



**Reserve Bank of India
Foreign Exchange Department
Central Office, Mumbai-400 001**

Notification No. FEMA.314/RB-2014

July 3, 2014

Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Second Amendment) Regulations, 2014

In exercise of the powers conferred by clause (a) of sub-section (3) of Section 6 and sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank hereby makes the following amendments in the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations 2004 ([Notification No. FEMA.120/RB-2004 dated July 7, 2004](#)), as amended from time to time, (hereinafter called the Principal Regulations or the Notification) namely:-

1. Short Title & Commencement:-

- (i) These Regulations shall be called the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) (Second Amendment) Regulations, 2014.
- (ii) They shall come into force from the date of publication in the Official Gazette.

2. Amendment to Regulation 6

A. In sub-regulation (2), the existing clause (iv) shall be substituted with the following, namely:

“(iv) The Indian Party has submitted Annual Performance Report in respect of all its overseas investments in the format given in Part III of the Form ODI, as prescribed by the Reserve Bank from time to time.”

B. In sub-regulation (2), the existing clause (vi) shall be substituted with the following, namely:



“(vi) The Indian Party submits duly completed Part I of the Form ODI, as prescribed by the Reserve Bank from time to time, to the designated branch of an authorised dealer.”

C. In sub-regulation (5), the existing clause (b) shall be substituted with the following, namely:

“(b) The Indian Party files with the designated authorised dealer in Parts I and II of the Form ODI, as prescribed by the Reserve Bank from time to time, full details of the investment proposed.”

3. Amendment to Regulation 9

A. The existing sub-regulation (2) shall be substituted with the following, namely:

“(2) Application for direct investment in Joint Venture / Wholly Owned Subsidiary outside India, or by way of exchange for shares of a foreign company, shall be made in Part I of the Form ODI, as prescribed by the Reserve Bank from time to time.”

B. The existing sub-regulation (2A) shall be substituted with the following, namely:

“(2A) An application made under sub-regulation (2) in Form ODI, as prescribed by the Reserve Bank from time to time

(a) for the purpose of investment by way of remittance from India, in an existing company outside India, shall be accompanied, by the valuation of shares of the company outside India, made-

- (i) where the investment is more than USD 5 (five) million, by a Category I Merchant Banker registered with SEBI or an Investment Banker / Merchant Banker registered with the appropriate regulatory authority in the host country; and
- (ii) in all other cases, by a Chartered Accountant or a Certified Public Accountant.

(b) for the purposes of investment by acquisition of shares of an existing company outside India where the consideration is to be paid fully or partly



by issue of the Indian party's shares, shall be accompanied by the valuation carried out by a Category I Merchant Banker registered with the SEBI or an Investment Banker / Merchant Banker registered with the appropriate regulatory authority in the host country.

4. Amendment to Regulation 14

A. The existing sub-regulation (2) shall be substituted with the following, namely:

- “(2) On the Indian party winning the bid,
- (i) the authorised dealer may allow further remittances towards acquisition of the foreign company, subject to the ceilings specified in Regulation 6; and
 - (ii) The Indian Party shall submit, through the designated authorised dealer concerned, a report to the Reserve Bank in Parts I and II of the Form ODI, as prescribed by the Reserve Bank from time to time, within 30 days of effecting the final remittance.”

B. The existing sub-regulation (3) shall be substituted with the following, namely:

- “(3) For participation in bidding or tender procedure for acquisition of a company incorporated outside India which does not fall within the provisions of sub-regulation (1), the Reserve Bank may, on application in Form ODI, as prescribed by the Reserve Bank from time to time, allow remittance of foreign exchange towards earnest money deposit or permit the authorised dealer in India to issue a bid bond guarantee, subject to such terms and conditions as the Reserve Bank may stipulate.”

