

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

Press Note No. 12 (2015 Series)

Subject: Review of Foreign Direct Investment (FDI) policy on various sectors

The Government of India has reviewed the extant FDI policy on various sectors and made following amendments in the Consolidated FDI Policy Circular of 2015 (**FDI Policy**), effective from May 12, 2015, and as amended from time to time.

2. After para 2.1.25 of the FDI Policy, following definition of the term 'Manufacture' is added:

2.1.25 bis: "Manufacture", with its grammatical variations, means a change in a non-living physical object or article or thing- (a) resulting in transformation of the object or article or thing into a new and distinct object or article or thing having a different name, character and use; or (b) bringing into existence of a new and distinct object or article or thing with a different chemical composition or integral structure.

Para 6.2.5 of the FDI Policy is amended to read as under:

Subject to the provisions of the FDI policy, foreign investment in 'manufacturing' sector is under automatic route. Further, a manufacturer is permitted to sell its products manufactured in India through wholesale and/or retail, including through e-commerce without Government approval.

3. Para 3.2.5 of the FDI Policy is amended to read as under:

FDI in LLPs is permitted, subject to the following conditions:

- (a) FDI is permitted under the automatic route in LLPs operating in sectors/activities where 100% FDI is allowed, through the automatic route and there are no FDI-linked performance conditions.

(b) An Indian company or an LLP, having foreign investment, will be permitted to make downstream investment in another company or LLP in sectors in which 100% FDI is allowed under the automatic route and there are no FDI-linked performance conditions.

(c) FDI in LLP is subject to the compliance of the conditions of LLP Act, 2008.

4. Para 2.1.7 of the FDI Policy is amended to read as under:

‘Control’ shall include the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

For the purposes of Limited Liability Partnership, ‘control’ will mean right to appoint majority of the designated partners, where such designated partners, with specific exclusion to others, have control over all the policies of the LLP.

5. Para 2.1.28 of the FDI Policy is amended to read as under:

A company is considered as **‘Owned’** by resident Indian citizens if more than 50% of the capital in it is beneficially owned by resident Indian citizens and / or Indian companies, which are ultimately owned and controlled by resident Indian citizens.

A Limited Liability Partnership will be considered as owned by resident Indian citizens if more than 50% of the investment in such an LLP is contributed by resident Indian citizens and/or entities which are ultimately ‘owned and controlled by resident Indian citizens’ and such resident Indian citizens and entities have majority of the profit share.

6. Para 3.10.4.2 of the FDI Policy is amended to read as under:

Downstream investments by Indian companies/LLPs will be subject to the following conditions:

(i) Such a company/LLP is to notify SIA, DIPP and FIPB of its downstream investment in the form available at <http://www.fipbindia.com> within 30 days of such investment, even if capital instruments have not been allotted along with the

modality of investment in new/existing ventures (with/without expansion programme);

- (ii) Downstream investment by way of induction of foreign equity in an existing Indian Company to be duly supported by a resolution of the Board of Directors as also a shareholders agreement, if any;
- (iii) Issue/transfer/pricing/valuation of shares shall be in accordance with applicable SEBI/RBI guidelines;
- (iv) For the purpose of downstream investment, the Indian companies/LLPs making the downstream investments would have to bring in requisite funds from abroad and not leverage funds from the domestic market. This would, however, not preclude downstream companies/LLPs, with operations, from raising debt in the domestic market. Downstream investments through internal accruals are permissible, subject to the provisions of paragraphs 3.10.3 and 3.10.4.1. For the purposes of FDI policy, internal accruals will mean as profits transferred to reserve account after payment of taxes.

7. Para 3.10.3.3 of the FDI Policy is amended to read as under:

For undertaking activities which are under automatic route and without FDI linked performance conditions, Indian company which does not have any operations and also does not have any downstream investments, will be permitted to have infusion of foreign investment under automatic route. However approval of the Government will be required for such companies for infusion of foreign investment for undertaking activities which are under Government route, regardless of the amount or extent of foreign investment. Further, as and when such a company commences business(s) or makes downstream investment, it will have to comply with the relevant sectoral conditions on entry route, conditionalities and caps.

