

**[ANNEX TO A.P.(DIR SERIES)
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F.No.44/17/2004-BO.II
Government of India
Ministry of Finance
Department of Financial Services

Jeevan Deep Building, 3rd Floor
10, Parliament Street, New Delhi-110 001
Dated the 21st December, 2012

PRESS RELEASE

**REVIEW OF FOREIGN INVESTMENT POLICY FOR
ASSETS RECONSTRUCTION SECTOR***

Government had permitted Foreign Direct Investment (FDI) in the equity capital of Asset Reconstruction Company (ARCs) upto 49% vide Press Release dated 08.11.2005. Further, on 09.11.2005, the Government permitted the Foreign Institutional Investors (FIIs) registered with the Securities and Exchange Board of India (SEBI) to invest in Security Receipts (SRs) issued by ARCs upto 49% of each tranche of scheme of SRs. The ceilings of FDI and FII have been reviewed in consultation with the stakeholders and the sector regulators. Accordingly, the Government has decided that –

- i. The ceiling for FDI in ARCs has been increased from 49% to 74% subject to the condition that no sponsor may hold more than 50% of the shareholding in an ARC either by way of FDI or by routing through an FII. The foreign investment in ARCs would need to comply with the FDI policy in terms of entry route conditionality and sectoral caps.
- ii. The foreign investment limit of 74% in ARC would be a combined limit of FDI and FII. Hence, the prohibition on investment by FII in ARCs will be removed. The total shareholding of an individual FII shall not exceed 10% of the total paid-up capital.
- iii. The limit of FII investment in SRs may be enhanced from 49% to 74%. Further, the individual limit of 10% for investment of a single FII in each tranche of SRs issued by ARCs may be dispensed with. Such investment should be within the

FII limit on corporate bonds prescribed from time to time, and sectoral caps under the extant FDI Regulations should be complied with.

2. The necessary notification / circular under FEMA are being brought out separately by the Reserve Bank of India.

3. The necessary notification under SEBI (FII) Regulations is being brought out separately by the Securities and Exchange Board of India.

Sd/-
21-12-2012
(Alok Nigam)

Joint Secretary to the Government of India

Copy forwarded to the Press Information Officer, Press Information Bureau for giving wide publicity to the above Press Release.

***Companies registered / to be registered with RBI as Securitization Companies / Reconstructions Companies under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) for the purpose of carrying on / commencing the business of asset reconstruction.**