C. In sub-regulation (4), the existing clause (a) shall be substituted with the following, namely:

- “(a) not in conformity with the provisions of Regulations in Part I, or different from those for which approval under sub-regulation (3) was obtained, the Indian Party shall submit application in Form ODI, as prescribed by the



Reserve Bank from time to time, to Reserve Bank for obtaining approval for the foreign direct investment in the manner specified in Regulation 9, or”

5. Amendment to Regulation 15

The existing sub-regulation (iii) shall be substituted with the following, namely:

“(iii) submit to the Reserve Bank, through the designated Authorised Dealer, every year on or before a specified date, an Annual Performance Report (APR) in Part III of Form ODI, as prescribed by the Reserve Bank from time to time, in respect of each JV or WOS outside India, and other reports or documents as may be prescribed by the Reserve Bank from time to time. The APR, so required to be submitted, has to be based on the audited annual accounts of the JV / WOS for the preceding year, unless specifically exempted by the Reserve Bank.”

6. Amendment to Regulation 19

The existing Regulation 19 shall be substituted with the following, namely:

“19. Prior Permission of the Reserve Bank for a Proprietary Concern in India to accept shares

A proprietary concern in India may apply to the Reserve Bank through the authorised dealer in Part I of the Form ODI, as prescribed by the Reserve Bank from time to time, for permission to accept shares of a company outside India in lieu of fees due to it for professional services rendered to the said company.

Provided that

- (a) the value of the shares accepted from each company outside India shall not exceed fifty per cent of the fees receivable by the Indian concern from that company and
- (b) the Indian concern’s shareholding in any one company outside India by virtue of shares accepted as aforesaid shall not exceed ten per cent of the paid-up capital of the company outside India, whose shares are accepted.”



7. Amendment to Schedule V

In Schedule V, in para 'D',

A. for the para (1), the following shall be substituted, namely:

“(1) The resident individual, making overseas direct investments under the provisions of this Schedule, submits duly completed Part I of the Form ODI, as prescribed by the Reserve Bank from time to time, to the designated authorised dealer, within 30 days of making the remittance.”

B. for the para (2), the following shall be substituted, namely:

“(2) The investment, as made by a resident individual, shall be reported by the designated authorised dealer to the Reserve Bank in Form ODI Part I and II, as prescribed by the Reserve Bank from time to time, within 30 days of making the remittance.”

C. for the para (4), the following shall be substituted, namely:

“(4) The disinvestment by the resident individual may be reported by the designated AD to the Reserve Bank in Part IV of Form ODI, as prescribed by the Reserve Bank from time to time, within 30 days of receipt of disinvestment proceeds.”

(C D Srinivasan)
Chief General Manager



Foot Note:

The Principal Regulations were published in the Official Gazette of GOI vide G.S.R. No 757 (E) dated November 19, 2004 – in Part II, Section 3, Sub-section (i) and subsequently amended vide:-

G.S.R. No. 220 (E) dated April 7, 2005,
G.S.R. No. 337 (E) dated May 27, 2005,
G.S.R. No. 552 (E) dated August 31, 2005,
G.S.R. No. 535 (E) dated September 6, 2006,
G.S.R. No.13 (E) dated January 5, 2008,
G.S.R. No. 209(E) dated March 25, 2008,
G.S.R. No.676 (E) dated September 24, 2008,
G.S.R. No.756 (E) dated October 31, 2008,
G.S.R. No.108 (E) dated February 20, 2009,
G.S.R. No. 301(E) dated May 1, 2009,
G.S.R. No. 441(E) dated June 23, 2009,
G.S.R. No. 609(E) dated August 28, 2009,
G.S.R. No. 607(E) dated August 3, 2012,
G.S.R. No. 609(E) dated August 3, 2012,
G.S.R. No. 947(E) dated December 31, 2012,
G.S.R. No. 345(E) dated May 29, 2013,
G.S.R. No. 516(E) dated July 30, 2013,
G.S.R. No. 529(E) dated August 05, 2013,
G.S.R. No. 552(E) dated August 14, 2013 and
G.S.R. No. 323(E) dated May 07, 2014.

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Sub-Section (i) dated 11.07.2014- G.S.R.No.489(E)**