

Draft framework for according approval to Indian Party investing in overseas Startups through an Overseas Technology Fund under the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 (as amended from time to time)

Reserve Bank has been receiving references from various Indian parties to invest in Overseas Technology Funds which in turn will further invest in overseas technology startups. Such proposals generally do not meet the eligibility norms for making the overseas direct investment under the automatic route in terms of Regulation 6 or 7 of [Notification No FEMA 120 dated July 07, 2004](#), as amended from time to time. It is proposed that the Reserve Bank will deal with such requests under the approval route in terms of Regulation 9 of the Notification *ibid*, which enables an Indian party to seek prior approval if they do not satisfy the eligibility norms for automatic route.

The proposed framework for considering such proposals will lay down the eligibility criteria as at 'A' for according a onetime approval to invest in overseas Technology Fund subject to terms prescribed at 'B'

A. Eligibility for Indian party Investment in Overseas Technology Fund

- a. The Indian party should have a minimum networth of Rs. 500 crore based on the last audited balance sheet and shall be listed on the stock exchange;
- b. It should not be in the caution list of the Reserve Bank (for long overdue export bills);
- c. Its total overseas investment should not exceed 400 per cent of its networth ;
and
- d. The Indian party should have earned net profit in the last three years.

B. Investment by Indian party in overseas Technology Fund – Conditions for one time approval

- i) The aggregate / cumulative investment in the overseas Technology Funds (in single or multiple tranche) should not exceed 400 per cent of the networth of the Indian party or USD 500 million, whichever is less.
- ii) The amount to be invested in the Overseas Technology Fund shall be from the internal accruals / group or associate companies in India and not borrowed from the banking system.
- iii) One time approval shall be accorded by RBI and a UIN would be allotted to the Overseas Technology Fund.
- iv) The Overseas Technology Fund shall invest in overseas technology startups (startups as defined in terms of the host country's regulations) which are in alignment with the core business of the Indian party.
- v) When the Overseas Technology Fund undertakes further investment (equity and or non-equity) in the overseas technology startups, then such investments shall be reported in the Annual Performance Report by the Indian party.
- vi) In case the Indian party holds more than 10 per cent direct stake in an overseas startup, UIN may be allotted by the AD bank under the automatic route. Further, all the provisions of [Notification No FEMA 120/ RB 2004 dated July 07, 2004](#) as amended from time to time (investment, reporting and disinvestment) as applicable to an Indian party shall apply.
