to the RBI.</p> <p>(iii) At present there is a limit of ten per cent on voting rights in respect of banking companies, and this should be noted by potential investor. Any change in the ceiling can be brought about only after final policy decisions and appropriate Parliamentary approvals.</p>		
19.	Banking - Public Sector		
19.1	Banking - Public Sector subject to Banking Companies (Acquisition & Transfer of Undertakings) Acts, 1970/80. This ceiling (20%) is also applicable to the State Bank of India and its associate banks.	20% (FDI and Portfolio Investment)	Government
20.	Commodity Exchanges		
20.1	<p>1. Futures trading in commodities are regulated under the Forward Contracts (Regulation) Act, 1952. Commodity Exchanges, like Stock Exchanges, are infrastructure companies in the commodity futures market. With a view to infuse globally acceptable best practices, modern management skills and latest technology, it was decided to allow foreign investment in Commodity Exchanges.</p> <p>2. For the purposes of this Chapter,</p> <p>(i) "Commodity Exchange" is a recognized association under the provisions of the Forward Contracts (Regulation) Act, 1952, as amended from time to time, to provide exchange platform for trading in forward contracts in commodities.</p> <p>(ii) "Recognized association" means an association to which recognition for the time being has been granted by the Central Government under section 6 of the Forward Contracts (Regulation) Act, 1952.</p> <p>(iii) "Association" means any body of individuals, whether incorporated or not, constituted for the purposes of regulating and controlling the business of the sale or purchase of any goods and commodity derivative.</p> <p>(iv) "Forward contract" means a contract for the delivery of goods and which is not a ready delivery contract.</p> <p>(v) "Commodity derivative" means-</p> <ul style="list-style-type: none"> ■ a contract for delivery of goods, which is not a ready delivery contract; or ■ a contract for differences which derives its value from prices or indices of prices of such underlying goods or activities, services, rights, interests and events, as may be notified in consultation with the Forward Markets Commission by the Central Government, but does not include securities. 		
20.2	Policy for FDI in Commodity Exchange	49% (FDI & FH) [Investment by Registered FH under Portfolio Investment	Automatic

		Scheme (PIS) will be limited to 23% and Investment under FDI Scheme limited to 26%]	
20.3	Other conditions: (i) FII purchases shall be restricted to secondary market only (ii) No non-resident investor/entity, including persons acting in concert, will hold more than 5% of the equity in these companies, and (iii) Foreign investment in commodity exchanges will be subject to the guidelines of the Department of Consumer Affairs/Forward Markets Commission (FMC).		
21.	Credit Information Companies (CIC)		
21.1	Credit Information Companies	74% (FDI & FII)	Automatic
21.2	Other Conditions:		
	(1) Foreign investment in Credit Information Companies is subject to the Credit Information Companies (Regulation) Act, 2005. (2) Foreign investment is permitted under the Government route, subject to regulatory clearance from RBI. (3) Investment by a registered FII under the Portfolio Investment Scheme would be permitted up to 24% only in the CICs listed at the Stock Exchanges, within the overall limit of 74% for foreign investment. (4) Such FII investment would be permitted subject to the conditions that: (a) No single entity should directly or indirectly hold more than 10% equity. (b) Any acquisition in excess of 1% will have to be reported to RBI as a mandatory requirement; and (c) FIIs investing in CICs shall not seek a representation on the Board of Directors based upon their shareholding.		
22.	Infrastructure Company in the Securities Market		
22.1	Infrastructure companies in Securities Markets, namely, stock exchanges, depositories and clearing corporations, in compliance with SEBI Regulations	49% (FDI & FH) [FDI limit of 26 per cent and an FII limit of 23 per cent of the paid-up capital]	Automatic
22.2	Other Conditions:		
22.2.1	FII can invest only through purchases in the secondary market		
23.	Insurance		
23.1	Insurance	26%	Automatic
23.2	Other Conditions:		
	(1) FDI in the Insurance sector, as prescribed in the Insurance Act, 1938, is allowed under the automatic route.		

	(2) This will be subject to the condition that Companies bringing in FDI shall obtain necessary license from the Insurance Regulatory & Development Authority for undertaking insurance activities.		
24.	Non-Banking Finance Companies (NBFCs)		
24.1	Foreign investment in NBFC is allowed under the automatic route in only the following activities: <ul style="list-style-type: none"> (i) Merchant Banking (ii) Underwriting (iii) Portfolio Management Services (iv) Investment Advisory Services (v) Financial Consultancy (vi) Stock Broking (vii) Asset Management (viii) Venture Capital (ix) Custodian Services (x) Factoring (xi) Credit Rating Agencies (xii) Leasing & Finance (xiii) Housing Finance (xiv) Forex Broking (xv) Credit Card Business (xvi) Money Changing Business (xvii) Micro Credit (xviii) Rural Credit 	100%	Automatic
24.2	Other Conditions:		
	<p>(1) Investment would be subject to the following minimum capitalisation norms:</p> <ul style="list-style-type: none"> (i) US \$0.5 million for foreign capital up to 51% to be brought upfront. (ii) US \$ 5 million for foreign capital more than 51% and up to 75% to be brought upfront. (iii) US \$ 50 million for foreign capital more than 75% out of which US \$ 7.5 million to be brought upfront and the balance in 24 months. (iv) NBFCs (z) having foreign investment more than 75% and up to 100%, and (zz) with a minimum capitalisation of US\$ 50 million, can set up step down subsidiaries for specific NBFC activities, without any restriction on the number of operating subsidiaries and without bringing in additional capital. The minimum capitalization condition as mandated by para 3.10.4.1 of DIPP Circular 1 of 2012 dated April 10, 2012, on Consolidated FDI Policy, therefore, shall not apply to downstream subsidiaries. (v) Joint Venture operating NBFCs that have 75% or less than 75% foreign investment can also set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capitalisation norm mentioned in (i), (ii) and (iii) above and (vi) below. (vi) Non-Fund based activities : US\$ 0.5 million to be brought upfront for all permitted non-fund based NBFCs irrespective of the level of foreign investment subject to the following condition: It would not be permissible for such a company to set up any subsidiary for any other activity, nor it can participate in any equity of an NBFC holding/operating company. <i>Note</i> .-The following activities would be classified as Non-Fund Based activities: 		

	<p>(a) Investment Advisory Services</p> <p>(b) Financial Consultancy</p> <p>(c) Forex Broking</p> <p>(d) Money Changing Business</p> <p>(e) Credit Rating Agencies</p> <p>(vii) This will be subject to compliance with the guidelines of RBI.</p> <p><i>Note: (i) Credit Card business includes issuance, sales, marketing & design of various payment products such as credit cards, charge cards, debit cards, stored value cards, smart card, value added cards etc.</i></p> <p><i>(ii) Leasing & Finance covers only financial leases and not operating leases.</i></p> <p>(2) The NBFC will have to comply with the guidelines of the relevant regulator/s, as applicable.</p>		
25.	Pharmaceuticals		
25.1	Greenfield	100%	Automatic
25.2	Existing Companies	100%	Government
26.	Power Exchanges		
26.1	Power Exchanges under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010	49% (FDI & FIT)	Automatic
26.2	Other conditions:		
	<p>(i) Such foreign investment would be subject to an FDI limit of 26 per cent and an FII limit of 23 per cent of the paid-up capital;</p> <p>(ii) FII purchases shall be restricted to secondary market only;</p> <p>(iii) No non-resident investor/entity, including persons acting in concert, will hold more than 5% of the equity in these companies; and</p> <p>(iv) The foreign investment would be in compliance with SEBI Regulations; other applicable laws/regulations; security and other conditionalities.</p>		

1 ANNEX C

**REPORT BY THE INDIAN COMPANY RECEIVING AMOUNT OF CONSIDERATION
FOR ISSUE OF SHARES/CONVERTIBLE DEBENTURES/OTHERS
AS PER FOREIGN DIRECT INVESTMENT SCHEME**

(To be filed by the company through its Authorised Dealer Category -1 bank, with the Regional Office of the Reserve Bank under whose jurisdiction the Registered Office of the company making the declaration is situated, not later than 30 days from the date of receipt of the amount of consideration, as specified in para 9(I)(A) of Schedule I to Notification No. FEMA 20/2000-RB, dated May 3, 2000)

Permanent Account Number (PAN) of the investee company given by the IT Department		
No.	Particulars	(In Block Letters)
1.	Name of the Indian company	
	Address of the Registered Office	
	Fax	
	Telephone	
	e-mail	
2.	Details of the foreign investor/collaborator	

	Name Address Country					
3.	Date of receipt of funds					
4.	Amount	<table border="1"> <tr> <td>In foreign currency</td> <td>In Indian Rupees</td> </tr> <tr> <td></td> <td></td> </tr> </table>	In foreign currency	In Indian Rupees		
In foreign currency	In Indian Rupees					
5.	Whether investment is under Automatic Route or Approval Route If Approval Route, give details (ref. No. of approval and date)	Automatic Route/Approval Route				
6.	Name of the AD through whom the remittance is received					
7.	Address of the AD					

A Copy of the FIRC evidencing the receipt of consideration for issue of shares/convertible debentures/others as above is enclosed.

(Authorised signatory of the investee company) (Stamp)	(Authorised signatory of the AD) (Stamp)
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FOR USE OF THE RESERVE BANK ONLY:

Unique Identification Number for the remittance received:

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Know Your Customer (KYC) Form in respect of the non-resident investor

Registered Name of the Remitter/Investor (Name, if the investor is an Individual)	
Registration Number (Unique Identification Number* in case remitter is an Individual)	
Registered Address (Permanent Address if remitter Individual)	
Name of the Remitter's Bank	
Remitter's Bank Account No.	
Period of banking relationship with the remitter	

*Passport No., Social Security No. or any Unique No. certifying the *bona fides* of the remitter as prevalent in the remitter's country

We confirm that all the information furnished above is true and accurate as provided by the overseas remitting bank of the non-resident investor.

(Signature of the Authorised Official of the AD bank receiving the remittance)

Date: _____

Place: _____

Stamp: _____

ANNEX D

FC-GPR

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[ANNEX E](#)

RESERVE BANK OF INDIA

SECTION II
(Financial Details)

Block 1: Financial Detail of Reporting Company

CARE: Information should be reported for all the reference period, *i.e.* Previous March and Latest March. If reporting period is different from Account Closing Period, then information should be given on internal assessment

Block 1 A: Total Paid-up Capital of Indian Company:

<i>Item</i>	<i>End-of Previous March</i>		<i>End-of Latest March</i>	
	<i>Number of Shares in actual</i>	<i>Amount in Rs. lakh</i>	<i>Number of Shares in actual</i>	<i>Amount in Rs. lakh</i>
1.0 Total Paid-up Capital (= 1.1 + 1.2)				
1.1 Total Equity & Participating Preference Share capital (= 1.1(a) + 1.1(b))				
(a) Ordinary/Equity Share*				
(b) Participating Preference Share				
1.2 Non-participating Preference Share#				
2.0 Non-resident Holdings (at face value in Rs. lakh)				
2.1 Equity & Participating Preference share capital (Sum of item 1 to item 12)				
1. Individuals				
2. Companies				
3. Foreign Institutional Investors (FHs)				
4. Foreign Venture Capital Investors (FVCIs)				
5. Foreign Trusts				
6. Private Equity Funds				
7. Pension Provident Funds				
8. Sovereign Wealth Fund (SWF)				
9. Partnership Proprietorship firms				
10. Financial Institutions				
11. NRIs/PIO				
12. Others non-resident holdings				
2.2 Non-Participating Preference share				
3.0 Non-Resident Equity & Participating Preference share capital %				

Note:

*In case of different class of Equity Share (class A, class B etc.), consolidated figure should be reported.

#Non-participating Preference Share do not have following rights:

- (a) to receive dividend, out of surplus profit after paying the dividend to equity shareholders.
 (b) to have share in surplus assets remaining after the entire capital is paid in case of winding up of the company.

Block IB: Profit and Loss Account (from P/L Account)

Item	Amount in Rs. lakh	
	Previous Year (April - March)	Latest Year (April - March)
3.1 Profit (+)/Loss (-) before tax (During the Year)		
3.2 Profit (+)/Loss (-) after tax (During the Year)		
3.3 Dividend (Interim & Final Dividend)		
3.4 Tax on Dividend (if any)		
3.5 Retained Profit (= 3.2 - 3.3 - 3.4)		

Block 1C: Reserves & Surplus (from Balance Sheet)

Item	Amount in Rs. lakh as at the end of	
	Previous March	Latest March
4.1 Reserves		
(Excluding Profit and Loss account balance)		
4.2 Profit (+) and Loss (-) account balance		
4.3 Reserve and Surplus (= 4.1 + 4.2)		
4.4 Net worth of Company (= 1.1 + 4.3)		

Block ID: Sales and Purchase made during the Financial Year

Note: To be filled in by company where single foreign direct investor holding is equity (*i.e.* If reporting Indian company is subsidiary of Foreign company).

Item	Amount in Rs. lakh (During the year)	
	Previous March	Latest March
5.1 Domestic Sales		
5.2 Exports		
5.3 Total Sales (= 5.1 + 5.2)		
5.4 Domestic purchase		
5.5 Imports		
5.6 Total Purchase (= 5.4 + 5.5)		

SECTION III

(FOREIGN LIABILITIES)

CARE: Information should be reported for all the reference period, *ie.* Previous March and Latest March. If reporting period is different from Account Closing Period, then information should be given on internal assessment.

2. Investments made in India:

(i) In case of listed companies, equity should be valued using share price on closing date of reference period.

(ii) In case of unlisted companies, Own Fund of Book Value (OFBV) Method should be used.

Block-2A:

Investment in India under Foreign Direct Investment (FDI) scheme (10% or more Equity Participation).

