RBI gives General permission for issue of ADRs/GDRs

January 20, 2000

In order to further simplify the procedure, the Reserve Bank of India has today granted general permissions under the Foreign Exchange Regulation Act (FERA)-1973 to Indian companies to make an international offering of Rupee denominated equity shares of the company by way of issue of American Depositary Receipts/Global Depositary Receipts (ADRs/GDRs). Besides, the necessary permissions under FERA-1973 for issue and export of ADRs/GDRs by the Indian company and acquisition of ADRs/GDRs by foreign investors have also been granted. Various other permissions necessary for launching an ADR/GDR issue have also been granted to the issuing companies.

Recently, the Government of India has made certain changes in the guidelines for ADR/GDR issues by the Indian companies in terms of which Indian companies issuing ADRs/GDRs need not approach Ministry of Finance, Government of India for prior approval, subject to the Reserve Bank of India's (RBI) approval under FERA-1973. These changes seek to further liberalise the operational procedures by dispensing with the track record scrutiny process and the two-stage approval by the Ministry of Finance, Department of Economic Affairs for ADR/GDR issues.

Issuing companies may now enter into agreements in respect of or ancillary to the offer including but not limited to the Subscription Agreements and Deposit Agreement and to provide the necessary warranties and indemnities in accordance with international practices.

Depositories may remit the dividends by purchasing foreign currency at the prevailing market rates through an authorised dealer in foreign exchange.

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