

Foreign Direct Investment : Reporting of Inflow Details to RBI Offices

In a major drive to simplify the procedures for foreign direct investment, the Reserve Bank of India had already granted general permission to Indian companies under the Foreign Exchange Regulation Act, dispensing with the need for prior approval from the Reserve Bank either for receipt of funds or for issue of shares under automatic route of the Reserve Bank/Government (Secretariat for Industrial Approval (SIA)/Foreign Investment Promotion Board (FIPB)) route. Thus, in terms of notification No.FERA.180/98-RB dated January 13, 1998 (as amended), general permission has been granted for issue of equity shares to foreign investors under the 'automatic route of RBI' as also to Non-Resident Indians/Overseas Corporate Bodies under 100 per cent Scheme. By issue of Notification No.FERA.182/98-RB dated February 10, 1998, similar general permission was granted to issue shares/securities to foreign investors in accordance with the approval granted by SIA/FIPB. The Indian companies issuing shares in accordance with the general permission are, however, required to file certain documents (including FIRC in support of receipt of funds) with the concerned regional office of the Reserve Bank within 30 days from the date of issue of shares.

Although the above measures constituted a positive step towards liberalisation and deregulation, the Reserve Bank has been experiencing difficulties in capturing inflow figures in time. This is particularly due to the fact that the Indian entities receiving remittances from abroad sometimes issue shares after a time gap or fail to report the position in time.

To monitor and compile inflow data, the Reserve Bank has today issued necessary amendments to the earlier notifications dated January 13 and February 10, 1998, making it mandatory for the Indian companies to report the receipt of foreign remittance within a period of 30 days from the date of receipt of funds. This requirement is in addition to the submission of the prescribed documents within 30 days from the date of issue of shares. Accordingly, Indian companies receiving funds from their foreign investors in accordance with the above general permission, should immediately report (in any case, not later than 30 days from the date of receipt of remittance) the following particulars regarding investment received, by a letter to the regional office of the Reserve Bank having jurisdiction over the company:

- i. Name of the foreign investor
- ii. Country of residence or incorporation of the foreign investor
- iii. Date of receipt of remittance and its rupee equivalent
- iv. Name and address of the authorised dealer in India through whom the remittance is received.
- v. In case the funds are received based on SIA/FIPB approval, the number and date of such approval.

As a measure of further liberalisation, the general permission granted for issue of equity shares in terms of Notification No.FERA.180/98-RB dated January 13, 1998 has been extended to :

- i. issue of preference shares also to foreign investors under the `automatic route of RBI' as also for non-resident Indians/overseas corporate bodies under 100 per cent scheme.
- ii. issue of equity up to 100 per cent in respect of items [generation and transmission of electric energy (through hydro/thermal power plants] included in Part `D' - Annexure III list as per Ministry of Industry Press Note No.2 dated June 13, 1998.

Two notifications dated November 11, 1998, Notification No. FERA. 188/98-RB and Notification No. FERA. 189/98-RB issued in this regard will be available on the Internet at <http://www.rbi.org.in>.

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