[Please furnish here the outstanding investments made under the FDI Scheme in India by Non-resident Direct investors, who were individually holding 10 per cent or more ordinary/equity & preference shares of your company on the reporting date]

Name of the nonresident Company/ Individual	Type of Capital	Country of non-resident investor	Equity & Participating Preference share capital holding per cent as at the end of latest year (%)	Amount in Rs. lakh as at the end of	
				Previous March	Latest March
	1.0 Equity Capital (= 1.1-1.2)				
	1.1 Liabilities to Direct Investor				
	1.2 Claims on Direct Investor (Reverse investment)				
	2.0 Other Capital # (=2.1 -2.2)				
	2.1 Liabilities to Direct Investor				
	2.2 Claims on Direct Investor				

Note:

(i) If the information is to be furnished for more than one investor, then add separate Block with same format

(ii) #: Other capital, items 2.1 & 2.2 of Block-2A includes all other liabilities and claims at Nominal value, except equity and participating preference shares, (i.e. trade credit, loan, debentures, Non-participating share capital, other accounts receivable and payables etc.) of Indian reporting company with its director investor indicated in Block-2 A.

Block 2B:

Investment in India under Foreign Direct Investment (FDI) scheme (Less than 10% Equity Holding)

[Please furnish here the outstanding investments made under the FDI Scheme in India by Non-resident Direct investors, who were individually holding less than 10 per cent ordinary/equity and participating preference shares of your company on the reporting date].

Country-wise consolidated information should be provided below :

Type of Capital	Country of non-resident investor	Equity & Participating Preference share capital holding per cent as at the end of latest year (%)	Amount in Rs. lakh as at the end of	
			Previous	Latest

			March	March
1.0 Equity Capital (=1.1-1.2)				
1.1 Liabilities to Direct Investor				
1.2 Claims on Direct Investor (Reverse investment)				
2.0 Other Capital (= 2.1 - 2.2) #				
2.1 Liabilities to Direct Investor				
2.2 Claims on Direct Investor				

Note:

- (i) If the information is to be furnished for more than one country, then add separate Block with same format.
- (ii) #: Other capital, items 2.1 & 2.2 of Block-2B includes all other liabilities and claims at Nominal value, except equity and participating preference shares, (i.e. trade credit, loan, debentures, Non-participating share capital, other accounts receivable and payables etc.) of Indian reporting company with non-resident investors holding less than 10 per cent equity and related parties.

2C. Portfolio Investment in India

Please furnish here the outstanding investments by non-resident investors, other than those made under Foreign Direct Investment Scheme in India (i.e. other than those reported in Block-2A & Block-2B).

Portfolio Investment	Equity & Participating Preference share capital holding per cent as at the end of latest year(%)	Amount in Rs. lakh as at the end of	
		Previous March	Latest March
1.0 Equity Securities (at Market Value)			
2.0 Debt Securities (= 2.1 + 2.2)			
2.1 Money Market Instruments (original maturity upto 1 year)			
2.2 Bonds and Other instruments (original maturity more than 1 year)			

Please ensure that Non-resident Equity & Participating Preference share capital mentioned at item 2.1 of block 1(A) should be reported in either Block-2A or Block-2B or Block-2C at Market Value i.e. sum of equity % in Block-2A, Block-2B & Block-2C must be equal to the item 3.0 of Block-1A for the latest march.

SECTION IV (FOREIGN ASSETS)

1. Please use the exchange rate as at end-March Previous FY and end-March Latest FY (as applicable) of reporting year while reporting the foreign Assets in Rs. lakh.
2. If overseas company is listed; equity should be valued using share price on closing date of reference period.

3. If overseas company is unlisted, Own Fund of Book Value (OFBV) Method should be used for valuation of equity investment.

Block-3: Equity Capital, Reserves & Surplus of Direct Investment Enterprise (DIE) Abroad (10% or more equity holding by Indian Reporting company)

[Please report here the total equity of DIE, equity held by your company, reserves (excluding P&L Account) and P&L Account of those DIEs in each of which your company hold 10% or more equity shares on the reference date.]

Name of the DIE	Item	Currency	Amount in Foreign Currency as at the end of (in actual)	
			Previous March	Latest March
	3.1 Total Equity of DIE			
	3.2 Equity of DIE held by you			
	3.3 Reserves (Excluding P&L Account)			
	3.4 Profit and Loss Account balance			
	3.5 Reserve and Surplus (=3.3+3.4)			
	3.6 Net Worth of DIE (=3.1+3.5)			
	3.7 Exchange rate in Rs. per unit foreign currency*			

*: Exchange rate of reporting foreign currency against Indian Rs. should be given as on closing date of reference period. FEDAI website (<http://www.fedai.org.in>) may be used for Exchange rates.

Block-4: Direct Investment Abroad under Overseas Direct Investment (ODI) Scheme

Block-4A: Direct Investment Abroad (10% or more equity holding)

Please furnish here the market value of outstanding investments in DIE, made by your company under the ODI Scheme, in each of which your company hold 10% or more equity shares on the reference date.

Name of the nonresident DIE	Type of Capital	Country of non-resident DIE	Equity holding per cent as at the end of latest year(%)	Amount in Rs. lakh as at the end of	
				Previous March	Latest March
	1.0 Equity Capital (=1.1-1.2)				
	1.1 Claims on Direct Investment Enterprise				
	1.2 Liabilities to Direct Investment Enterprise (Reverse investment)				
	2.0 Other Capital (=2.1 - 2.2) #				
	2.1 Claims on Direct Investment Enterprise				
	2.2 Liabilities to Direct Investment Enterprise				

Note:

(i) If the information is to be furnished for more than one overseas company, then ADD separate Block 3 and Block 4A with the same format.

(ii) #: Other capital, items 2.1 & 2.2 of Block-4A includes all other liabilities and claims at Nominal value, except equity shares, (i.e. trade credit, loan, debentures, Non-participating share

capital, other accounts receivable and payables etc.) of Indian reporting company with its DIE reported in Block-4A.

Block-4B: Direct Investment Abroad (Less than 10% equity holding).

Please furnish here the market value of outstanding investments in DIE, made by your company under the ODI Scheme, in each of which your company hold less than 10% equity shares on the reference date.

Type of Capital	Country of non-resident DIE	Equity holding per cent as at the end of latest year (%)	Amount in Rs. lakh as at the end of	
			Previous March	Latest March
1.0 Equity Capital (=1.1-1.2)				
1.1 Claims on Direct Investment Enterprise				
1.2 Liabilities to Direct Investment Enterprise (Reverse investment)				
2.0 Other Capital (=2.1 - 2.2) #				
2.1 Claims on Direct Investment Enterprise				
2.2 Liabilities to Direct Investment Enterprise				

Note:

(i) If the information is to be furnish for more than one country, then use the ADD Block-4B with the same format.

(ii) #:Othercapital,items2.1&2.2 of Block-4B includes all other liabilities and claims at Nominal value, except equity, (ie. trade credit, loan, debentures, Non-participating share capital, other accounts receivable and payables etc.) of Indian reporting company with non-resident companies where Indian company holds less than 10 per cent equity and also with related parties.

Block-5: Portfolio Investment Abroad

Please furnish here the market value of outstanding investments in non-resident enterprises, other than those made under ODI scheme reported in Block-4.

Portfolio Investment	Country of non-resident enterprise	Amount in Rs. lakh as at the end of	
		Previous March	Latest March
1.0 Equity Securities (at Market Value)			
2.0 Debt Securities (=2.1 + 2.2)			
2.1 Money Market Instruments (original maturity upto 1 year)			
2.2 Bonds and other instruments (original maturity more than 1 year)			

Note:

(i) Countrywise consolidated information pertaining to each type of investment should be reported separately.

(ii) If the information is to be furnish for more than one country, then use the ADD Block-5 with the same format.

**SECTION V
(OTHER ASSETS AND LIABILITIES)**

Block 6: Other Investment (I.e., position with unrelated parties)

This is a residual category that includes all financial outstanding liability and claims not considered as direct investment or portfolio investment.

<i>Other Investment</i>	<i>Outstanding Liabilities with</i>		<i>Outstanding claims on</i>	
	<i>unrelated party</i>		<i>unrelated party</i>	
	<i>Amount in Rs. lakh as at the end of</i>			
	<i>Previous March</i>	<i>Latest March</i>	<i>Previous March</i>	<i>Latest March</i>
6.1 Trade Credit				
6.2 Loans				
6.3 Currency & Deposits				
6.4 Other receivable and payable accounts				

[e-Form version of this Return is available on the FEMA Forms section under the 'Forms' category on the RBI website (www.rbi.org.in). System Requirement: MS-Excel 2003 and above, with macro enabled]

Declaration

The foreign investment received and reported have been utilized in compliance with the provision of a Prevention of Money-Laundering Act, 2002 (PMLA) and Unlawful Activities (Prevention) Act, 1967 (UAPA). We confirm that the investment complies with the provisions of all applicable Rules and Regulations

Place:

Date:

Signature and Name of the Authorized person

Seal/Stamp of the Company

ANNEX F
FORM FC-TRS

1[***]

1[FORM DR

[Refer to paragraph 4(2) of Schedule 1]

Return to be filed by an Indian company who has arranged issue of GDR/ADR

Instructions: The form should be completed and submitted to the Reserve Bank of India, Foreign Investment Division, Central Office, Mumbai.

1. Name of the Company :
2. Address of Registered Office :
3. Address for correspondence :
4. Existing Business (Please give the NIC Code of the activity in which the company is predominantly engaged) :
5. Details of the purpose for which GDRs/ADRs have been raised. If funds are deployed for overseas investment, details thereof :

6. Name and address of the Depository abroad :
7. Name and Address of the Lead/Manager Investment/Merchant Banker :
8. Name and address of the Sub-Managers to the issue :
9. Name and address of the Indian custodians :
10. Details of FIPB approval :

(Please quote the relevant NIC Code if the GDRs are being issued under the Automatic Route)

11. Whether any overall sectoral cap for foreign investment is applicable. If yes, please give details :

12. Details of the Equity Capital		Before	After
		Issue	Issue

- (a) Authorised Capital
- (b) Issued and Paid-up Capital
 - (i) Held by persons Resident in India
 - (ii) Held by foreign investors other than FUS/NRIS/PIOS/ OCBs (A list of foreign investors holding more than 10 per cent of the paid-up capital and number of shares held by each of them should be furnished)
 - (iii) Held by NRIs/PIOs/OCBs
 - (iv) Held by FIIs

Total Equity held by non-residents

- (c) Percentage of equity held by non-residents to total paid-up capital

13. Whether issue was on private placement basis. If yes, please give details of the investors and GDRs/ADRs issued to each of them :

14. Number of GDRs/ADRs issued :
15. Ratio of GDRs/ADRs to underlying shares :
16. Issue Related Expenses :

(a) Fee paid/payable to Merchant Bankers/ Lead Manager

- (i) Amount (in US \$)
- (ii) Amount as percentage to the total issue

(b) Other expenses

17. Whether funds are kept abroad. If yes, name and address of the bank :

18. Details of the listing agreement :

Name of Stock Exchange

Date of commencement of trading

19. The date on which GDRs/ADRs issue was launched :

20. Amount raised (in US \$) :

21. Amount repatriated in (US \$) :

Certified that all the conditions laid down by Government of India and Reserve Bank of India have been complied with

Sd/-
Chartered Accountant

Sd/-
Authorised Signatory of the Company]

1[FORM DR - Quarterly
[Refer to paragraph 4(3) of Schedule 1]

Quarterly Return

(To be submitted to the Reserve Bank of India, Foreign Investment Division, Central Office, Mumbai)

1. Name of the Company :
2. Address :
3. GDR/ADR issue launched on :
4. Total No. of GDRs/ADRs issued :
5. Total amount raised :
6. Total interest earned till end of quarter :
7. Issue Expenses and commission etc. :
8. Amount repatriated :
9. Balance kept abroad. Details :

- (i) Banks Deposits
- (ii) Treasury Bills
- (iii) Others (Please specify)

10. No. of GDRs/ADRs still outstanding :
11. Company's share price at the end of the quarter :
12. GDRs/ADRs price quoted on overseas stock exchange as at the end of the quarter :

Certified that the funds raised through GDRs/ADRs have not been invested in stock market or real estate.

Sd/-

Chartered Accountant

Sd/-

Authorised Signatory of the Company]

1[***]

SCHEDULE 2

[See Regulation 5(2)]

**PURCHASE/SALE OF SHARES AND/OR CONVERTIBLE DEBENTURES OF AN INDIAN
 COMPANY BY A REGISTERED FOREIGN INSTITUTIONAL INVESTOR
 UNDER PORTFOLIO INVESTMENT SCHEME**

Purchase/sale of shares and/or convertible debentures

- 1.2**[(1) A registered Foreign Institutional Investor (FH) may purchase the shares and convertible debentures of an Indian company under Portfolio Investment Scheme.
- (2) The purchase of shares/convertible debentures under sub-paragraph (1) shall be made through registered broker on recognized stock exchange in India.]
- (3) The amount of consideration for purchase of shares/debentures shall be paid out of inward remittance from abroad through normal banking channels or out of funds held in an account maintained with the designated branch of an authorised dealer in India, in accordance with these Regulations.
- (4) The total holding by each FII/SEBI approved sub-account of FII shall not exceed 10% (ten per cent) of the total paid-up equity capital or 10% (ten per cent) of the paid-up value of each series of convertible debentures issued by an Indian company and the total holdings of all FIIs/sub-accounts of FIIs put together shall not exceed 24 per cent of paid-up equity capital or paid-up value of each series of convertible debentures :

¹[**Provided** that the limit of 24 per cent referred to in this paragraph may be increased up to the sectoral cap/statutory ceiling, as applicable, by the Indian company concerned by passing a resolution by its board of directors followed by passing of a special resolution to that effect by its general body.]

Explanation - For arriving at the ceiling on holdings of FIIs, shares/convertible debentures acquired both through primary as well as secondary market will be included. However, the ceiling will not include investment made by FH through offshore Funds, Global Depository receipts and Euro-Convertible Bonds.

