

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

**Notification No.FEMA. 108/2004-RB**

**Dated January 1, 2004**

**Foreign Exchange Management  
(Transfer or Issue of Security by a person Resident outside India)  
(First Amendment) Regulations, 2004**

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 3<sup>rd</sup> May 2000, the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, namely:

**1. Short title and Commencement**

- (i) These Regulations may be called the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India)(First Amendment) Regulations, 2004.
- (ii) They shall come into force from the date of their publication in the Official Gazette.

**2.Amendment of the Regulations**

In the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, in Schedule 2.

- (i) In paragraph 1

(a) For sub- paragraphs 1 and 2, the following sub- paragraphs shall be substituted, namely:

"(1) A registered Foreign Institutional Investor (FII) may purchase the shares and convertible debentures of an Indian company under Portfolio Investment Scheme.

(2) The purchase of shares /convertible debentures under sub-paragraph (1) shall be made through registered broker on recognized stock exchange in India.

- (ii) For paragraph 2, the following paragraph shall be substituted, namely:

" A registered Foreign Institutional Investor may open a Foreign Currency Account and/or a Special Non-Resident Rupee Account with a designated branch of an authorized dealer for routing the receipt and payment for transaction relating to purchase and sale of shares/convertible debentures under this Scheme, subject to the following conditions:

- (i) The Account shall be funded by inward remittance through normal banking channels or by credit of sale proceeds (net of taxes) of the shares/convertible debentures sold on stock exchange.
- (ii) The funds in the account shall be utilized for purchase of shares convertible debentures in accordance with the provisions of paragraph 1 of this Scheme or for remittance outside India.
- (iii) The funds from Foreign Currency Account of the registered FII may be transferred to Special Non-Resident Rupee account of the same FII and vice-versa."

(iii) In paragraph 4,

(a) for sub-paragraph (1), the following sub-paragraph shall be substituted, namely:

"A domestic asset management company or portfolio manager, who is registered with SEBI as a foreign institutional investor for managing the fund of a sub-account may make investment under the Scheme on behalf of

- (i) a person resident outside India who is a citizen of a foreign state, or
- (ii) a body corporate registered outside India;

Provided such investment is made out of funds raised or collected or brought from outside through normal banking channel."

- (b) sub-paragraph (2) shall be deleted.
- (c) sub-paragraph (3) shall be re-numbered as sub-paragraph(2).

**(Usha Thorat)**  
**Executive Director**

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