

June 8, 2007.

To

All Category- I Authorised Dealer Banks

Madam / Sirs,

Investment by Mutual Funds in Overseas Securities - Liberalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Regulation 6C and Regulation 26 of Notification No.FEMA.120/RB-2004 dated 7 July 2004, as amended, from time to time, AP (Dir Series) Circular No. 97 dated April 29, 2003 and AP.(DIR Series) Circular No. 3 dated July 26, 2006.

2. Presently, Mutual Funds, registered with SEBI, are permitted to invest in ADRs/GDRs of Indian companies, rated debt instruments and also in the equity of overseas companies listed on a recognised stock exchange overseas. To enable the Mutual Funds to tap a larger investible stock overseas, it has been decided that they may also invest in

i) Overseas mutual funds that make nominal investments (say to the extent of 10% of net asset value) in unlisted overseas securities;

ii) Overseas exchange traded funds that invest in securities; and

iii) ADRs/GDRs of foreign companies.

3. Monthly reporting requirement to the Reserve Bank as stipulated vide A.P. (DIR Series) Circular No.3 dated July 26, 2006 would continue for statistical purposes with modifications to include the above three categories of investments. The revised format is annexed.

4. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 will be issued separately.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

Salim Gangadharan
Chief General Manager

[Annex to A.P.(DIR Series) Circular No.72 dated 08.06.2007]

(USD in thousands)

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