²[(5) A registered FII is permitted to purchase shares/convertible debentures of an Indian company through offer/private placement, subject to the ceiling specified in sub-paragraph (4) of this paragraph and the Indian company is permitted to issue such shares:

Provided that—

(a) in case of Public Offer, the price of the shares to be issued is not less than the price at which shares are issued to residents, and

³[(b) in case of issue by private placement, the price is not less than the price arrived in terms of SEBI guidelines or not less than the fair price worked out as per the Discounted Cash Flow method duly certified by a SEBI registered Merchant Banker or Chartered Accountant, as applicable.]]

⁴[(6) A registered FH may, undertake short selling as well as lending and borrowing of securities subject to such conditions as may be stipulated by the Reserve Bank of India and the SEBI from time to time.]

Maintenance of account by a registered FII for routing transactions of purchase and sale of shares/convertible debentures.

2. ¹[A registered Foreign Institutional Investor may open a Foreign Currency Account and/or a Special Non-Resident Rupee Account with a designated branch of an authorized dealer for routing the receipt and payment for transaction relating to purchase and sale of shares/convertible debentures under this Scheme, subject to the following conditions :

(i) The Account shall be funded by inward remittance through normal banking channels or by credit of sale proceeds (net of taxes) of the shares/convertible debentures sold on stock exchange.

(ii) The funds in the account shall be utilized for purchase of shares/convertible debentures in accordance with the provisions of paragraph 1 of this Scheme or for remittance outside India.

(iii) The funds from Foreign Currency Account of the Registered FII may be transferred to Special Non-Resident Rupee account of the same FII and *vice versa*.]

²[(iv) The Foreign Currency Account and the Special Non-Resident Rupee account of the registered FH shall be a non-interest bearing account/s.]

Remittance of sale proceeds of shares/convertible debentures.

3. The designated branch of an authorised dealer may allow remittance of net sale proceeds (after payment of taxes) or credit the net amount of sale proceeds of shares/convertible debentures to the foreign currency account or a Non-resident Rupee Account of the registered Foreign Institutional Investor concerned.

Investment by certain other investors.

4. ³[(1) A domestic asset management company or portfolio manager, who is registered with SEBI as a foreign institutional investor for managing the fund of a sub-account may make investment under the Scheme on behalf of—

(i) a person resident outside India who is a citizen of a foreign state, or

(ii) a body corporate registered outside India :

Provided [that] such investment is made out of funds raised or collected or brought from outside through normal banking channel.]

1[***]

2[(2)] Investments permitted to be made under sub-paragraph (1) shall not exceed 5% (five per cent) of the total paid-up equity capital or 5% (five per cent) of the paid-up value of each series of convertible debentures issued by an Indian Company, and shall also not exceed the over-all ceiling specified in sub-paragraph (4) of paragraph 1 of this Schedule.

SCHEDULE 3

[See Regulation 5(3)(i)]

PURCHASE/SALE OF SHARES AND/OR CONVERTIBLE DEBENTURES BY AN NRI 3[*] ON A STOCK EXCHANGE IN INDIA ON REPATRIATION AND/OR NON-REPATRIATION BASIS UNDER PORTFOLIO INVESTMENT SCHEME**

1. A Non-resident Indian (NRI) 4[***] may purchase/sell shares and/or convertible debentures of an Indian company, through a registered broker on a recognised stock exchange, subject to the following conditions :—

5[(i) NRIs may purchase and sell shares/convertible debentures under the Portfolio Investment Scheme through a branch designated by an Authorised Dealer for the purpose 6[***];]

(ii) the paid-up value of shares of an Indian company, purchased by each NRI 1[***] both on repatriation and on non-repatriation basis, does not exceed 5 per cent of the paid-up value of shares issued by the company concerned;

(iii) the paid-up value of each series of convertible debentures purchased by each NRI 1[***] both on repatriation and non-repatriation basis does not exceed 5 per cent of the paid-up value of each series of convertible debentures issued by the company concerned;

(iv) the aggregate paid-up value of shares of any company purchased by all NRIs 2[***] does not exceed 10 per cent of the paid-up capital of the company and in the case of purchase of convertible debentures the aggregate paid-up value of each series of debentures purchased by all NRIs 2[***] does not exceed 10 per cent of the paid-up value of each series of convertible debentures:

Provided that the aggregate ceiling of 10 per cent referred to in this clause may be raised to 24 per cent if a special resolution to that effect is passed by the General Body of the Indian company concerned;

(v) the NRI 3[***] investor takes delivery of the shares purchased and gives delivery of shares sold;

(vi) 4[***]

(vii) 5[***]

6[Report to Reserve Bank.

2. *The link office of the designated branch of an authorized dealer referred to in paragraph 1 shall obtain a Unique Code number from the Reserve Bank. The said link office of the designated branch of an authorized dealer shall furnish to the Chief General Manager-in-Charge, Foreign Exchange Department, Reserve Bank of India, Central Office, Mumbai, a report on daily basis on PIS transactions undertaken on behalf of NRIs for their entire bank under the Online Report Filing System (ORFS). The said link office shall be responsible to ensure that the data submitted to the Reserve Bank is reconciled by periodically taking a NRI holding report for its bank]*

1[Maintenance of accounts by an NRI for routing transactions for purchase and sale of shares/convertible debentures.

3. *An NRI may open a separate sub-account of NRE/NRO account (opened and maintained by Authorised Dealer bank in terms of the Foreign Exchange Management (Deposit) Regulations, 2000) with a designated branch of an Authorized Dealer bank referred to in paragraph 1, for routing the receipt and payment for transactions relating to purchase and sale of shares/convertible debentures under this Scheme. NRE(PIS)*

account shall be opened for investment made on repatriation basis and NRO(PIS) account shall be opened for investment made on non-repatriation basis under the Scheme. The designated branch of an Authorised Dealer bank shall ensure that sale proceeds of shares/ convertible debentures which have been acquired by modes other than Portfolio Investment Scheme such as underlying shares acquired on conversion of ADRs/GDRs, shares/convertible debentures acquired under FDI Scheme, shares/convertible debentures purchased outside India from other NRIs, shares/convertible debentures acquired under private arrangement from residents/nonresidents, shares/convertible debentures purchased while resident in India, do not get credited/ debited in the NRE(PIS)/NRO(PIS) account opened exclusively for routing transactions under this Scheme]

2[Permitted Credits/Debits.

4. (A) Permitted Credits/Debits in NRE(PIS) account *Credits*

- (i) Inward remittances in foreign exchange through normal banking channels;*
- (ii) Transfer from the NRI's other NRE accounts or FCNR(B) accounts maintained with Authorised Dealer in India ;*
- (iii) Net sale proceeds (after payment of applicable taxes) of shares /convertible debentures acquired on repatriation basis under the Scheme and sold on stock exchange through registered broker; and*
- (iv) Dividend or income earned on investment made on repatriation basis under the Scheme*

Debits

- (i) Outward remittances of dividend or income earned;*
- (ii) Amounts paid on account of purchase of shares and convertible debentures on repatriation basis on stock exchanges through registered broker under the Scheme; and*
- (iii) Any charges on account of sale/purchase of shares or convertible debentures under the Scheme.*

(B) Permitted Credits/Debits in NRO(PIS) account

Credits

- (i) Inward remittances in foreign exchange through normal banking channels;*
- (ii) Transfer from the NRI's other NRE accounts or FCNR(B) accounts or NRO accounts maintained with Authorised Dealer in India;*
- (iii) Net sale proceeds (after payment of applicable taxes) of shares and convertible debentures acquired on repatriation basis (at the option of the NRI) and non-repatriation basis under the Scheme and sold on stock exchange through registered broker; and*
- (iv) Dividend or income earned on investment made on repatriation basis under the Scheme*

Debits

- (i) Outward remittances of dividend or income earned;*
- (ii) Amounts paid on account of purchase of shares and convertible debentures on non-repatriation basis on stock exchanges through registered broker under PIS;*
- (iii) Any charges on account of sale/purchase of shares or convertible debentures under PIS.]*

SCHEDULE 4

[See Regulation 5(3)(ii)]

PURCHASE AND SALE OF SHARES/ CONVERTIBLE DEBENTURES BY A NON-RESIDENT INDIAN (NRI) ¹[*], ON NON-REPATRIATION BASIS**

Prohibition on purchase of shares/convertible debentures of certain companies.

1. No purchase of shares or convertible debentures of an Indian company shall be made under this scheme if the company concerned is a chit fund or a nidhi company or is engaged in agricultural/ plantation activities or real estate business or construction of farm houses or dealing in Transfer of Development Rights.

Explanation.--For the purpose of this paragraph, real estate business shall not include development of township, construction of residential/commercial premises, roads, bridges, etc.

Permission to purchase and/or sell shares/convertible debentures of an Indian company.

2. Subject to paragraph 1, a Non-resident Indian ²[***] may without any limit, purchase on non-repatriation basis, shares or convertible debentures of an Indian company issued whether by public issue or private placement or right issue :

³[***]

Method of payment for purchase of shares/convertible debentures.

3. The amount of consideration for purchase of shares or convertible debentures of an Indian company on non-repatriation basis, shall be paid by way of inward remittance through normal banking channels from abroad or out of funds held in NRE/FCNR/NRO/NRSR/NRNR account maintained with an authorised dealer or as the case may be with an authorised bank in India :

Provided that in the case of an NRI ¹[***] resident in Nepal and Bhutan, the amount of consideration for purchase of shares or convertible debentures of an Indian company on non-repatriation basis, shall be paid only by way of inward remittance in foreign exchange through normal banking channels.

Sale/Maturity proceeds of shares or convertible debentures.

4. (i) The sale/maturity proceeds (net of applicable taxes) of shares or convertible debentures purchased under this Scheme shall be credited only to NRSR account where the purchase consideration was paid out of funds held in NRSR account and to NRO or NRSR account at the option of the seller where the purchase consideration was paid out of inward remittance or funds held in NRE/FCNR/NRO/NRNR account.

(ii) The amount invested in shares or convertible debentures under this Scheme and the capital appreciation thereon shall not be allowed to be repatriated abroad.

SCHEDULE 5

[See Regulation 5(4)]

**PURCHASE AND SALE OF SECURITIES OTHER THAN SHARES OR
CONVERTIBLE DEBENTURES OF AN INDIAN COMPANY
BY A PERSON RESIDENT OUTSIDE INDIA**

²[Permission to Foreign Institutional Investors for purchase of securities .

1. A registered Foreign Institutional Investor (FII) may purchase, on repatriation basis, either directly from the issuer of such securities or through a registered stock broker on a recognized Stock Exchange in India the following securities, subject to the terms and conditions as specified by the SEBI and the Reserve Bank from time to time:

- (a) dated Government securities/treasury bills;
- (b) listed non-convertible debentures/bonds issued by an Indian company;
- (c) commercial papers issued by an Indian company;
- (d) units of domestic mutual funds;

¹[(e) *Security Receipts issued by Asset Reconstruction Companies provided that the total holdings of all FIIs put together shall not exceed 74% of the paid up value of each tranche of scheme of Security Receipts issued by the Asset Reconstruction Companies;*]

(f) Perpetual Debt instruments eligible for inclusion as Tier I capital and Debt capital instruments as upper Tier capital issued by banks in India to augment their capital (Tier I capital and Tier H capital as defined by Reserve Bank, and modified from time to time) ²[provided that the investment by all eligible investors in Perpetual Debt Instruments (Tier I)] shall not exceed an

aggregate ceiling of 49 per cent of each issue, and investment by individual FII shall not exceed the limit of 10 per cent of each issue. ³[***];

(g) with effect from April 29, 2011 listed and unlisted non-convertible debentures/bonds issued by an Indian company in the infrastructure sector, where 'infrastructure' is defined in terms of the extant ECB guidelines ⁴[**];

(h) with effect from November 3, 2011 non-convertible debentures/bonds issued by Non-Banking Finance Companies categorized as 'Infrastructure Finance Companies' (IFCs) by the Reserve Bank ⁵[***];

(i) with effect from November 22, 2011, Rupee denominated bonds/units issued by Infrastructure Debt Funds ⁶[***] ⁷[***];

(j) with effect from March 1, 2012, primary issues of non-convertible debentures/bonds provided such non-convertible debentures/bonds are committed to be listed within 15 days of such investment. In the event of such non-convertible debentures/bonds issued not being listed within 15 days of issuance, for any reason, then the FII shall immediately dispose of those non-convertible debentures/bonds either by way of sale to a third party or to the issuer and the terms of offer to FIIs should contain a clause that the issuer of such debt securities shall immediately redeem/buy-back those securities from the FIIs in such an eventuality.

¹[(k) *credit enhanced bonds*:]

Provided that FIIs may offer such securities as permitted by the Reserve Bank from time to time as collateral to the recognized Stock Exchanges in India for their transactions in exchange traded derivative contracts as specified in sub-regulation (6) of regulation 5.]

^{1a}[Permission for Qualified Foreign investors for purchase of securities.

1A. (i) A QFI may purchase on repatriation basis, subject to the terms and conditions stipulated by the SEBI and the Reserve Bank in this regard from time to time in the following rupee denominated units of:

- (a) equity schemes of SEBI registered domestic mutual funds,
- (b) debt scheme of SEBI registered domestic mutual funds which invest in infrastructure,
- (c) any scheme of SEBI registered domestic mutual funds that hold at least 25 per cent of their assets (either in debt or equity or both) in infrastructure.

For the purpose of sub-clauses (b) and (c) above, 'infrastructure' shall mean infrastructure as defined in terms of the ECB guidelines.

(ii) A QFI may purchase securities referred to in sub-clauses (a) to (c) above under the following routes, subject to the terms and conditions stipulated by SEBI and Reserve Bank in this regard, from time to time:

- (a) Direct Route - SEBI registered Qualified Depository Participant (QDP) - route;
- (b) Indirect Route - Unit Confirmation Receipt (UCR) route.]

