



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

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**RBI/2011-12/562**

**A.P. (DIR Series) Circular No. 127**

**May 15, 2012**

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Foreign investment in NBFC Sector under the Foreign Direct  
Investment (FDI) Scheme - Clarification**

Attention of Authorised Dealers Category – I (AD Category - I) banks is invited to [A.P. \(Dir Series\) Circular No.121 dated May 8, 2012](#).

2. The Reserve Bank of India has been receiving requests for clarifications as to whether 'operating leases' would not be permissible in terms of para 3 of the circular *ibid*.
3. It is clarified that the activity 'leasing and finance', which is one among the eighteen NBFC activities wherein FDI up to 100 per cent is permitted under the automatic route, subject to minimum capitalisation norms, covers only 'financial leases' and not 'operating leases', in so far as the NBFC sector is concerned.
4. AD Category - I banks may bring the contents of the circular to the notice of their customers/constituents concerned.
5. Necessary amendments to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ([Notification No. FEMA 20/2000-RB dated May 3, 2000](#)) are being notified separately.

6. 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,

**(Rudra Narayan Kar)**  
**Chief General Manager**