



**RESERVE BANK OF INDIA
Mumbai - 400 001**

RBI/2014-15/545

A. P. (DIR Series) Circular No.94

April 08, 2015

To

All Authorised Dealer Category-I Banks

Madam / Sir,

Foreign Direct Investment (FDI) in India – Review of FDI policy –Sector Specific conditions- Insurance sector

Attention of Authorised Dealer Category – I (AD Category-I) banks is invited to Annex B of Schedule 1 to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide [Notification No. FEMA 20/2000-RB dated May 3, 2000](#), as amended from time to time. In terms of Schedule 1 to the Notification *ibid*, 26% Foreign Direct Investment (FDI) is permitted under Automatic route in Insurance sector subject to conditions.

2. The extant FDI policy for Insurance sector has since been reviewed and further liberalized. Accordingly, with immediate effect, FDI in Insurance sector shall be permitted up to 49% subject to the revised conditions specified in the Press Note 3 (2015 Series) dated March 2, 2015. Also, a new activity viz. “Other Insurance Intermediaries appointed under the provisions of Insurance Regulatory and Development Authority Act, 1999 (41 of 1999)” has been included within the definition of ‘Insurance’.

3. Besides, the salient changes over the existing regime include:

- (a) Foreign investment in Indian insurance company shall be limited up to forty-nine percent of the paid up equity capital;

- (b) Foreign direct investment up to 26 percent shall be under automatic route and beyond 26 percent and up to 49 percent shall be with Government approval;
- (c) Foreign investment in the sector is subject to compliance of the provisions of the Insurance Act, 1938 and the condition that companies bringing in FDI shall obtain necessary license from the Insurance Regulatory & Development Authority of India for undertaking insurance activities.
- (d) An Indian insurance company shall ensure that its ownership and control remains at all times in the hands of resident Indian entities;
- (e) Foreign portfolio investment in an Indian insurance company shall be governed by the provisions of Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 and provisions of the Securities Exchange Board of India (Foreign Portfolio Investors) Regulations.
- (f) Any increase of foreign investment of an Indian insurance company shall be in accordance with the pricing guidelines specified by Reserve Bank of India under the Foreign Exchange Management Act, 1999.
- (g) Terms 'Control', 'Equity Share Capital', 'Foreign Direct Investment' (FDI), 'Foreign Investors', 'Foreign Portfolio Investment', 'Indian Insurance Company', 'Indian Company', 'Indian Control of an Indian Insurance Company', 'Indian Ownership', 'Non-resident Entity', 'Public Financial Institution', 'Resident Indian Citizen', 'Total Foreign Investment' will have the same meaning as provided in Notification No. G.S.R 115 (E), dated 19th February, 2015.

4. [A copy of Press Note 3 \(2015 Series\) dated March 2, 2015](#) issued in this regard by DIPP, Ministry of Commerce & Industry, Government of India is appended.

5. Reserve Bank has since amended the Principal Regulations through the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Third Amendment) Regulations, 2015 notified vide [Notification No.](#)

[FEMA.340/2015-RB dated March 3, 2015](#), c.f. G.S.R. No. 183 (E) dated March 12, 2015

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

7. 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 are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(B. P. Kanungo)
Principal Chief General Manager