



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI announces Regulatory Relaxations for Startups

In paragraph 14 of the [Sixth Bi-monthly Monetary Policy Statement for 2015-16](#) released today, the Governor highlighted the steps being taken by the Reserve Bank of India, in keeping with the Government's initiatives to promote the ease of doing business and contribute to an eco-system conducive for growth of entrepreneurship, particularly in respect of the start-up enterprises. The details are:

The following regulatory changes for easing the cross-border transactions, particularly relating to the operations of the start-up enterprises are proposed to be made, in consultation with the Government of India.

- (i) Enabling start-up enterprises, irrespective of the sector in which they are engaged, to receive foreign venture capital investment and also explicitly enabling transfer of shares from Foreign Venture Capital Investors to other residents or non-residents;
- (ii) Permitting, in case of transfer of ownership of a start-up enterprises, receipt of the consideration amount on a deferred basis as also enabling escrow arrangement or indemnity arrangement up to a period of 18 months;
- (iii) Enabling online submission of A2 forms for outward remittances on the basis of the form alone or with document(s) upload/submission, depending on the nature of remittance; and
- (iv) Simplifying the process for dealing with delayed reporting of Foreign Direct Investment (FDI) related transaction by building a penalty structure into the regulations itself.

The notifications/circulars under Foreign Exchange Management Act (FEMA), wherever necessary, will be issued shortly.

In addition, the following proposals are under consideration, in consultation with the Government of India

- (i) Permitting start-up enterprises to access rupee loans under External Commercial Borrowing (ECB) framework with relaxations in respect of eligible lenders, etc.;
- (ii) Issuance of innovative FDI instruments like convertible notes by start-up enterprises; and
- (iii) Streamlining of overseas investment operations for the start-up enterprises.

Certain other issues that are permissible under the existing regime shall be clarified

- (i) Issue of shares without cash payment through sweat equity or against any legitimate payment owed by the company remittance of which does not require any permission under FEMA; and
- (ii) Collection of payments by start-up enterprises on behalf of their subsidiaries abroad

The Reserve Bank has already created a dedicated [mailbox](#) to provide assistance and guidance to the start-up sector. Further, electronic reporting of investment and subsequent transactions will be made on e-Biz platform only. Submission of physical forms will be discontinued with effect from February 8, 2016.

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