²[(iii) A QFI may:

- (a) purchase, on repatriation basis through SEBI registered Qualified Depository Participants (QDPs) (defined as per the extant SEBI regulations), listed non-convertible debentures, listed bonds of Indian companies and listed units of Mutual Fund Debt Schemes directly from the issuer or through a registered stock broker on a recognized stock exchange in India and sell through a registered stock broker on a recognized stock exchange in India or by way of buy-back or redemption by the issuer;
- (b) invest in primary issues of non-convertible debentures/bonds provided such non-convertible debentures/bonds are committed to be listed within 15 days of such investment. In the event of such non-convertible debentures/bonds issued to the QFI not being listed within 15 days of issuance to the QFI for any reason, then the QFI shall immediately dispose of these non-

convertible debentures/bonds either by way of sale to a third party or to the issuer and the terms of offer to QFI should contain a clause that the issuer of such debt securities shall immediately redeem/buy-back the said securities from the QFIs in such an eventuality.]

³[(iv) A QFI which purchases securities under this Regulation shall open a single demat account with a Qualified Depository Participant in India.]

⁴[(v) QFI may purchase, on repatriation basis through SEBI registered Qualified Depository Participant (QDP), either directly from the issuer or through a registered broker on recognized Stock

Exchange in India the following securities, subject to terms and condition as specified by the SEBI and the Reserve Bank from time to time:

(a) dated Government securities/treasury bills;

(b) commercial papers issued by an Indian company;

(c) Security Receipts issued by Asset Reconstruction Companies provided that the total holding by an individual QFI in each tranche of scheme of Security Receipts shall not exceed 10 per cent of the issue and the total holdings of all eligible investors put together shall not exceed 49 per cent of the paid up value of each tranche of scheme of Security Receipts issued by the Asset Reconstruction Companies;

(d) Perpetual Debt instruments eligible for inclusion as Tier I capital and Debt capital instruments as upper Tier II capital issued by banks in India to augment their capital (Tier I capital and Tier II capital as defined by Reserve Bank, and modified from time to time) provided that the investment by eligible investors in Perpetual Debt instruments (Tier I) shall not exceed an aggregate ceiling of 49 per cent of each issue, and investment by individual QFI shall not exceed the limit of 10 per cent of each issue;

(e) listed and unlisted non-convertible debentures /bonds issued by an Indian company in the infrastructure sector, where 'infrastructure'is defined in terms of the extant ECB guidelines;

(f) non-convertible debentures /bonds issued by Non-Banking Finance Companies categorized as Infrastructure Finance Companies (IFCs)' by the Reserve Bank;

(g) Rupee denominated bonds/units issued by Infrastructure Debt Funds,];

¹[(h) credit enhanced bonds.]

^{1a}[Permission to other non-resident investors for purchase of securities.

1B. ²[(i) Long term investors like Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds which are registered with SEBI as eligible investors in Infrastructure Debt Funds may purchase on repatriation basis Rupee Denominated bonds/units issued by Infrastructure Debt Funds.]]

³[(ii) Long term investors like Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks registered with SEBI may purchase, on repatriation basis, ⁴[dated Government Securities, subject to the terms and conditions and the limits as stipulated by the Reserve Bank and SEBI from time to time].]

¹[(iii) Long term investors like Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds and Pension Funds and Foreign Central Banks registered with SEBI may purchase, on repatriation basis, either directly from the issuer of such securities or through registered stock broker on a recognised Stock Exchange in India, the following securities, subject to the terms and conditions as specified by the SEBI and the Reserve Bank from time to time, namely:

(a) dated Government securities/treasury bills;

(b) commercial papers issued by an Indian company;

(c) units of domestic mutual funds;

(d) listed non-convertible debentures /bonds issued by an Indian company;

- (e) *listed and unlisted non-convertible debentures/bonds issued by an Indian company in the infrastructure sector, where 'infrastructure' is defined in terms of the extant ECB guidelines;*
- (f) *non-convertible debentures/bonds issued by Non-Banking Finance Companies categorized as Infrastructure Finance Companies (IFCs)' by the Reserve Bank;*
- (g) *Security Receipts issued by Asset Reconstruction Companies provided that the total holding by an individual long term investor in each tranche of scheme of Security Receipts shall not exceed 10 per cent of the issue and the total holdings of all eligible investors put together shall not exceed 49 per cent of the paid up value of each tranche of scheme of Security Receipts issued by the Asset Reconstruction Companies;*
- (h) *Perpetual Debt instruments eligible for inclusion as Tier I capital and Debt capital instruments as upper Tier II capital issued by banks in India to augment their capital (Tier I capital and Tier II capital as defined by Reserve Bank, and modified from time to time) provided that the investment by all eligible investors in Perpetual Debt instruments (Tier I) shall not exceed an aggregate ceiling of 49 per cent of each issue, and investment by individual long term investor shall not exceed the limit of 10 per cent of each issue;*
- (i) *primary issues of non-convertible debentures/bonds provided such non-convertible debentures/ bonds are committed to be listed within 15 days of such investment. In the event of such non-convertible debentures/bonds issued not being listed within 15 days of issuance, for any reason, then the long term investor shall immediately dispose of those non-convertible debentures/ bonds either by way of sale to a third party or to the issuer and the terms of offer to long term investors should contain a clause that the issuer of such debt securities shall immediately redeem/buyback those securities from the long term investors in such an eventuality;]*
- ²[j) *credit enhanced bonds.*]

Permission to Non-resident Indian ¹[*] for purchase of securities.**

²[(1A) A Non-resident Indian may, without limit, purchase on repatriation basis,

- (i) Government dated securities (other than bearer securities) or treasury bills or units of domestic mutual funds;
- (ii) bonds issued by a Public Sector Undertaking (PSU) in India;
- (iii) shares in Public Sector Enterprises being disinvested by the Government of India, provided the purchase is in accordance with the terms and conditions stipulated in the notice inviting bids;
- ³[(iv) *bonds/units issued by Infrastructure Debt Funds.*]

(1B) A Non-resident Indian may purchase on repatriation basis perpetual debt instruments eligible for inclusion as Tier I capital and Debt capital instruments as upper Tier II capital issued by banks in India to augment their capital, as stipulated by Reserve Bank from time to time. The investments by all NRIs in Perpetual Debt Instruments (Tier I) should not exceed an aggregate ceiling of 24 per cent of each issue and investments by a single NRI should not exceed 5 per cent of each issue. Investment by NRIs in Debt Capital Instruments (Tier II) shall be in accordance with the extant policy for investment by NRIs in other debt instruments.]

(2) A Non-resident Indian ¹[***] may, without limit, purchase on non-repatriation basis, dated Government securities (other than bearer securities), treasury bills, units of domestic mutual funds, units of Money Market Mutual Funds in India, or National Plan/Savings Certificates.

²[(3) A Multilateral Development Bank which is specifically permitted by Government of India to float rupee bonds in India may purchase Government dated securities.]

³[Permission to Foreign Central Banks for purchase of Government Securities.

2A. A Foreign Central Bank may purchase and sell dated Government securities/treasury bills in the secondary market subject to the conditions as may be stipulated by the Reserve Bank from time to time.]

⁴[2A.* A person resident outside India, being central bank of any country under the law for the time being in force in that country, may purchase and sell dated Government securities/treasury bills subject to the conditions as may be stipulated by Reserve Bank from time to time.]

Method of payment of purchase consideration.

3. (1) A registered Foreign Institutional Investor who purchases securities under the provisions of this Schedule shall make the payment for purchase of such securities either by inward remittance through normal banking channels or out of funds held in Foreign Currency Account or Non-resident Rupee Account maintained by the Foreign Institutional Investor with a designated branch of an authorised dealer with the approval of Reserve Bank in terms of paragraph 2 of Schedule 2.

(2) A non-resident Indian ¹[***] who purchases securities on repatriation basis, under sub-paragraph (1) of paragraph 2, of this Schedule, shall make payment either by inward remittance through normal banking channels or out of funds held in his/its NRE/FCNR account.

(3) A non-resident Indian ¹[***] who purchases securities on non-repatriation basis, under subparagraph (2) of paragraph 2 of this Schedule, shall make payment either by inward remittance through normal banking channels or out of funds held in his/its NRE/FCNR/NRO/NRSR/NRNR account.

²[(4)A Multilateral Development Bank which purchases Government dated securities under this Schedule, shall make payment either by inward remittance through normal banking channels or out of funds held in the account opened with the specific approval of the RBI.]

⁵[(5) A QFI who purchases securities under this Schedule (other than by way of Indirect Route) shall make payment out of funds held in a single non-interest bearing Rupee Account maintained with an AD bank in terms of the Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time.]

Permission for Sale of Securities.

4. A person resident outside India who has purchased securities in accordance with this Schedule may (a) sell such securities through a registered stock broker on a recognised stock exchange or (b) tender units of mutual funds to the issuer for repurchase or for payment of maturity proceeds or (c) tender Government securities/treasury bills to the Reserve Bank for payment of maturity proceeds.

5. Remittance/credit of sale/maturity proceeds.

(i) In the case of a registered Foreign Institutional Investor who has sold securities in accordance with paragraph 4, the designated branch of an authorised dealer referred to in sub-paragraph (1) of paragraph 3 may allow remittance of net sale/maturity proceeds (after payment of taxes) or credit the net amount of sale/maturity proceeds of such securities to the foreign currency account or Non-resident Rupee Account of the FII investor maintained in accordance with the provisions of paragraph 2 of Schedule 2.

(ii) In the case of a Non-resident Indian ¹[***] who has sold securities in accordance with paragraph 4, the net sale/maturity proceeds (after payment of taxes) of such securities, may be :

(a) credited only to NRSR account of the NRI investor where the payment for purchase of securities sold was made out of funds held in NRSR account, or

(b) credited, at the NRI ²[***] investor's option, to his/its NRO or NRSR account, where the payment for the purchase of the securities sold was made out of funds held in NRO account, or

(c) remitted abroad or at the NRI ²[***] investor's option, credited to his/its NRE/FCNR/ NRO/NRSR/NRNR account, where the securities were purchased on repatriation basis in accordance with sub-paragraph (1) of paragraph 2 and the payment for purchase of the securities sold was made by inward remittance through normal banking channels or out of funds held in NRE/FCNR account.

³[(iii) In the case of sale of Government dated securities by a Multilateral Development Bank, the net maturity proceeds (after payment of taxes) may be remitted abroad or credited to fund

account opened with the prior permission of the Reserve Bank.]

⁴[SCHEDULE 6

[See Regulation 5(5)]

INVESTMENT IN AN INDIAN VENTURE CAPITAL UNDERTAKING BY A REGISTERED FOREIGN VENTURE CAPITAL INVESTOR

Investment by Foreign Venture Capital Investor.

1. (1) A registered Foreign Venture Capital Investor (FVCI) may, through the Securities and Exchange Board of India, apply to the Reserve Bank for permission to invest in Indian Venture Capital Undertaking (IVCU) or in a VCF or in a scheme floated by such VCFs. Permission may be granted by Reserve Bank subject to such terms and conditions as may be considered necessary.

(2) The registered FVCI permitted by Reserve Bank under sub-paragraph (1), may purchase equity/ equity linked instruments/debt/debt instruments, debentures of a IVCU or of a VCF through Initial Public Offer or Private Placement or in units of schemes/funds set up by a VCF. ¹[The registered FVCI may invest in the eligible securities (equity, equity linked instruments, debt, debt instruments, debentures of an IVCU or VCF, units of schemes/funds set up by a VCF) by way of private arrangement/purchase from a third party, subject to the terms and conditions stipulated by the Reserve Bank from time to time. The registered FVCI may invest in securities on a recognized stock exchange subject to the provisions of the SEBI (FVCI) Regulations, 2000, as amended from time to time, as well as the terms and conditions stipulated therein.]

(3) The amount of consideration for investment in VCFs/IVCUs shall be paid out of inward remittance from abroad through normal banking channels or out of funds held in an account maintained with the designated branch of an authorised dealer in India in accordance with Para 2.

Maintenance of account by the registered FVCI for investment in IVCUs/VCFs or schemes/funds set up by the VCFs.

2. The Reserve Bank may, on application, permit a FVCI which has received 'in principle' registration from SEBI to open a Foreign Currency Account and/or a Rupee Account with a designated branch of an authorised dealer with the following permissible transactions :

- (i) Crediting inward remittance received through normal banking channels or the sale proceeds (net of taxes) of investments.
- (ii) Making investment in accordance with the provisions of paragraph 1 above.
- (iii) Transferring funds from the Foreign Currency Account of the FVCI to their own Rupee account.
- (iv) Remitting funds from the Foreign Currency or rupee account subject to payment of applicable taxes.
- (v) Meeting local expenses of the FVCI.

Forward Cover.

3. Authorised Dealers may offer forward cover to FVCIs to the extent of total inward remittance. In case the FVCI has made any remittance by liquidating some investments, original cost of the investments will be deducted from the eligible cover.

Valuation of Investments.

4. The FVCI may acquire by purchase or otherwise or sell shares/convertible debentures/units or any other investment held by it in the IVCUs or VCFs or schemes/funds set up by the VCFs at a price that is mutually acceptable to the buyer and the seller/issuer. The FVCI may also receive the proceeds arising of the liquidation of VCFs or schemes/funds set up by the VCFs.

Adherence to SEBI Guidelines

5. FVCIs shall abide by the relevant regulations/guidelines issued by Securities and Exchange Board.]

FORM TS 1

Application for transfer of shares of a company registered in India by a non-resident to a person resident in India

Instructions :

1. The application should be completed in duplicate and submitted to the concerned Regional Office of Reserve Bank under whose jurisdiction the Head/Registered Office of the company, whose shares are to be transferred, is situated if the transferor is a foreign company/foreign national resident outside India.
2. The application may be signed either by the transferor or the transferee attaching therewith consent in writing of the other party or a copy of the sale/purchase agreement.

Documentation:

1. Photocopies of Reserve Bank's approval(s) for acquiring and holding shares by the transferor, if specific approval was granted by Reserve Bank for holding/acquisition of shares, if applicable.
2. In case the shares proposed to be transferred are listed on a Stock Exchange, a certificate from a Chartered Accountant certifying the average quotation (average of daily high and low) for one week preceding the date of application.
3. In case of unlisted/thinly traded shares, valuation of the shares on basis of any valuation methodology in vogue, if the total consideration is upto Rs. 20 lakhs.
4. In case of unlisted/thinly traded shares where the total consideration exceeds Rs. 20 lakhs, two valuation certificates for the shares of the company, one from the statutory auditors of the company and the other from an independent Chartered Accountant/SEBI registered Category-I Merchant Banker.

