

**RESERVE BANK OF INDIA**  
**Foreign Exchange Department**  
**Central Office - Mumbai**

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Notification No. FEMA.149/2006-RB

Dated : June 9, 2006

**Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2006**

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), the Reserve Bank of India hereby makes the following amendments in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (Notification No.FEMA.20/2000-RB dated 3<sup>rd</sup> May 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) (Second Amendment) Regulations, 2006.
- (ii) They shall come into force with effect from 8<sup>th</sup> November 2005.\*

2. **Amendment of the Regulations :**

In the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (Notification No.FEMA.20/2000-RB dated 3<sup>rd</sup> May 2000),

- (i) "in regulation 2, after sub regulation (i), (1) the following sub regulation shall be inserted, namely :-

(ia) 'Asset Reconstruction Company' (ARC) means a company registered with the Reserve Bank of India under section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act).

- (ii) in regulation 5, in sub regulation (2), after the proviso, the following proviso shall be inserted, namely,

"Provided further that Foreign Institutional Investors shall not invest in the paid up equity capital of Asset Reconstruction Companies".

- (iii) in schedule 1, in Annexure A, in Part A after item 11, the following item shall be inserted, namely :-

"12. Asset Reconstruction Companies".

- (iv) in schedule 5, paragraph (1) shall be substituted by the following, namely,

1. "A registered Foreign Institutional Investor may purchase, on repatriation basis, dated Government securities / treasury bills, non-convertible debentures / bonds issued by an Indian company, units of domestic mutual funds and Security Receipts issued by Asset Reconstruction Companies either directly from the issuer of such securities or through a registered stock broker on a recognised stock exchange in India :

Provided that

- (i) the FII shall restrict allocation of its total investment between equity and debt instruments (including dated Government Securities and Treasury Bills in the Indian capital market) in the ratio of 70:30, and

: 2 :

- (ii) if the FII desires to invest upto 100% in dated Government Securities including Treasury Bills, non-convertible debentures / bonds issued by an Indian company, it shall form a 100% debt fund and get such fund registered with SEBI.
- (iii) the total holding by a single FII in each tranche of scheme of Security Receipts shall not exceed 10% of the issue and the total holdings of all FIIs put together shall not exceed 49% of the paid up value of each tranche of scheme of Security receipts issued by the Asset Reconstruction Companies".

(M. Sebastian)  
Chief General Manager

**Foot Note:**

- (i) \* Certified that no person will be adversely affected by the retrospective effect being given to these regulations.
- (ii) Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (Notification No.FEMA.20/2000-RB dated 3<sup>rd</sup> May 2000) was published in the Official Gazette vide G.S.R.No.406(E) dated May 8, 2000 in Part II, Section 3, sub-section (i) and subsequently amended as under :

G.S.R.No. 158(E) dated 02.03.2001

G.S.R.No. 175(E) dated 13.03.2001

G.S.R.No. 182(E) dated 14.03.2001

G.S.R.No. 4(E) dated 02.01.2002

G.S.R.No. 574(E) dated 19.08.2002

G.S.R.No. 223(E) dated 18.03.2002

G.S.R.No. 225(E) dated 18.03.2002

G.S.R.No. 558(E) dated 22.07.2003

G.S.R.No. 835(E) dated 23.10.2003

G.S.R.No. 899(E) dated 22.11.2003

G.S.R.No. 12(E) dated 07.01.2004

G.S.R.No. 278(E) dated 23.04.2004

G.S.R.No. 454(E) dated 16.07.2003

G.S.R.No. 625(E) dated 21.09.2004

G.S.R.No. 799(E) dated 08.12.2004

G.S.R.No. 201(E) dated 01.04.2005

G.S.R.No. 202(E) dated 01.04.2005

G.S.R.No. 504(E) dated 25.07.2005

G.S.R.No. 505(E) dated 25.07.2005

G.S.R.No. 513(E) dated 29.07.2005

G.S.R.No. 738 (E) dated 22.12.2005

G.S.R.No.29 (E) dated 19.01.2006

**Published in the Official Gazette of Government  
of India - Extraordinary - Part-II, Section 3,  
Sub-Section (i) dated 11.07.2006 - G.S.R.No.413(E)**