

**May 08, 2007**

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Overseas Investment by Mutual Funds - Liberalisation**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Regulation 6C and Regulation 26 of Notification No.FEMA120/RB-2004 dated July 7, 2004, [Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004] as amended from time to time (the Notification) and A. P. (DIR Series) Circular No. 97 dated April 29, 2003, A. P. (DIR Series) Circular No. 3 dated July 26, 2006 and A. P. (DIR Series) Circular No. 11 dated November 16, 2006.

2. As announced in the Annual Policy Statement for the year 2007-08 (para 135), with a view to providing greater opportunity for investment overseas, the aggregate ceiling for overseas investment by Mutual Funds registered with SEBI, has been increased from USD 3 billion to USD 4 billion with immediate effect. The investments would be subject to the terms and conditions and operational guidelines as issued by SEBI. Monthly reporting requirement to the Reserve Bank, as stipulated vide paragraph 5 of the A. P. (DIR Series) Circular No. 3 dated July 26, 2006, for statistical purpose will continue.

3. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**(Salim Gangadharan)**  
**Chief General Manager**