

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

**Notification No. FEMA. 308/2014-RB**

**June 30, 2014**

**Foreign Exchange Management (Transfer or Issue of Security by a Person  
Resident outside India) (Ninth Amendment) Regulations, 2014**

In exercise of the powers conferred by clause (b) of sub-section (3) of Section 6 and Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India hereby makes the following amendments in the Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000 ([Notification No. FEMA. 20/2000-RB dated 3rd May 2000](#)) (hereinafter called “the principal Regulations”) namely:-

**1. Short Title & Commencement**

- (i) These Regulations may be called the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) (Ninth Amendment) Regulations, 2014.
- (ii) They shall be deemed to have come into force from the date of the notification.

**2. Amendment to Regulation 2**

In the principal Regulations, in Regulation 2,

- (a) In clause (ii), at the end the following shall be added, namely:-

*“Explanation:* The equity shares issued in accordance with the provisions of the Companies Act, as applicable, shall include equity shares that have been partly paid. Preference shares and convertible debentures shall be required to be fully paid, mandatorily and fully convertible.”

- (b) after clause (xia), the following new clause shall be inserted, namely:

“(xib) ‘Warrant’ includes Share Warrant issued by an Indian Company in accordance to provisions of the Companies Act, as applicable. Such warrants

shall be treated as security within the meaning of Section 2(z) of FEMA, 1999.”

### **3. Amendment to Regulation 5**

In the principal Regulations, in Regulation 5, in sub-regulation (1),

(i) (a). for the clause (i), the following shall be substituted, namely:

“A person resident outside India (other than a citizen of Bangladesh or Pakistan) or an entity incorporated outside India (other than an entity in Bangladesh or Pakistan), may purchase shares or convertible debentures or warrants of an Indian company under Foreign Direct Investment Scheme, subject to the terms and conditions specified in Schedule 1.

Explanation: Shares or convertible debentures containing an optionality clause but without any option/right to exit at an assured price shall be reckoned as eligible instruments to be issued to a person resident outside India by an Indian company subject to the terms and conditions as specified in Schedule I.”

(b). in clauses (ii) and (iii), for the words, “shares and convertible debentures” the words, “shares or convertible debentures or warrants” shall be substituted

(ii) in sub-Regulation (2), for the words, “shares or convertible debentures” the words, “shares or convertible debentures or warrants” shall be substituted .

### **4. Amendment to Regulation 6B**

In the principal Regulations, in Regulation 6B, for the words, “right shares or bonus shares” the words, “right shares or bonus shares or warrants” shall be substituted.

### **5. Insertion of new Regulation**

In the principal Regulations, after Regulation 6B, the following shall be inserted, namely:

#### **“6C Acquisition of warrants**

An Indian company may issue warrants to a person resident outside India subject to terms and conditions stipulated by the Reserve Bank in this behalf from time to time.”

## **6. Amendment to Regulation 9**

In the principal Regulations, in Regulation 9, for the words, “shares and convertible debentures”, “shares or debentures” and “shares or convertible debentures” the words, “shares or convertible debentures or warrants” shall be substituted accordingly.

## **7. Amendment to Regulation 10**

(A). In the principal Regulations, in Regulation 10A,

(a) in sub-regulation (a), in clause (iii),

(i) for the existing sub-clause ‘f’, the following shall be substituted, namely:

“In case of shares or convertible debentures or warrants, a certificate from a Chartered Accountant or Merchant Banker registered with Securities & Exchange Board of India (SEBI) on the value of such securities according to the pricing guidelines stipulated by the Reserve Bank from time to time.”

(ii) in the existing sub-clause ‘g’, for the words, “shares and convertible debentures”, “shares or debentures” and “shares or convertible debentures” the words “shares or convertible debentures or warrants” shall be substituted

(iii) after existing sub-clause ‘g’, the following shall be inserted, namely:

“h. A declaration from the donee accepting partly paid shares or warrants that donee is aware of the liability as regards calls in arrear and consequences thereof.”

