

**Issue of Licence for Holding Foreign Securities
A.P.(DIR Series) Circular No.18 (December 18, 2001)**

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

A.P.(DIR Series) Circular No.18

December 18, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs/Madam

Issue of Licence for Holding Foreign Securities

Under Section 19 of the Foreign Exchange Regulation Act, 1973, persons resident in India were required to obtain holding licence for acquisition of foreign securities. However, under the Foreign Exchange Management Act, 1999, there is no obligation on residents to obtain holding licence.

2. It is, therefore, clarified that no holding licence for acquisition of foreign securities by a person resident in India, is required to be obtained from the Reserve Bank. Under Foreign Exchange Management Act (FEMA), 1999, in terms of Regulation 4 of Notification No.FEMA 19/RB-2000 dated May 3, 2000, a person resident in India has general permission for purchase and sale of foreign securities, in certain cases, including acquisition of bonus shares. General permission has also been granted, vide Regulation 19(1) of the above Notification, for purchase/acquisition of foreign securities by a person resident in India, in certain cases such as by way of gifts/inheritance from a person resident outside India as well as acquisition of foreign securities under Cashless Employees Stock Option Scheme. However, in all other cases which are not covered by general or special permission, prior permission of the Reserve Bank should be obtained before acquisition of foreign security. It is also clarified that prior permission of the Reserve Bank is required in terms of Regulation 21 of the said Notification for acquisition of foreign securities as qualification shares, rights shares, etc.

3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

B. K. BHOI

Officer-in-Charge