

A.D.(M.A.Series) Circular No.6 (April 24, 2000)

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI-400 001.**

A.D.(M.A.Series) Circular No.6

April 24, 2000

To
All Authorised Dealers in Foreign Exchange.

Dear Sirs,

**Enhancement in the existing limits for
investments by Foreign Institutional
Investors (FIIs) in Indian companies.**

In terms of paragraph 10B.4(i) of Exchange Control Manual (ECM), Foreign Institutional Investors (FIIs) are permitted to invest in all securities in the primary and secondary markets upto a ceiling of 24% of the total paid up equity capital of the Indian company. The Indian company could raise this ceiling to 30% subject to approval by its Board of Directors and by passing a Special Resolution to that effect by the General Body. With a view to further liberalising investment by Foreign Institutional Investors (FIIs) in Indian companies, in the primary/secondary markets in India, it has been decided to allow Indian companies (other than Banking Companies), including those which have already enhanced the aggregate ceiling from the normal level of 24% to 30% to enhance the ceiling upto 40% of its issued and paid up capital subject to:-

- a) Approval by the Board of Directors of the company to the enhanced limit upto 40%; and
 - b) A special resolution passed by the General Body of the company approving the enhanced limit upto 40%.
2. All other conditions applicable to investments by FIIs would continue to be operative as before.
 3. Consequent to the change proposed above the following amendments may be carried out in the Exchange Control Manual, Volume I.
 - (i) Paragraph 10B.4(i) may be replaced by enclosed Slip.
 - (ii) In paragraph 10B.4(ii) the figure '30%' appearing in the second last line may be changed to '40%'.

4. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Section 73(3) of the Foreign Exchange Regulation Act, 1973 (46 of 1973) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,
B. MAHESHWARAN
Chief General Manager

Slip
[AD/MA 6/2000]

Investment by Foreign Institutional Investors

10B.4 (i)

Foreign Institutional Investors (FIIs) including pension funds, mutual funds, investment trusts, university funds, endowments, foundations or charitable trusts or charitable societies, etc. are permitted to invest in all securities, i.e. equity shares/debentures/ PCDs/FCDs/Rights renunciations/warrants of Indian companies (other than Banking Companies) listed as well as unlisted, dated Government securities, Treasury bills and units of domestic mutual fund schemes in the primary and secondary markets. Investments by FIIs will be subject to a ceiling of 24% of the total paid up equity capital of the company. The ceiling would apply to all holdings taken together including conversions out of the fully and partly convertible debentures issued by the company. The holding of a single FII or each SEBI approved sub-account of an FII or the concerned FII group in any company would also be subject to a ceiling of 10% of the total issued and paid up capital of the company. Indian companies, however, would be permitted to raise the normal ceiling limit of 24% to 40% of the issued and paid up capital of the company provided it has been approved by the Board of Directors of the company and a Special Resolution is passed to that effect by the General Body. The ceiling of 24% or 40%, as the case may be, applicable for investment by FIIs will not include investments made by NRIs/OCBs under the Portfolio Investment Scheme. It will also not include direct foreign investment by an FII as a foreign collaborator and investment by FIIs through off-shore funds, Global Depository Receipts and Euro - Convertible Bonds.