(b). in sub-regulation (b), (c) and (d) for the words, “shares or convertible debentures” the words, “shares or convertible debentures or warrants” shall be substituted.

(B). In the principal Regulations, in Regulation 10B and 10C, for the words, “shares or convertible debentures” and “share or convertible debentures”, wherever they appear, the words, “shares or convertible debentures or warrants” shall be substituted .

## **8. Amendment to Schedule 1**

In the principal Regulations, in Schedule 1,

(a) in the heading , for the words, “equity/preference/convertible preference shares and convertible debentures” the words, “shares or convertible debentures or warrants” shall be substituted ;

(b). for the words, “shares or convertible debentures” and “shares” wherever they appear in (a) in sub-paragraph (1) of Paragraph 1, in sub-paragraphs (1), (2), (3) of Paragraph 2, in sub-paragraphs (i) and (iv) of Paragraph 10, the words, “shares or convertible debentures or warrants” shall be substitute;.

(c). for the existing Paragraph 8 the following shall be substituted, namely:

**“8 Mode of payment for shares issued to person resident outside India**

A company in India issuing shares or convertible debentures or warrants under this Schedule to a person resident outside India shall receive the amount of consideration for such shares or convertible debentures or warrants-

- i) by inward remittance through normal banking channels, or
- ii) by debit to NRE/FCNR (B) account of the person concerned maintained with an authorised dealer/authorized bank, or
- iii) by debit to a non-interest bearing Escrow account (in Indian Rupees) maintained in India with an AD bank in accordance with Foreign Exchange Management ( Deposit ) Regulations, 2000,

Explanation: Conversion of Royalty/Lump sum fee due for payment or conversion of ECB, import of capital goods by units in Special Economic Zones, as given elsewhere in the Schedule, shall be treated as consideration for issue of shares within the meaning of this paragraph.

**Provided** that if the shares or convertible debentures or warrants are not issued within 180 days from the date of receipt of the inward remittance or date of NRE / FCNR (B) /Escrow account, the amount of consideration so received shall be refunded to the person concerned by outward remittance through normal banking channels or by credit to his NRE / FCNR (B) account, as the case may be;

**Provided further** that the Reserve Bank, may on application made to it and for sufficient reasons permit an Indian company to refund the amount of consideration received towards issue of security, if such amount of

consideration is outstanding beyond a period of 180 days from the date of receipt.

Explanation: In case of partly paid equity shares, the period of 180 days shall be reckoned from the date of receipt of each call payment.”

(d). In Paragraph 9,

- i. in sub-paragraph (1) and in clause (A), for the words, “shares or convertible debentures” the words, “shares or convertible debentures or warrants” shall be substituted ;
- ii. the existing Annex C hereto shall be deleted;
- iii. in sub-paragraph (1), in clause (A), for the words, “ a report in form specified as Annex C to this Schedule, the words “ report in Advance Reporting Form as specified by Reserve Bank from time to time”, shall be substituted;
- iv. in sub-paragraph(1) after clause(A), the following shall be added, namely:

Explanation: An Indian company issuing partly paid equity shares, shall furnish a report not later than 30 days from the date of receipt of each call payment.

- v. in sub-paragraph (B), for the words “the date of issue of shares” the words, “ the date of issue of shares or convertible debentures or warrants” shall be substituted;
- vi. in sub-paragraph (B), after the proviso, the following shall be added namely:

“Explanation: An Indian company issuing partly paid shares shall file a report in form FC-GPR to the extent they become paid up.”

## **9. Amendment to Schedule 2**

In the principal Regulations, in Schedule 2, for the words, “shares and/ or convertible debentures”, “shares and convertible debentures”, “share/debentures”, “shares / convertible debentures”, wherever they appear, the words, “shares or convertible debentures or warrants” shall be substituted.

## **10. Amendment to Schedule 2A**

In the principal Regulations, in Schedule 2A, for the words, “shares and/ or convertible debentures”, “shares and convertible debentures”, “share/debentures”, “shares / convertible debentures”, wherever they appear, the words, “shares or convertible debentures or warrants” shall be substituted.