Or

Documentary evidence showing Price Earnings (PE) and Book Value (BV) multiples of Bombay Stock Exchange National Index (BSEN) for the calendar month immediately preceding the date of application and a certificate showing the Earnings Per Share (EPS) and Net Asset Value (NAV) of the shares of the company as per the latest audited Balance Sheet.

<p>1. Particulars of the transferor</p> <p><i>A. if the transferor is a corporate body</i></p> <p>(i) Name and address</p> <p>(ii) Place of incorporation</p> <p>(iii) Total shareholding in the investee company</p> <p>(iv) Particulars of Reserve Bank approval/s for acquiring/holding shares</p> <p>(v) Number and face value of the shares proposed to be sold/transferred</p> <p><i>B. If the transferor is an individual</i></p> <p>(i) Full name and address</p> <p>(ii) Number of shares held in the Indian company</p> <p>(iii) Reserve Bank's approval number/s and date(s) (if any) for acquiring/ holding the shares</p> <p>(iv) Number and face value of shares; proposed to be sold/transferred</p>		
<p>2. Particulars of the Indian company whose shares are to be sold/transferred</p> <p>(i) Name and address</p> <p>(ii) Place of incorporation</p>		

(iii) Total paid-up capital			No. of shares	Amount
(a) Equity				
(b) Preference				
(c) Held by				
<i>Equity</i>			<i>Preference</i>	
(i) Non-resident:	No. of shares	Percentage to total paid-up equity shares	No. of shares	Percentage to total paid-up preference shares
(a) Foreign nationals/ Corporate bodies [other than included in (b) below]				
(b) NRIs/Overseas corporate bodies predominantly owned by NRIs				
(ii) Residents:				
(a) Indian Promoters				
(b) Others				
Total				
3. Particulars of the buyers/transferee :				
(i) Name and address				
(ii) Place of incorporation				
4. Whether the shares are quoted on a recognised Stock Exchange ?			Yes/No	
(i) If the shares are quoted on the Stock Exchange, whether the sale is proposed to be effected on the floor of the Stock Exchange to the general public at the prevailing market price ?			Yes/No	
(ii) If the sale (of the quoted share) is by way of private arrangement, please furnish the following:				
(a) the average of quotations (average of daily high and low) for one week preceding the date of application duly certified by a Chartered Accountant. [Item 2 under Documentation]				
(b) the proposed sale price				
5. If the sale/transfer is of non-listed as well as listed but not regularly traded shares, the proposed sale price [to be supported by a Chartered Accountant's certificate as indicated in Item 4 under Documentation]				
6. Whether the transferor/transferee requires any permission under the Companies Act/MRTP Act. If so, whether such permission has been received from the appropriate authority.				
7. Reason for the proposed sale/transfer of shares.				
8. Any other information which the applicant wishes to furnish in support of this application.				

I/We declare that the particulars given above are true and correct to the best of my/our knowledge and belief.

Place:.....

Date:.....

.....
 (Stamp and signature of the transferor/transferee as the case may be)

1[SCHEDULE 7

[See Regulations 5(8) & 13]

**INDIAN DEPOSITORY RECEIPTS BY ELIGIBLE
 COMPANIES RESIDENT OUTSIDE INDIA**

1. Issue of IDRs : Eligible companies resident outside India may issue Indian Depository Receipts (IDRs) through a Domestic Depository, to persons resident in India and outside India, subject to the following conditions:-

- (a) the issue of IDRs is in compliance with the Companies (Issue of Indian Depository Receipts) Rules, 2004, as amended from time to time.
- (b) the issue is in compliance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time.
- (c) any issue of IDRs by financial/banking companies having presence in India, either through a branch or subsidiary, shall require prior approval of the sectoral regulator(s).
- (d) IDRs shall be denominated in Indian Rupees only.
- (e) the proceeds of the issue of IDRs shall be immediately repatriated outside India by the eligible companies issuing such IDRs.

2. Purchase/sale of IDRs: A SEBI registered FII including SEBI approved sub-accounts of the FHs or an NRI may purchase, hold or sell IDRs, subject to the following terms and conditions:

- (a) NRIs may invest in the IDRs out of funds held in their NRE/FCNR(B) account, maintained with an Authorised Dealer/Authorised bank.
- ²[(b) Limited two way fungibility of IDRs shall be permissible subject to the terms and conditions stipulated by Reserve Bank in this regard from time to time.]
- (c) IDRs shall not be redeemable into underlying equity shares before the expiry of one year from the date of issue.
- (d) Redemption/ conversion of IDRs into underlying equity shares of the issuing company shall be in compliance with sub-regulation (7) of regulation 22, of the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004.]

3[SCHEDULE 8

[See Regulation 5(7A)]

**SCHEME FOR INVESTMENT BY QUALIFIED FOREIGN
 INVESTORS IN EQUITY SHARES**

Eligible Investors

1. The Schedule shall be applicable to Qualified Foreign Investors (QFIs) as defined in these regulations.
2. **Eligible instruments and eligible transactions**

- (a) *Purchase:* QFIs shall be permitted to invest through SEBI registered Qualified Depository Participants (QDPs)-
 - (i) in equity shares of listed Indian companies through SEBI registered stock brokers on recognized stock exchanges in India.
 - (ii) in equity shares of Indian companies which are offered to public in India in terms of the relevant and applicable SEBI guidelines/regulations.

(iii) equity shares by way of rights shares, bonus shares or equity shares on account of stock split/consolidation or equity shares on account of amalgamation, demerger or such corporate actions.

(b) *Sale*: QFIs shall be allowed to sell the equity shares so acquired by way of sale

(i) Through recognized brokers on recognized stock exchanges in India; or

(ii) In an open offer in accordance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; or

(iii) In an open offer in accordance with the SEBI (Delisting of Securities) Guidelines, 2009;

or

(iv) Through buyback of shares by a listed Indian company in accordance with the SEBI (Buyback) Regulations, 1998.

Pricing

3. The pricing of all eligible transactions and investment in all eligible instruments by QFIs under this scheme shall be in accordance with the relevant and applicable SEBI guidelines only.

Mode of payment/repatriation

4. For QFI investments under this scheme open a single non-interest bearing Rupee Account with an AD Category-I bank in India, for the limited purpose of routing the receipt and payment for transactions relating to purchase and sale of equity shares of listed Indian companies subject to the following conditions:

(a) The account shall be funded by inward remittance through normal banking channel and by credit of the sale/redemption/buyback proceeds (net of taxes) and on account of interest payment/dividend on the eligible securities for QFIs.

(b) The funds in this account shall be utilized for purchase of eligible securities for QFIs or for remittance (net of taxes) outside India.

(c) The QDP will operate such non-interest bearing Rupee Accounts on behalf of the QFIs and at the instructions of the QFIs.

Demat accounts

5. QFIs would be allowed to open a dedicated demat account with a QDP in India for investment in equity shares under the scheme. It is clarified that each QFI shall maintain a single demat account with a QDP for all investments in eligible securities for QFIs in India.

Limits and its monitoring

6. The individual and aggregate investment limits for the QFIs shall be 5 per cent and 10 per cent respectively of the paid up capital of an Indian company. These limits shall be over and above the FII and NRI investment ceilings prescribed under the Portfolio Investment Scheme for foreign investment in India. Further, wherever there are composite sectoral caps under the extant FDI policy, these limits for QFI investment in equity shares shall also be within such overall FDI sectoral caps.

The onus of monitoring and compliance of these limits shall remain jointly and severally with the respective QFIs, DPs and the respective Indian companies (receiving such investment).

7. Other conditions

(i) *Eligibility* - QFI would have to meet eligibility criteria as prescribed by SEBI from time to time.

(ii) *Know Your Customer (KYC)* - QDPs will ensure KYC of the QFIs as per the norms prescribed by SEBI. AD Category-I banks will also ensure KYC of the QFIs for opening and maintenance of the single non-interest bearing Rupee accounts as per the extant norms.

(iii) *Permissible currencies* - QFIs will remit foreign inward remittance through normal banking channel in any permitted currency (freely convertible) directly into the single non-interest bearing Rupee account of the QFI maintained with an AD Category-I bank.

Reporting

8. In addition to the reporting to SEBI as may be prescribed by them, QDPs and AD Category-I banks (maintaining QFI accounts) will also ensure reporting to the Reserve Bank of India in a manner and format as prescribed by the Reserve Bank of India from time to time.]

***MASTER CIRCULAR** : No. 15/2013-14, dated 1-7-2013. **LATEST CLARIFICATIONS** : *SEE*

- AP (DIR Series) (2005-06) Circular No. 4, dated 29-7-2005.
- AP (DIR Series) (2005-06) Circular No. 6, dated 11-8-2005.
- AP (DIR Series) (2005-06) Circular No. 7, dated 17-8-2005.
- AP (DIR Series) (2005-06) Circular Nos. 8 and 16, dated 25-8-2005 and 4-11-2005.
- AP (DIR Series) (2005-06) Circular No. 24, dated 25-1-2006.
- AP (DIR Series) (2006-07) Circular No. 4, dated 28-7-2006.
- AP (DIR Series) (2006-07) Circular No. 25, dated 22-12-2006; Circular No. 40, dated 20-4-2007; Circular No. 62, dated 24-5-2007; Circular No. 73, dated 8-6-2007 and Circular No. 74, dated 8-6-2007.
- AP (DIR Series) (2007-08) Circular No. 20, dated 14-12-2007; Circular No. 22, dated 19-12-2007; Circular No. 23, dated 31-12-2007; Circular No. 40, dated 28-4-2008; Circular No. 41, dated 28-4-2008 and Circular No. 44, dated 30-5-2008.
- AP (DIR Series) (2008-09) Circular No. 1, dated 11-7-2008, No. 25, dated 17-10-2008 and No. 63, dated 22-4-2009.
- AP (DIR Series) (2009-10) Circular No. 5, dated 22-7-2009, Circular No. 47, dated 12-4-2010 and Circular No. 49, dated 4-5-2010.
- AP (DIR Series) (2010-11) Circular Nos. 13, dated 14-9-2010, 45, dated 15-3-2011, 54, dated 29-4-2011, 55, dated 29-4-2011, 57, dated 2-5-2011, 58, dated 2-5-2011 and 74, dated 30-6-2011.
- AP (DIR Series) (2011-12) Circular No. 8, dated 9-8-2011, Circular Nos. 14 and 16, dated 15-9-2011, Circular No. 42, dated 3-11-2011, Circular No. 43, dated 4-11-2011, Circular No. 45, dated 16-11-2011, Circular No. 49, dated 22-11-2011, No. 57, dated 13-12-2011, No. 67, dated 13-1-2012, No. 89, dated 1-3-2012, No. 93, dated 19-3-2012, No. 94, dated 19-3-2012, No. 120, dated 8-5-2012, No. 121, dated 8-5-2012, No. 127, dated 15-5-2012, No. 133, dated 20-6-2012, No. 135, dated 25-6-2012 and No. 137, dated 28-6-2012.

See also AP (DIR Series) (2012-13) Circular No. 16, dated 22-8-2012, Circular No. 19, dated 28-8-2012, Circular No. 32, dated 21-9-2012, Circular No. 36, dated 26-9-2012, Circular No. 41, dated 10-10-2012, Circular No. 74, dated 10-1-2013, Circular No. 76, dated 17-1-2013, Circular No. 80, dated 24-1-2013, Circular No. 90, dated 14-3-2013, Circular No. 94, dated 1-4-2013, Circular No. 104, dated 17-5-2013 and Circular No. 110, dated 12-6-2013, Circular No. 111, dated 12-6-2013 and Circular No. 121, dated 26-6-2013.

See also AP (DIR Series) (2013-14) Circular No. 1, dated 4-7-2013, Circular No. 28, dated 19-8-2013, Circular No. 29, dated 20-8-2013, Circular No. 37, dated 5-9-2013, Circular No. 38, dated 6-9-2013, Circular No. 42, dated 12-9-2013, Circular No. 44, dated 13-9-2013, Circular No. 68, dated 1-11-2013, Circular No. 69, dated 8-11-2013, Circular No. 72, dated 11-11-2013 and Circular No. 74, dated 11-11-2013.

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2006, w.r.e.f. 8-11-2005.

1. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.r.e.f. 1-5-2007. Prior to its substitution, clause (ii) read as under:

"(ii) 'Capital' means equity shares, preference shares, convertible preference shares and convertible debentures;"

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2003, w.e.f. 3-10-2003.

3. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.r.e.f. 1-5-2007.

4. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.r.e.f. 8-6-2007.

5. Clauses (iiD) and (iie) inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2012, w.r.e.f. 22-7-2009.

6. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2000, w.e.f. 26-12-2000.

7. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2007, w.e.f. 17-10-2007.

8. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixteenth Amendment) Regulations, 2013, w.r.e.f. **3-6-2013**.

9. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2012, w.r.e.f. 22-7-2009.

10. Inserted by FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2000, w.e.f. 26-12-2000.

11. Renumbered by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2012, w.r.e.f. 22-7-2009.

1. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fourth Amendment) Regulations, 2004, w.e.f. 30-8-2004. Prior to its substitution, it was inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India)(Second Amendment) Regulations, 2003, w.e.f. 18-6-2003 and it read as under :

"(viii) 'Non-resident Indian (NRI)' shall have the meaning assigned to it in clause (iv) of regulation 2 of the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000;"

2. Words "Non-resident Indian (NRI)," omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fourth Amendment) Regulations, 2004, w.e.f. 30-8-2004.

3. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 9-8-2011.

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2000, w.e.f. 26-12-2000.

2. Sub-regulation (1) renumbered as clause (i) of sub-regulation (1) by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2007, w.e.f. 23-10-2007.

