

September 05, 2008

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Investment – Rationalisation

Attention of the Authorised Dealer Category - I (AD Category - I) banks is invited to Notification No.FEMA120/RB-2004 dated 7th July, 2004 [Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004] (the Notification), as amended from time to time.

2. In terms of Regulation 15 of the Notification *ibid*, an Indian party which has acquired foreign security in terms of Regulations in Part I of the Notification shall receive share certificates or any other document as an evidence of investment in the foreign entity to the satisfaction of the Reserve Bank within six months, or such further period as Reserve Bank may permit, from the date of effecting remittance or the date on which the amount to be capitalised became due to the Indian Party or the date on which the amount due was allowed to be capitalised. The documentary evidence of investment is required to be submitted to the Regional Office concerned of Reserve Bank.

3. With a view to further simplifying the procedure, it has been decided that, henceforth, such share certificates or any other document as an evidence of investment in the foreign entity should not to be submitted to the Reserve Bank. The share certificates or any other document as evidence of investment where share certificates are not issued shall, henceforth, be submitted to and retained by the designated AD Category – I bank, who would be required to monitor the receipt of such documents and satisfy themselves about the bonafides of the documents so received. A certificate to this effect should be submitted by the designated AD Category – I bank to the Reserve Bank along with the APR (Part III of Form ODI) as annexed to AP (Dir Series) Circular No 68 dated June 1, 2007.

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

5. 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 is without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge