



**RESERVE BANK OF INDIA**  
**Foreign Exchange Department**  
**Central Office**  
**Mumbai - 400 001**

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**RBI/2013-14/232**  
**A.P. (DIR Series) Circular No. 38**

**September 6, 2013**

To

All Category - I Authorised Dealer Banks

Madam/ Sir,

**Purchase of shares on the recognised stock exchanges in accordance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations**

Attention of Authorised Dealer Category – I (AD Category-I) banks is invited to Schedule 1 to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified by the Reserve Bank vide [Notification No. FEMA 20/2000-RB dated 3rd May 2000](#), as amended from time to time.

2. At present, Foreign Institutional Investors, Qualified Foreign Investors and Non Resident Indians are eligible to acquire shares on the recognised stock exchanges in compliance with the conditions under Schedule 3, 4, 5 and 8 of FEMA Notification No. 20. A non-resident is not permitted to acquire shares on stock exchange under FDI scheme under Schedule 1 of FEMA Notification No. 20.

3. The issue of acquisition of shares under the FDI Scheme by a non-resident on a recognised stock exchange has been reviewed and as a further measure of liberalization, it has been decided that a non resident including a Non Resident Indian may acquire shares of a listed Indian company on the stock exchange through a registered broker under FDI scheme provided that:

- i. The non-resident investor has already acquired and continues to hold the control in accordance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations;
  - ii. The amount of consideration for transfer of shares to non-resident consequent to purchase on the stock exchange may be paid as below:
    - a. by way of inward remittance through normal banking channels, or
    - b. by way of debit to the NRE/FCNR account of the person concerned maintained with an authorised dealer/bank;
    - c. by debit to non-interest bearing Escrow account (in Indian Rupees) maintained in India with the AD bank in accordance with Foreign Exchange Management (Deposit) Regulations, 2000;
    - d. the consideration amount may also be paid out of the dividend payable by Indian investee company, in which the said non-resident holds control as (i) above, provided the right to receive dividend is established and the dividend amount has been credited to specially designated non –interest bearing rupee account for acquisition of shares on the floor of stock exchange.
  - iii. The pricing for subsequent transfer of shares to non-resident shareholder shall be in accordance with the pricing guidelines under FEMA;
  - iv. The original and resultant investments are in line with the extant FDI policy and FEMA regulations in respect of sectoral cap, entry route, reporting requirement, documentation, etc;
4. AD Category - I banks may bring the contents of the circular to the notice of their customers/constituents concerned.
5. Reserve Bank of India has since amended the relevant Regulations vide [Notification No.FEMA.279/2013-RB dated July 10, 2013](#) notified vide G.S.R.No.591 (E) dated September 4,2013 and [Notification No.FEMA.280 /2013-RB dated July 10, 2013](#) notified vide G.S.R.No.531 (E) , dated August 5,2013.

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

Yours faithfully

**(Rudra Narayan Kar)**

**Chief General Manager In-Charge**