

**Foreign Exchange Management (Transfer or Issue of  
Security by a Person Resident outside India)  
(Amendment) Regulations, 2000**

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

Notification No.FEMA 32 /2000-RB

dated 26th December 2000

**Foreign Exchange Management (Transfer or Issue of  
Security by a Person Resident outside India)  
(Amendment) Regulations, 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), and in partial modification of its notification No.FEMA 20/2000-RB dated 3rd May, 2000, the Reserve Bank of India makes the following Regulations to amend the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, namely:-

**Short title and commencement:-**

1. (i) These Regulations may be called the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2000.
- (ii) They shall come into force on their publication in the Official Gazette.

**Amendment of the Regulations:-**

2. In the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (hereinafter referred to as “the Principal Regulations”),

(1) in Regulations 2,

- (i) after clause (iii), the following clause shall be inserted, namely:-

“(iiiia) ‘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;”

- (ii) after clause (v), the following clause shall be inserted, namely:-

“(va) ‘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;”

- (iii) after clause (xi), the following clause shall be inserted, namely:-

“(xia) ‘ 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;”

- (2) in Regulation 5, after sub-regulation (4), the following sub-regulation shall be added, namely:-

“(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.”

#### Addition of new Schedule

- 3 In the Principal Regulations, after Schedule 5, the following Schedule shall be added, namely:-

“SCHEDULE 6”

[ See Regulation 5(5) ]

### **1. Investment by Foreign Venture Capital Investor**

- (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.
- (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.

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

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.

### **3. Forward Cover:**

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.

#### **4. Valuation of Investments**

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.

#### **5. Adherence to SEBI Guidelines**

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

**( D.P. Sarda )**  
**Executive Director**

**Published in the Official Gazette of Government  
of India - Extraordinary - Part-II, Section 3,  
Sub-Section (i) dated 13.03.2001 - G.S.R.No.175(E)**