3. Words "or Sri Lanka" omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India)(Fourth Amendment) Regulations, 2004, w.e.f. 30-8-2004.

4. Substituted for "outside India, whether incorporated or not" by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2003, w.e.f. 3-10-2003.

5. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2007, w.e.f. 23-10-2007.

6. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 1-8-2012.

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2012, w.r.e.f. 12-4-2010.

2. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fifth Amendment) Regulations, 2005, w.e.f. 22-7-2005. Prior to its omission, proviso as inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002, w.r.e.f. 16-2-2001, read as under :

"Provided that the FH shall not purchase shares or convertible debentures of an Indian company which is engaged in the print media sector."

3. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2006, w.r.e.f. 8-11-2005.

4. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002*, w.r.e.f. 29-11-2001. Prior to its substitution, sub-regulation (3) was amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002, w.r.e.f. 16-2-2001.

*As corrected *vide* Notification No. GSR 551(E), dated 31-8-2004.

5. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fifth Amendment) Regulations, 2005, w.e.f. 22-7-2005. Prior to its omission, it read as under :

", provided that the NRI shall not purchase shares or convertible debentures of an Indian Company which is engaged in Print Media sector."

6. Words "or an Overseas Corporate Body" omitted by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003.

7. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fifth Amendment) Regulations, 2005, w.e.f. 22-7-2005. Prior to its omission, it was amended by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003 w.e.f. 3-10-2003, and it, read as under :

", provided that the NRI shall not purchase shares or convertible debentures of an Indian Company which is engaged in Print Media sector."

8. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2007, w.e.f. 17-10-2007. Prior to its substitution, sub-regulation (4), as amended by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003, read as under :

"(4) A non-resident Indian or a registered FH may purchase securities, other than shares or convertible debentures of an Indian company, subject to the terms and conditions specified in Schedule 5."

9. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 9-8-2011.

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2000, w.e.f. 26-12-2000.

2. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fifth Amendment) Regulations, 2005, w.e.f. 22-7-2005. Prior to its omission, proviso as inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002, w.r.e.f. 16-2-2001, read as under :

"Provided that the Foreign Venture Capital Investor shall not purchase shares or convertible debentures of an Indian company which is engaged in the Print Media Sector."

3. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.r.e.f. 31-12-2007. Prior to its substitution, sub-regulation (6), as inserted by the FEM

(Transfer or Issue of Security by a Person Resident outside India) (First Amendment) Regulations, 2003, w.e.f. 17-1-2003, read as under:

"(6) A registered Foreign Institutional Investor (FII) having valid approval under FERA, 1973 or under FEMA, 1999 may trade in all exchange traded derivative contracts approved by SEBI from time to time subject to the limits as prescribed in by SEBI."

[4.](#) Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 13-1-2012.

[5.](#) Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 19-10-2012.

[6.](#) Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2012, w.r.e.f. 22-7-2009.

[1.](#) Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2003*, w.r.e.f. 12-11-2002.

*As corrected *vide* Notification No. GSR 555(E), dated 31-8-2004.

[2.](#) Clause (ii) renumbered as clause (iii) by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2003*, w.r.e.f. 12-11-2002.

"As corrected *vide* Notification No. GSR 555(E), dated 31-8-2004.

[3.](#) Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2010, w.e.f. 7-4-2010. Prior to its substitution, clause (iv), as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2003*, w.r.e.f. 12-11-2002, read as under :

"(iv) The offer on right basis to the persons resident outside India is at a price which is not lower than that at which the offer is made to resident shareholders."

*As corrected *vide* Notification No. GSR 555(E), dated 31-8-2004.

[4.](#) Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2003, w.e.f. 18-6-2003.

[5.](#) Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008. Prior to its substitution, regulation 6B, read as under:

"6B. *Report to RBI.*-A company issuing right shares or bonus shares in terms of regulation 6 or regulation 6A as the case may be, shall, within thirty days from the date of issue, report the transaction in Form FC-GPR to the Regional Office of the Reserve Bank of India under whose jurisdiction in the Registered Office of the company is situated."

[1.](#) Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2003, w.e.f. 18-6-2003. Prior to substitution, sub-regulation (2) read as under :

"(2)(i) A person resident outside India, not being a non-resident Indian or an overseas corporate body, may transfer by way of sale, the shares or convertible debentures held by him to any person resident outside India :

Provided that the person to whom the shares are being transferred has obtained prior permission of Central Government to acquire the shares if he has previous venture or tie up in India through investment in shares or debentures or a technical collaboration or a trade mark agreement or investment by whatever name called in the same field or allied field in which the Indian company whose shares are being transferred is engaged. (ii) A non-resident Indian or an overseas corporate body may transfer by way of sale, the shares or convertible debentures held by him or it to another non-resident Indian or an overseas corporate body only. (iii) A person resident outside India may transfer any security held by him, to a person resident in India by way of gift."

[2.](#) Words "or an overseas corporate body" omitted by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003.

[3.](#) Words "or Overseas Corporate Body" omitted by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003.

[4.](#) Provisos omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2012, w.r.e.f. 31-3-2011. Prior to their omission, the said provisos read as under:

"Provided that the person to whom the shares are being transferred, in terms of clauses (i) and (ii), has obtained prior permission of Central Government to acquire the shares if he has previous venture or tie up in India through investment in shares or debentures or a technical collaboration or a trade mark agreement or investment by whatever name called in the same field or allied field in which the Indian company whose shares are being transferred is engaged :

Provided further that the restriction in clauses (i) and (ii) shall not apply to the transfer of shares to International Financial Institutions such as Asian Development Bank (ADB), International Finance Corporation (IFC), Commonwealth Development Corporation (CDC), Deutsche Entwicklungs Gessellschaft (DEG) and transfer of shares of an Indian company engaged in Information Technology sector;"

5. Substituted for "Prior permission" by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 4-11-2011.

6. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2005, w.r.e.f. 4-10-2004.

7. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fourth Amendment) Regulations, 2005, w.e.f. 22-7-2005. Prior to its substitution, it read as under :

"(a) any security, by way of gift, shall make an application to the Reserve Bank furnishing the following information, namely :

- (i) Name and address of the transferor and the proposed transferee
- (ii) Relationship between the transferor and the proposed transferee
- (iii) Reasons for making the gift;"

1. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fifth Amendment) Regulations, 2012, w.r.e.f. 15-9-2011. Prior to its substitution, sub-clause (e) read as under :

"(e) The value of security to be transferred by the donor together with any security transferred to any person residing outside India as gift in the calendar year does not exceed the rupee equivalent of US \$ 25,000."

2. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 4-11-2011. Prior to its substitution, sub-clause (b), as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2005, w.r.e.f. 4-10-2004, read as under:

"(b) any share/convertible debenture of an Indian Company whose activities fall under Annexure B to Schedule I, other than item Nos. 1, 2 and 3 and subject to the Sectoral Limits specified therein, shall transfer such shares/debentures without prior approval of Government and RBI if the same is by way of sale subject to the following :

- (i) that the Indian Company whose shares or convertible debentures are proposed to be transferred is not engaged in rendering any financial service:
- (ii) that the transfer does not fall within the purview of the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, and
- (iii) that the concerned parties adhere to pricing guidelines, documentation and reporting requirements for such transfers as may be specified by Reserve Bank, from time to time:"

1. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fourteenth Amendment) Regulations, 2013, w.e.f. **4-10-2013**. Prior to its omission, clause (a) read as under :

"(a) No Objection Certificates (NOCs) are obtained from the respective financial sector regulators/ regulators of the investee company as well as transferor and transferee entities and such NOCs are filed along with the Form FC-TRS with the AD bank; and"

2. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 4-11-2011. Prior to its substitution, sub-clause (c), as inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.r.e.f. 10-2-2006, read as under:

'(c) any security by way of sale, shall make an application to the Reserve Bank for its approval if,

- (i) the activity of the Indian company, whose securities are being transferred, falls outside the Automatic Route, and the approval of the FIPB has been obtained for the said transfer;
- (ii) the activity of the Indian company whose securities are being transferred, falls under the financial services sector;
- (iii) the transfer falls within the purview of the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997; and
- (iv) the transfer is to take place at a price which falls outside the pricing guidelines specified by Reserve Bank, from time to time.'

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 22-4-2009.

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2005, w.r.e.f. 4-10-2004.

3. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2005, w.r.e.f. 4-10-2004. Prior to its omission, clause (1) read as under :

"(1) Transfer by way of sale not covered by Regulation 9 by a person resident outside India of the shares/ convertible debentures held by him to a person resident in India, shall require prior permission of the Reserve Bank, for which application in Form TS 1 may be made to the Reserve Bank."

4. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2005, w.r.e.f. 4-10-2004. Prior to its substitution, clause (2) read as under:

"(2) While considering the grant of permission, the Reserve Bank shall take into account the following factors, namely :—

(a) where the shares of an Indian company are traded on stock exchange,

- (i) the sale is at the prevailing market price on stock exchange and is effected through a merchant banker registered with Securities and Exchange Board of India or through a stock broker registered with the stock exchange;
- (ii) if the transfer is other than that referred to in clause (i), the Reserve Bank will satisfy itself that the shares are proposed to be sold at a price arrived at by taking the average quotations (average of daily high and low) for one week preceding the date of application with 5 per cent variation. Where, however, the shares are being sold by the foreign collaborator or the foreign promoter of the Indian company to the existing promoters in India with the object of passing management-control in favour of the resident promoters the proposal for sale will be considered at a price which may be higher by upto a ceiling of 25 per cent over the price arrived at as above,

(b) where the shares of an Indian company are not listed on stock exchange or are thinly traded,

- (i) if the consideration payable for the transfer does not exceed Rs. 20 lakh per seUer per company, at a price mutually agreed to between the seUer and the buyer, based on any valuation methodology currently in vogue, on submission of a certificate from the statutory auditors of the Indian company whose shares are proposed to be transferred, regarding the valuation of the shares, and
- (ii) if the amount of consideration payable for the transfer exceeds Rs. 20 lakhs per seUer per company, at a price arrived at, at the seUer's option, in any of the following manner, namely: (A) a price based on earning per share (EPS) linked to the Price Earning (P /E) multiple, or a price based on the Net Asset Value (NAV) linked to book value multiple, whichever is higher,

or

(B) the prevailing market price in small lots as may be laid down by the Reserve Bank so that the entire shareholding is sold in not less than five trading days through screen based trading system,

(c) where the shares are not listed on any stock exchange, at a price which is lower of the two independent valuations of share, one by statutory auditors of the company and the other by a Chartered Accountant or by a Merchant Banker in Category I registered with Securities and Exchange Board of India.

Explanation :

(i) A share is considered as thinly traded if the annualised trading turnover in that share, on main stock exchanges in India, during the six calendar months preceding the month in which application is made, is less than 2 per cent (by number of shares) of the listed stock.

(ii) For the purpose of arriving at Net Asset Value per share, the miscellaneous expenses carried forward, accumulated losses, total outside liabilities, revaluation reserves and capital reserves (except subsidy received in cash) shall be reduced from value of the total assets and the net figure so arrived at shall be divided by the number of equity shares issued and paid-up. Alternatively, intangible assets shall be reduced from the equity capital and reserves (excluding revaluation reserves) and the figure so arrived at shall be divided by the number of equity shares issued and paid-up. The NAV so calculated shall be used in conjunction with the average BV multiple of Bombay Stock Exchange National Index during the calendar month immediately preceding the month in which application is made and BV multiple shall be discounted by 40 per cent.

(iii) For computing the price based on Earning Per Share, the earning per share as per the latest balance sheet of the company shall be used in conjunction with the average Price Earning Multiple of Bombay Stock Exchange National Index for the calendar month preceding the month in which application is made and Price Earning shall be discounted by 40 per cent."

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 4-11-2011.

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fifth Amendment) Regulations, 2013, w.e.f. **5-3-2013**.

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Tenth Amendment) Regulations, 2013, w.e.f. **10-7-2013**.

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2009, w.r.e.f. 11-7-2008.

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 2-5-2011.

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2012, w.r.e.f. 22-7-2009.

3. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Ninth Amendment) Regulations, 2013, w.r.e.f. **13-2-2009**.

1. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Twelfth Amendment) Regulations, 2013, w.r.e.f. **22-8-2013**. Prior to its omission, it read as under :

'Company shall be considered "Controlled" by resident Indian citizens if the residents Indian citizens and Indian companies, which are owned and controlled by resident Indian citizens, have the power to appoint a majority of its directors in that company;'

2. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Twelfth Amendment) Regulations, 2013, w.r.e.f. **22-8-2013**. Prior to its omission, it read as under :

'Company "Controlled" by non-residents means an Indian company where non-residents have the power to appoint a majority of its directors in that company;'

3. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Twelfth Amendment) Regulations, 2013, w.r.e.f. **22-8-2013**.

1. Substituted for "Downstream investments through internal accruals are permissible by an Indian company engaged only in activity of investing in the capital of another Indian company/ies, subject to the provisions above and as also elaborated below:" by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Eleventh Amendment) Regulations, 2013, w.r.e.f. **13-2-2009**.

1. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 1-8-2012. Prior to its substitution, sub-paragraph (1), as substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2007, w.ei. 23-10-2007, read as under :

"(1) A person resident outside India referred to in clauses (i) and (ii) of sub-regulation (1) of Regulation 5, may purchase shares or convertible debentures issued by an Indian company up to the extent and subject to the terms and conditions set out in this Schedule."

2. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2012, w.r.e.f. 31-3-2011. Prior to its omission, sub-paragraph (2), as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.ei. 22-8-2008 and FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.r.e.f. 12-1-2005. (This regulation is given retrospective effect from 12th day of January, 2005, that is, from the date on which Press Note No. 1 (2005 Series) was issued by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India), read as under:

"(2) If the person purchasing the shares under this Scheme proposes to be a collaborator or proposes to acquire the entire shareholding of a new Indian company, he should obtain prior permission of Central Government if he has, as on January 12, 2005, an existing joint venture or technology transfer/trademark agreement in the same field as that of such Indian company :

Provided that no prior permission of Central Government shall be required for investments to be made by Venture Capital Funds registered with SEBI; investments by multinational financial institutions; or where in the existing joint-venture investment by either of the parties is less than 3 per cent; or where the existing joint venture/coUaboration is defunct or sick or for transfer of shares of an Indian company engaged in Information Technology sector or in the mining sector, if the existing joint venture or technology transfer/trade mark agreement of the person to whom the shares are to be transferred are also in the Information Technology sector or in the mining sector for same area/mineral."

3. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.r.e.f. 10-2-2006. [This amendment is given retrospective effect from February 10, 2006, that is, from the date on which Press Note No. 4 (2006 Series) was issued by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India]. Prior to its substitution, sub-paragraph (1), read as under:

"(1) An Indian company which is not engaged in any activity, or in manufacturing of item included in Annexure A' to this Schedule, may issue shares or convertible debentures to a person resident outside India, referred to in paragraph 1 upto the extent specified in Annexure B, subject to compliance with the provisions of the Industrial Policy and Procedures as notified by Secretariat for Industrial Assistance (SIA) in the Ministry of Commerce and Industry, Govt, of India, from time to time :

Provided that

- (i) the activity of the issuer company does not require an industrial licence under the provisions of the Industries (Development & Regulation) Act, 1951 or under the locational policy notified by Government of India under the Industrial Policy of 1991 as amended from time to time;
- (ii) the shares or convertible debentures are not being issued by the Indian company with a view to acquiring existing shares of any Indian company.

Explanation : A company which proposes to embark on expansion programme to undertake activities or manufacture items included in Annexure B to this Schedule may issue shares or debentures out of fresh capital proposed to be issued by it for the purpose of financing expansion programme, upto the extent indicated in Annexure B, subject to compliance with the provisions of this paragraph."

1. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Ninth Amendment) Regulations, 2013, w.r.e.f. **13-2-2009**. Prior to its substitution, proviso read as under :

"Provided that the shares or convertible debentures are not being issued by the Indian company with a view to acquire existing shares of any Indian company."

2. Reintroduced by the FEM (Transfer or Issue of Security by a Person Resident outside India) "(Fourth Amendment) Regulations, 2012, w.r.e.f. 27-2-2009. Prior to its insertion, sub-paragraph (2) was omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008, read as under:

"(2) A company which is a small scale industrial unit and which is not engaged in any activity or in manufacture of items included in Annexure A, may issue shares or convertible debentures to a person referred to in paragraph 1, to the extent of 24% of its paid-up capital:

Provided that such a company may issue shares in excess of 24% of its paid-up capital if-

(a) it has given up its small scale status;

(b) it is not engaged or does not propose to engage in manufacture of items reserved for small scale sector; and

(c) it complies with the ceilings specified in Annexure B."

*As corrected by Corrigendum No. GSR 624(E), dated **10-9-2013**.

3. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fourth Amendment) Regulations, 2012, w.r.e.f. 27-2-2009. Prior to its substitution, sub-paragraph (3), was amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008, read as under:

"(3) Notwithstanding anything contained in clause (3) an Export Oriented Unit or a Unit in Free Trade Zone or in Export Processing Zone or in a Software Technology Park or in an Electronic Hardware Technology Park may issue shares or convertible debentures to a person resident outside India referred to in paragraph 1 in excess of 24 per cent provided it complies with the ceilings specified in Annexure B."

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) *(Fourth Amendment) Regulations, 2012, w.r.e.f. 27-2-2009.

*As corrected by Corrigendum No. GSR 624(E), dated **10-9-2013**.

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fifth Amendment) Regulations, 2004, w.e.f. 1-10-2004.

3. Sub-paragraph (5) renumbered as (4) by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008.

4. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2012, w.r.e.f. 1-4-2003.

5. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.r.e.f. 29-11-2003 [This amendment is given retrospective effect from November 29, 2003, that is, from the date on which Press Note 5 (2003 Series) was issued by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India]. Prior to its substitution, sub-paragraph (3) as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fifth Amendment) Regulations, 2004, w.e.f. 1-10-2004.

6. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2012, w.r.e.f. 31-3-2011, read as under :

'3. An Indian company intending to issue shares to a person resident outside India in accordance with these Regulations shall obtain prior approval of the Foreign Investment Promotion Board of Government of India if the company:

- (a) is engaged or proposes to engage, in any activity given in Annex A(A) to this Schedule: or
- (b) falls under the FIPB route as stipulated under the column "Entry Route" in Annex B to this Schedule: or
- (c) proposes to issue shares to a person resident outside India against considerations other than inward remittance *ie.*, against royalty/lump sum fee due for payment: or
- (d) proposes to issue shares to a person resident outside India, on or after November 28, 2003, against External Commercial Borrowings (ECBs) [excluding those deemed as ECBs] received in convertible foreign currency.'

1. Substituted for "including second-hand machinery" by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 10-4-2012.

2. Substituted for "form specified in Annexure 'C'" by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008.

3. Substituted for "form specified in Annexure 'D'" by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008.

4. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India)(Third Amendment) Regulations, 2004, w.e.f. 16-6-2004. Prior to its substitution, it read as under :

"(a) deposits with or Certificate of Deposits or other instruments of banks who have been rated not less than A1+ by Standard and Poor or PI by Moody's for short term obligations,"

* This amendment is given retrospective effect from 6th day of December, 2003 that is from the date of issuance of A.P. (DIR Series) Circular No. 41 issued by the Reserve Bank of India.

1. Paragraphs 4A and 4B inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2001, w.e.f. 2-3-2001.

2. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008. Prior to its substitution, paragraph 4B, read as under:

"4B. (i) An Indian company may sponsor an issue of ADRs/GDRs with an overseas depository against shares held by its shareholders at a price to be determined by the Lead Manager;

(ii) The proceeds of the issue shall be repatriated to India within a period of one month;

(iii) The sponsoring company shall comply with the provisions of the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and guidelines issued thereunder by the Central Government from time to time;

(iv) The sponsoring company shall furnish full details of such issue in a form specified in Annexure C to the Foreign Investment Division, Exchange Control Department, Reserve Bank of India, Central Office, Mumbai within 30 days from the date of closure of the issue."

3. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2010, w.e.f. 7-4-2010. Prior to its substitution, paragraph 5, read as under:

"5. *Issue price.*—*Price* of shares issued to persons resident outside India under this Schedule, shall not be less than-

(a) the price worked out in accordance with the SEBI guidelines as applicable, where the issuing company is listed on any recognised stock exchange in India, and

(b) fair valuation of shares done by a chartered accountant as per the guidelines issued by the erstwhile Controller of Capital issues, in all other cases."

1. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008. Prior to its omission, paragraph 5A as inserted by FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2003, w.e.f. 18-6-2003, read as under:

"5A. *Issue price of ADRs/GDRs.*-Price of ADRs/GDRs to be issued to a person resident outside India may be decided by the Indian company-

(a) where the issue is on public offer basis, in consultation with the Lead Manager to the issue;
and

(b) in other cases, as provided in paragraph 5 above."

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 26-9-2012.

3. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008. Prior to its substitution, paragraph 6 as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2003, w.e.f. 18-6-2003, read as under:

"6. *Dividend Balancing.*-Where a company is engaged in any of the industries in the consumer goods sector, specified in Annexure E, or in any other activity where the condition of dividend balancing has been stipulated in terms of the provisions of Industrial Policy and Procedures notified by Secretariat for Industrial Assistance, the cumulative outflow of foreign exchange on account of payment of dividend over a period of seven years from the date of commencement of commercial production to investors outside India shall not exceed cumulative amount of export earning of the company during those years :

Provided that

(a) the restriction under this paragraph shall not apply

(i) in respect of shares held in such a company by International Finance Corporation (IFC), the Deutsche Entwicklungs Gessellschaft (DEG), the Commonwealth Development Corporation (CDC) and Asian Development Bank (ADB),

(ii) to a company that has completed a period of seven years from the date of commencement of

commercial production,

(iii) to obligations arising out of dividends declared/remitted after 14th July, 2000
ie., the date on which condition of dividend balancing was withdrawn.

(b) [***]"

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 2-5-2011.

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fifth Amendment) Regulations, 2004, w.e.f. 1-10-2004.

3. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 1-4-2003.

4. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2007, w.e.f. 13-11-2007.

5. Substituted for "debit to NRE/FCNR(B) account" by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 2-5-2011.

6. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 30-5-2008. Prior to its substitution, sub-paragraph (1), as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008 and FEM (Transfer or Issue of Security by a Person Resident outside India) (Fifth Amendment) Regulations, 2004, w.e.f. 1-10-2004, read as under:

'9. *Report by the Indian company.*-(1) An Indian company issuing shares or convertible debentures in accordance with these Regulations shall submit to Reserve Bank,

(A) not later than 30 days from the date of receipt of the amount of consideration, a report in form specified in Annex C to this Schedule indicating :—

- (i) Name and address of the foreign investors;
- (ii) Date of receipt of funds and their rupee equivalent;
- (iii) Name and address of the authorised dealer through whom the funds have been received, and
- (iv) Details of the Government approval, if any;

(B) not later than 30 days from the date of issue of shares, a report in Form FC-GPR together with,

(i) a certificate from the Company Secretary of the company accepting investment from persons resident outside India certifying that-

- (a) all the requirements of the Companies Act, 1956 have been complied with;
- (b) terms and conditions of the Government approval, if any, have been complied with;
- (c) the company is eligible to issue shares under these Regulations; and
- (d) the company has all original certificates issued by authorised dealers in India evidencing receipt of amount of consideration in accordance with paragraph 8;

(ii) a certificate from Statutory Auditors or Chartered Accountant indicating the manner of arriving at the price of the shares issued to the persons resident outside India :

Provided that, in addition to above, the company shaU report the conversion of ECB into equity, in ECB-2 Return of the respective month in case of full conversion of ECB. In case of partial conversion of ECB, the converted portion shall be reported in Form FC-GPR to the concerned Regional Office of the Reserve Bank and non-converted portion in Form ECB-2;

(C) the amount of consideration received by Indian company as advance against equity shaU be reported to the Regional Office of the Reserve Bank under whose jurisdiction the Registered Office of the Company operates in the form specified in 'Annex C' within 30 days of receipt thereof.'

1. Substituted for "a report in Form FC-GPR" by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2013, w.e.f. **28-5-2013** .

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 15-3-2011.

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 22-4-2009.

3. Substituted for "a report in the Form FC-TRS specified in Annex F to this Schedule" by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2013, w.e.f. **28-5-2013**.

4. Omitted

by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2013, w.e.f. **28-5-2013**. Prior to its omission, sub-paragraph (i) read as under :

"(ii) Reserve Bank may, by notification, modify from time to time the Form FC-TRS specified in Annex F to this Schedule."

5. Existing paragraph 10 renumbered as paragraph 11 by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.e.f. 19-10-2012.

1. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 20-9-2012. Earlier Annex A, as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2003, w.e.f. 18-6-2003, FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2005, w.e.f. 17-3-2005, FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2006, w.r.e.f. 8-11 -2005, FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008 and FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2012, w.r.e.f. 31-3-2011.

2. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Twelfth Amendment) Regulations, 2013, w.r.e.f. **22-8-2013**. Earlier Annex B, as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2013, w.e.f. **7-1-2013** and substituted, FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.e.f. 19-10-2012 and amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2005, w.e.f. 17-3-2005, FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2005, w.e.f. 30-11-2005, FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003, FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2004, w.e.f. 6-5-2004, FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2005, w.e.f. 19-7-2005 and FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008.

1. With effect from 3rd day of June, 2013.

2. With effect from 4th day of July, 2013.

1. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.e.f. 19-10-2012. Earlier Annex C as inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008.

1. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2013, w.e.f. **28-5-2013**. Prior to its omission, Annex D, as substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 15-3-2011 and later on, amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2003, w.e.f. 18-6-2003 and FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008.

1. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2013, w.e.f. **28-5-2013**. Earlier Annex F, as inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.e.f. 19-10-2012.

1. Substituted for 'Annexure C by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008. Earlier Annexure C was amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2003, w.e.f. 18-6-2003.

1. Substituted for 'Annexure D' by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008. Earlier Annexure D was amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2003, w.e.f. 18-6-2003.

1. Annexure E was omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008.

2. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (First Amendment) Regulations, 2004, w.e.f. 1-1-2004. Prior to its substitution, it read as under :

"(1) A registered Foreign Institutional Investor (FH) may, through the Securities and Exchange Board of India, apply to the Reserve Bank for permission to purchase the shares and convertible debentures of an Indian company under Portfolio Investment Scheme. The permission may be granted by Reserve Bank subject to such terms and conditions as may be considered necessary.

(2) The registered FH permitted by the Reserve Bank under sub-paragraph (1), shall purchase the shares/convertible debentures of an Indian company through registered brokers on recognised stock exchanges in India."

1. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2001, w.e.f. 20-9-2001. Prior to substitution, the proviso was amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2001, w.e.f. 2-3-2001.

2. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2003, w.e.f. 18-6-2003. Prior to substitution, sub-paragraph (5) read as under :

"(5) A registered FH may also be permitted to purchase shares/convertible debentures of an Indian company through private placement/arrangement, subject to the ceilings specified in sub-paragraph (4) of this paragraph."

3. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 21-4-2010. Prior to its substitution, clause (b) read as under:

"(b) in case of issue by private placement, the price is not less than the price arrived in terms of SEBI guidelines or guidelines issued by erstwhile Controller of Capital Issues, as applicable."

4. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amdt.) Regulations, 2008, w.r.e.f. 31-12-2007.

1. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (First Amendment) Regulations, 2004, w.e.f. 1-1-2004. Prior to its substitution, it read as under :

"The Reserve Bank may, on application, permit a registered Foreign Institutional Investor to open a Foreign Currency Account and/or a Non-resident Rupee Account with a designated branch of an authorised dealer for routing the receipt of and payment for transactions relating to purchase and sale of shares/convertible debentures under this Scheme, subject to the following conditions :-

(i) The account shall be funded by inward remittance through normal banking channels or by credit of sale proceeds (net of taxes) of the shares/convertible debentures sold on stock exchange.

