

Overseas Investments
A.P. (DIR Series) Circular No.66 (January 13, 2003)

Reserve Bank of India
Exchange Control Department
Central Office
Mumbai 400 001

January 13, 2003

A.P. (DIR Series) Circular No.66

To

All Authorised Dealers in Foreign Exchange

Madam/Sir,

Overseas Investments

Attention of authorised dealers is invited to Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000, notified by the Reserve Bank vide Notification No.FEMA.19/RB-2000 dated 3rd May 2000 as amended from time to time.

2. At present residents are not permitted to make investments in equity of companies registered overseas except by way of setting up joint ventures or wholly owned subsidiaries. It has now been decided to permit relaxations as under :-

(i) **Corporates**

Listed Indian companies are permitted to invest abroad in companies, (a) listed on a recognised stock exchange and (b) which has the shareholding of at least 10 per cent in an Indian company listed on a recognised stock exchange in India (as on 1st January of the year of the investment). Such investments shall not exceed 25 per cent of the Indian company's net worth, as on the date of latest audited balance sheet.

(ii) **Individuals**

Resident individuals are permitted to invest in overseas companies indicated at (i) above without any monetary limit.

(iii) **Investment by Mutual Funds**

At present, Mutual Funds are permitted to invest in ADRs/GDRs of the Indian companies and rated debt instruments, within an overall cap of USD 500 million. It has now been decided to permit Mutual Funds to also invest in equity of overseas companies indicated at (i) above. It has also been decided to enhance the overall cap to USD 1 billion. Accordingly, Mutual Funds desirous of availing of this facility may approach the Reserve Bank after obtaining the necessary permission from SEBI in the matter.

3. The above relaxations are subject to the following:-
 - a. All transactions are routed through a designated authorised dealer and rupee payments received out of the bank account of the investor.
 - b. Authorised Dealer before allowing the remittances shall ensure that the investments are made strictly in accordance with the conditions stipulated in paragraph 2 above, viz., that such investments are permitted in securities of companies listed on recognised stock exchange abroad and that such companies in turn have at least 10 per cent share holding in an Indian company listed on a recognised stock exchange in India.
 - c. Authorised Dealers shall retain with them full particulars of investments such as names /addresses of the investors, companies in which the investments are made and details of securities held.
 - d. Authorised dealer shall forward to the Chief General Manager, Exchange Control Department, Reserve Bank of India, Overseas Investment Division, Mumbai a monthly statement on or before 10th of the succeeding month indicating the amount of remittances allowed/received in respect of purchases/sales and the net investment outstanding in respect of each of the categories mentioned above. Reporting format is being advised separately.
4. The above relaxations, subject to review, shall be effective for a period upto June 30, 2003.
5. Necessary amendments to the Foreign Exchange Management Regulations, 2000 are being issued separately.
6. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
7. 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,

G. Padmanabhan
General Manager-in-Charge