#### **11. Amendment to Schedule 4**

In the principal Regulations, in Schedule 4, for the words, “shares/ convertible debentures”, “shares or convertible debentures” wherever they appear, the words, “shares or convertible debentures or warrants shall be substituted.

**(C.D.Srinivasan)**  
**Chief General Manager**

Foot Note:-

The Principal Regulations were published in the Official Gazette vide G.S.R. No.406 (E) dated May 8, 2000 in Part II, Section 3, sub-Section (i) and subsequently amended as under:-

G.S.R.No. 158(E) dated 02.03.2001  
G.S.R.No. 175(E) dated 13.03.2001  
G.S.R.No. 182(E) dated 14.03.2001  
G.S.R.No. 4(E) dated 02.01.2002  
G.S.R.No. 574(E) dated 19.08.2002  
G.S.R.No. 223(E) dated 18.03.2003  
G.S.R.No. 225(E) dated 18.03.2003  
G.S.R.No. 558(E) dated 22.07.2003  
G.S.R.No. 835(E) dated 23.10.2003  
G.S.R.No. 899(E) dated 22.11.2003  
G.S.R.No. 12(E) dated 07.01.2004  
G.S.R.No. 278(E) dated 23.04.2004  
G.S.R.No. 454(E) dated 16.07.2004  
G.S.R.No. 625(E) dated 21.09.2004  
G.S.R.No. 799(E) dated 08.12.2004  
G.S.R.No. 201(E) dated 01.04.2005  
G.S.R.No. 202(E) dated 01.04.2005

G.S.R.No. 504(E) dated 25.07.2005  
G.S.R.No. 505(E) dated 25.07.2005  
G.S.R.No. 513(E) dated 29.07.2005  
G.S.R.No. 738(E) dated 22.12.2005  
G.S.R.No. 29(E) dated 19.01.2006  
G.S.R.No. 413(E) dated 11.07.2006  
G.S.R.No. 712(E) dated 14.11.2007  
G.S.R.No. 713(E) dated 14.11.2007  
G.S.R.No. 737(E) dated 29.11.2007  
G.S.R.No. 575(E) dated 05.08.2008  
G.S.R.No. 896(E) dated 30.12.2008  
G.S.R.No. 851(E) dated 01.12.2009  
G.S.R.No. 341 (E) dated 21.04.2010  
G.S.R.No.821 (E) dated 10.11.2012  
G.S.R.No. 606(E) dated 03.08.2012  
G.S.R.No. 795(E) dated 30.10.2012  
G.S.R.No. 796(E) dated 30.10.2012  
G.S.R. No. 797(E) dated 30.10.2012  
G.S.R. No.945(E) dated 31.12.2012  
G.S.R. No.946(E) dated 31.12.2012  
G.S.R. No.38(E) dated 22.01.2013  
G.S.R.No.515(E) dated 30.07.2013,  
G.S.R.No.532(E) dated 05.08.2013,  
G.S.R. No.341(E) dated 28.05.2013  
G.S.R.No.344(E) dated 29.05.2013  
G.S.R. No.195(E) dated 01.04.2013  
G.S.R.No.393(E) dated 21.06.2013,  
G.S.R.No.591(E) dated 04.09.2013  
G.S.R.No.596(E) dated 06.09.2013  
G.S.R.No.597(E) dated 06.09.2013  
G.S.R.No.681(E) dated 11.10.2013  
G.S.R.No.682(E) dated 11.10.2013  
G.S.R. No818(E) dated 31.12.2013

G.S.R. No805(E) dated 30.12.2013

G.S.R.No.683(E) dated 11.10.2013

G.S.R.No.189(E) dated 19.03.2014

G.S.R.No.190(E) dated 19.03.2014

G.S.R.No.270(E) dated 07.04.2014

G.S.R.No.361(E) dated 27.05.2014

G.S.R.No.400(E) dated 12.06.2014

**Published in the Official Gazette of Government  
of India – Extraordinary – Part-II, Section 3,  
Sub-Section (i) dated 08.07.2014- G.S.R.No.436 (E)**