(ii) The funds in the account shall be utilised for purchase of shares/convertible debentures in accordance with the provisions of paragraph 1 of this Scheme or for remittance outside India.

(iii) The funds from Foreign Currency Account of the registered FII may be transferred to Non-Resident Rupee account of the same FH and *vice versa*."

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.e.f. 19-10-2012.

3. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (First Amendment) Regulations, 2004, w.e.f. 1-1-2004. Prior to its substitution, it read as under :

"(1) Reserve Bank may, subject to such terms and conditions as it may consider necessary permit a domestic asset management company or portfolio manager who is registered with SEBI as a foreign institutional investor for managing the funds of a sub-account, to make investment under the Scheme on behalf of:-

(i) a person resident outside India who is a citizen of a foreign State, or

(ii) a body corporate registered outside India :

Provided such investment is made out of funds raised or collected or brought from outside India through normal banking channel."

1. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (First Amendment) Regulations, 2004, w.e.f. 1-1-2004. Prior to its omission, it read as under :

"(2) The application to Reserve Bank for permission under sub-paragraph (1) may be made through SEBI."

2. Existing sub-paragraph (3) shall be renumbered as sub-paragraph (2) the FEM (Transfer or Issue of Security by a Person Resident outside India) (First Amendment) Regulations, 2004, w.e.f. 1-1-2004.

3. Words "/OCB" omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002*, w.r.e.f. 29-11-2001.

*As corrected *vide* Notification No. GSR 551(E), dated 31-8-2004.

4. Words "or an Overseas Corporate Body (OCB)" omitted

by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002*, w.r.e.f. 29-11-2001.

*As corrected *vide* Notification No. GSR 551(E), dated 31-8-2004.

5. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2003, w.e.f. 18-6-2003. Prior to substitution, sub-paragraph (i), as amended by the

FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002*, w.r.e.f. 29-11-2001, read as under :

"(i) the NRI designates a branch of an authorised dealer for routing his transactions relating to purchase and sale of shares/convertible debentures under this Scheme, and routes all such transactions only through the branch so designated;"

*As corrected *vide* Notification No. GSR 551(E), dated 31-8-2004.

6. Words "and duly approved by the Reserve Bank of India" omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2013, w.e.f. **27-2-2013**.

1. Words "or OCB" omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002*, w.r.e.f. 29-11-2001.

*As corrected *vide* Notification No. GSR 551(E), dated 31-8-2004.

2. Words "or OCBs" omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002*, w.r.e.f. 29-11-2001.

*As corrected *vide* Notification No. GSR 551(E), dated 31-8-2004.

3. Words "or OCB" by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002*, w.r.e.f. 29-11-2001.

*As corrected *vide* Notification No. GSR 551(E), dated 31-8-2004.

4. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2013, w.e.f. **27-2-2013**. Prior to its omission, sub-paragraph {vi}, as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002*, w.r.e.f. 29-11-2001, read as under :

"(vi) payment for purchase of shares and/or debentures is made by inward remittance in foreign exchange through normal banking channels or out of funds held in NRE/FCNR account maintained in India if the shares are purchased on repatriation basis and by inward remittance or out of funds held in NRE/FCNR/NRO/NRNR/NRSR account of the NRI concerned maintained in India where the shares/debentures are purchased on non-repatriation basis;"

*As corrected *vide* Notification No. GSR 551(E), dated 31-8-2004.

5. Omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002*, w.r.e.f. 29-11-2001.

"As corrected *vide* Notification No. GSR 551(E), dated 31-8-2004.

6. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2013, w.e.f. **27-2-2013**. Prior to its substitution, paragraph 2, as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002*, w.r.e.f. 29-11-2001, read as under :

"2. *Report to Reserve Bank*— The link office of the designated branch of an authorised dealer referred to in paragraph 1 shall furnish to the Chief General Manager, RBI, ECD, Central Office, Mumbai, a report on daily basis on PIS transactions undertaken by it, such report to be furnished online or on floppy or in hard copy in a format supplied by Reserve Bank."

*As corrected *vide* Notification No. GSR 551(E), dated 31-8-2004.

1. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2013, w.e.f. **27-2-2013**. Prior to its substitution, paragraph 3, as substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2003, w.e.f. 18-6-2003, and later on amended by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003 and FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2002*, w.r.e.f. 29-11-2001, read as under :

"3. *Remittance/credit of sale/maturity proceeds of shares and/or debentures.*—The net sale/maturity proceeds (after payment of taxes) of shares and/or debentures of an Indian company purchased by NRI under this scheme, may be allowed by the designated branch of an authorised dealer referred to in paragraph 1,

- (a) to be credited to NRO account of the NRI investor where the payment for purchase of shares and/or debentures sold was made out of funds held in NRO account or where the shares and/or debentures were purchased on non-repatriation basis, or
- (b) at the NRI investor's option, to be remitted abroad or credited to his/its NRE/FCNR/NRO account of the NRI, where shares and/or debentures were purchased on repatriation basis."

*As corrected *vide* Notification No. GSR 551(E), dated 31-8-2004.

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2013, w.e.f. **27-2-2013**.

1. Words "or an Overseas Corporate Body (OCB)" omitted by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003.

2. Words "or an Overseas Corporate Body" omitted by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003.

3. Provisos omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2012, w.r.e.f. 31-3-2011. Prior to their omission, the said provisos, as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008 and FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2003, w.e.f. 18-6-2003, read as under:

"Provided that the person to whom the shares are being transferred, shall obtain prior permission of the Central Government to acquire the shares if he has, as on January 12, 2005, an existing joint venture or technology transfer/trademark agreement in the same field as that of the company of which the shares or convertible debentures to be acquired by him :

Provided further that no prior permission of Central Government shall be required for :-

(a) transfer of shares to multinational financial institutions such as Asian Development Bank (ADB), International Finance Corporation (IFC), Commonwealth Development Corporation (CDC), Deutsche Entwicklungs Gessellschaft (DEG).

(b) transfer of shares of an Indian company engaged in Information Technology sector or in the mining sector, if the existing joint venture or technology transfer/trademark agreement of the person to whom the shares are to be transferred are also in the Information Technology sector or in the mining sector for same area/mineral.

(c) investments to be made by Venture Capital Funds registered with SEBI; investments by multinational financial institutions or where in the existing joint-venture investment by either of the parties is less than 3 per cent; or where the existing joint venture/collaboration is defunct or sick."

1. Word " /OCB" omitted by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003.

2. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.e.f. 19-10-2012. Prior to its substitution, paragraph 1, as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2006, w.r.e.f. 8-11-2005, FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2006, w.e.f. 6-1-2006, FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.e.f. 22-8-2008 and FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2009, w.r.e.f. 17-10-2008, read as under:

" 1. *Permission to Foreign Institutional Investors for purchase of securities.* -A registered Foreign Institutional Investor may purchase, on repatriation basis, dated Government securities/treasury biUs listed non-convertible debentures/bonds, commercial papers issued by an Indian company and units of domestic mutual funds, Security Receipts issued by Asset Reconstruction Companies and Perpetual Debt instruments eligible for inclusion as Tier I capital and Debt capital instruments as upper Tier E capital issued by banks in India to augment their capital (the definitions of Tier I capital and Tier E capital will be the same as clarified

by Reserve Bank, Department of Banking Operations and Development and modified from time to time); subject to the limits prescribed by RBI and SEBI from time to time; either directly from the issuer of such securities or through a registered stock broker on a recognised Stock Exchange in India :

Provided that,

(i) the total holding by a single FE in each tranche of scheme of Security Receipts shall not exceed 10 per cent of the issue and the total holdings of aU FEs put together shall not exceed 49 per cent of the paid up value of each tranche of scheme of Security Receipts issued by the Asset Reconstruction Companies; and

(ii) the investment by all FIIs in Perpetual Debt instruments (Tier I) should not exceed an aggregate ceiling of 49 per cent of each issue, and investment by individual FII should not exceed the limit of 10 per cent of each issue. The investment by FIIs in Debt capital instruments (Tier II) shall be within the limits stipulated by SEBI for FH investment in corporate debt :

Provided further that FIIs may offer such securities as permitted by the Reserve Bank from time to time as collateral to the recognized Stock Exchanges in India for their transactions in exchange traded derivative contracts as specified in sub-regulation (6)."

1. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2013, w.e.f. 7-1 -2013. Prior to its substitution, clause (e), as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Eighth Amendment) Regulations, 2013, w.e.f. 1-4-2013, read as under :

"(e) Security Receipts issued by Asset Reconstruction Companies provided that the total holding by a single FH in each tranche of scheme of Security Receipts shall not exceed 10 per cent of the issue and the total holding of all eligible investors put together shall not exceed 49 per cent of the paid up value of each tranche of scheme of Security Receipts issued by the Asset Reconstruction Companies;"

2. Substituted for "provided that the investment by all FIIs in Perpetual Debt instruments (Tier I)" by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2013, w.e.f. 7-1 -2013.

3. Words "The investment by FIIs in Debt capital instruments (Tier II) shall be within the limits stipulated by SEBI for FH investment in corporate debt", omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2013, w.e.f. 7-1 -2013.

4. Words ", subject to residual maturity as stipulated by Reserve Bank from time to time" omitted, by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2013, w.e.f. 7-1-2013. Earlier the quoted words were amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2013, w.e.f. 19-1-2013.

5. Words ", subject to residual maturity as stipulated by the SEBI and the Reserve Bank from time to time," omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Eighth Amendment) Regulations, 2013, w.e.f. 1-4-2013. Earlier the quoted words were amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2013, w.e.f. 19-1-2013.

6. Words "subject to residual maturity as stipulated by the Reserve Bank and SEBI from time to time," omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Eighth Amendment) Regulations, 2013, w.e.f. 1-4-2013. Earlier the quoted words were amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2013, w.e.f. 19-1-2013.

7. Words "provided that the FIIs may trade such bonds/units amongst the eligible non-resident investors for Infrastructure Debt Funds within the lock-in period" omitted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2013, w.e.f. 19-1-2013.

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Thirteenth Amendment) Regulations, 2013, w.e.f. 4-10-2013.

1a. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.e.f. 9-8-2011.

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.e.f. 16-7-2012.

3. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 9-8-2011.

4. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Eighth Amendment) Regulations, 2013, w.e.f. **1-4-2013**.

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Thirteenth Amendment) Regulations, 2013, w.e.f. **4-10-2013**.

1a. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 22-11-2011.

2. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Eighth Amendment) Regulations, 2013, w.e.f. **1-4-2013**. Prior to its substitution, clause (i), as amended by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2013, w.e.f. 19-1-2013, read as under :

"(i) Long term investors like Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and High Networth Individuals which are registered with SEBI as eligible non-resident investors in Infrastructure Debt Funds may purchase on repatriation basis Rupee denominated bonds/units issued by Infrastructure Debt Funds subject to residual maturity as stipulated by the Reserve Bank and SEBI from time to time."

3. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 25-6-2012.

4. Substituted for "dated Government securities, subject to the terms and conditions as stipulated by the SEBI and the Reserve Bank from time to time" by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2013, w.e.f. **19-1-2013**.

1. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Eighth Amendment) Regulations, 2013, w.e.f. **1-4-2013**. Prior to its substitution, clause (iii), as inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2013, w.e.f. 19-1-2013, read as under :

"(iii) Long term investors like Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds and Pension Funds registered with SEBI as eligible non-resident investors in Infrastructure Debt Funds may purchase Rupee denominated corporate bonds on repatriation basis within the limits as stipulated by the Reserve Bank and SEBI from time to time. In addition, Foreign Central Banks may purchase rupee denominated corporate bonds on repatriation basis within the limits from the date of this Notification."

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Thirteenth Amendment) Regulations, 2013, w.e.f. **4-10-2013**.

1. Words "and Overseas Corporate Body" omitted by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003.

2. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2008, w.r.e.f. 25-1-2006. Prior to its substitution, sub-paragraph (1), as amended by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003, read as under:

"(1) A Non-resident Indian may, without limit, purchase on repatriation basis,

(i) Government dated securities (other than bearer securities) or treasury bills or units of domestic mutual funds;

(ii) bonds issued by a public sector undertaking (PSU) in India;

(iii) shares in Public Sector Enterprises being disinvested by the Government of India, provided the purchase is in accordance with the terms and conditions stipulated in the notice inviting bids."

3. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Eighth Amendment) Regulations, 2013, w.e.f. **1-4-2013**. Prior to its substitution, clause (iv), as inserted by the FEM

(Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 22-11-2011, read as under :

"(iv) bonds/units issued by Infrastructure Debt Funds, subject to lock-in period and residual maturity as stipulated by the Reserve Bank and SEBI from time to time, provided that a Non-Resident Indian may trade such bonds /units amongst the eligible non-resident investors for Infrastructure Debt Funds within the lock-in period."

1. Words "or an Overseas Corporate Body" omitted by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003.

2. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fourth Amendment) Regulations, 2003, w.e.f. 27-10-2003.

3. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2007, w.e.f. 17-10-2007.

4. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2007, w.e.f. 31-5-2007.

5. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 9-8-2011.

*Need be read as '2B'.

1. Words "or an Overseas Corporate Body" omitted by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003.

2. Words "or OCB" omitted by the FEM [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, w.e.f. 3-10-2003.

3. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Fourth Amendment) Regulations, 2003, w.e.f. 27-10-2003.

4. Inserted by FEM (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2000, w.e.f. 26-12-2000.

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 19-3-2012.

1. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2012, w.r.e.f. 22-7-2009.

2. Substituted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.r.e.f. 28-8-2012. Prior to its substitution, clause (b), read as under:

"(b) IDRs shall not be automatically fungible into underlying equity shares of the issuing company."

3. Inserted by the FEM (Transfer or Issue of Security by a Person Resident outside India) (Sixth Amendment) Regulations, 2012, w.e.f. 19-10-2012.

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