Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion
(FC Section)

Press Note No. 1 (2008)

Subject: Guidelines for foreign investment in Credit Information Companies.

On a review of the extant policy on Foreign Direct Investment, Government of India has decided to allow foreign investment in Credit Information Companies (CICs) as under.

2. Definitions

In terms of the Credit Information Companies (Regulation) Act, 2005-

(a) "credit information" means any information relating to—

(i) the amounts and the nature of loans or advances, amounts outstanding under credit cards and other credit facilities granted or to be granted, by a credit institution to any borrower;

(ii) the nature of security taken or proposed to be taken by a credit institution from any borrower for credit facilities granted or proposed to be granted to him;

(iii) the guarantee furnished or any other non-fund based facility granted or proposed to be granted by a credit institution for any of its borrowers;

(iv) the creditworthiness of any borrower of a credit institution;

(v) any other matter which the Reserve Bank may, consider necessary for inclusion in the credit information to be collected and maintained by credit information companies, and, specify, by notification, in this behalf;

(b) "credit information company" means a company formed and registered under the Companies Act, 1956 (1 of 1956) and which has been granted a certificate of registration under sub-section (2) of Section 5.

3. Policy for foreign investment in Credit Information Companies

3.1 Foreign investment in Credit Information Companies is subject to the Credit Information Companies (Regulation) Act, 2005.

3.2 Foreign investment i.e. Foreign Direct Investment (FDI) under the FDI Scheme incorporated as Schedule 1 under regulation 5 (1) of the Foreign Exchange Management (Transfer or Issue of Security By a Person Resident Outside India) Regulations, 2000 (FEMA Regulations)

+ investment by registered Foreign Institutional Investors (FII) under the Portfolio Investment Scheme incorporated as Schedule 2 under Regulation 5(2) of the FEMA Regulations, is allowed up to 49% with prior approval of the Government and regulatory clearance from RBI.

3.3 Investment by a registered FII under the Portfolio Investment Scheme would be permitted up to 24% only in the CICs listed at the Stock Exchanges, within the overall limit of 49% for foreign investment.

3.4 Such FII investment would be permitted subject to the conditions that:

(a) No single entity should directly or indirectly hold more than 10% equity.

(b) Any acquisition in excess of 1% will have to be reported to RBI as a reporting requirement; and

(c) FIIs investing in CICs shall not seek a representation on the Board of Directors based upon their shareholding.

4. Change in Policy for FDI in NBFC activities

In pursuance of the policy as at 3 above, Government of India has decided to delete 'Credit Reference Agencies' from the list of NBFC activities in col. 20 of the Annex to Press Note 4(2006) dated 10.2.2006.

5. FDI Policy announced vide Annex to Press Note 4(2006) dated 10th February 2006 stands modified to the above extent.

12/3/2008

GOPAL KRISHNA

Joint Secretary to the Government of India

D/o IPP F.No. 5(10)/2006-FC dated 12th March, 2008

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