8. Para 3.5.6 of the FDI Policy is amended to read as under:

In cases of investment by way of swap of shares, irrespective of the amount, valuation of the shares will have to be made by a Merchant Banker registered with SEBI or an Investment Banker outside India registered with the appropriate regulatory authority in the host country. Approval of the Government will also be a prerequisite for investment by swap of shares for sector under Government approval

route. No approval of the Government is required for investment in automatic route sectors by way of swap of shares.

9. Insertion of a new para after para 3.1.3 of the FDI Policy:

A company, trust and partnership firm incorporated outside India and owned and controlled by non-resident Indians can invest in India with the special dispensation as available to Non-Resident Indians under the FDI policy.

10. Para 3.6.2 of the FDI Policy is amended to read as under

Guidelines for establishment of Indian companies/ transfer of ownership or control of Indian companies, from resident Indian citizens to non-resident entities, in sectors under government approval route

Foreign investment in sectors/activities under government approval route will be subject to government approval where:

- (i) An Indian company is being established with foreign investment and is not owned by a resident entity or
- (ii) An Indian company is being established with foreign investment and is not controlled by a resident entity or
- (iii) The control of an existing Indian company, currently owned or controlled by resident Indian citizens and Indian companies, which are owned or controlled by resident Indian citizens, will be/is being transferred/passed on to a non-resident entity as a consequence of transfer of shares and/or fresh issue of shares to non-resident entities through amalgamation, merger/demerger, acquisition etc. or
- (iv) The ownership of an existing Indian company, currently owned or controlled by resident Indian citizens and Indian companies, which are owned or controlled by resident Indian citizens, will be/is being transferred/passed on to a non-resident entity as a consequence of transfer of shares and/or fresh issue of shares to non-resident entities through amalgamation, merger/demerger, acquisition etc.
- (v) It is clarified that Foreign investment shall include all types of foreign investments i.e. FDI, investment by FIIs, FPIs, QFIs, NRIs, ADRs, GDRs, Foreign Currency Convertible Bonds (FCCB) and fully, mandatorily &

compulsorily convertible preference shares/debentures, regardless of whether the said investments have been made under Schedule 1, 2, 2A, 3, 6 and 8 of FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations.

- (vi) Investment by NRIs under Schedule 4 of FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations will be deemed to be domestic investment at par with the investment made by residents.
- (vii) A company, trust and partnership firm incorporated outside India and owned and controlled by non-resident Indians will be eligible for investments under Schedule 4 of FEMA (Transfer or issue of Security by Persons Resident Outside India) Regulations and such investment will also be deemed domestic investment at par with the investment made by residents.

11. Para 5.2 of the FDI Policy is amended to read as under:

- 5.2.1 The Minister of Finance who is in-charge of FIPB would consider the recommendations of FIPB on proposals with total foreign equity inflow of and below Rs. 5000 crore.
- 5.2.2 The recommendations of FIPB on proposals with total foreign equity inflow of more than Rs. 5000 crore would be placed for consideration of Cabinet Committee on Economic Affairs (CCEA).
- 5.2.3 The CCEA would also consider the proposals which may be referred to it by the FIPB/the Minister of Finance (in-charge of FIPB).

12. Para 6.2.1.1 of the FDI Policy is amended to read as under:

The term “under controlled conditions” covers the following:

- (i) ‘Cultivation under controlled conditions’ for the categories of floriculture, horticulture, cultivation of vegetables and mushrooms is the practice of cultivation wherein rainfall, temperature, solar radiation, air humidity and culture medium are controlled artificially. Control in these parameters may be effected through protected cultivation under green houses, net houses, poly houses or any other improved infrastructure facilities where micro-climatic conditions are regulated anthropogenically.
- (ii) In case of Animal Husbandry, scope of the term ‘under controlled conditions’ covers –

- (a) Rearing of animals under intensive farming systems with stall-feeding. Intensive farming system will require climate systems (ventilation, temperature/humidity management), health care and nutrition, herd registering/pedigree recording, use of machinery, waste management systems as prescribed by the National Livestock Policy, 2013 and in conformity with the existing 'Standard Operating Practices and Minimum Standard Protocol.'
- (b) Poultry breeding farms and hatcheries where micro-climate is controlled through advanced technologies like incubators, ventilation systems etc.
- (iii) In the case of pisciculture and aquaculture, scope of the term 'under controlled conditions' covers –
 - (a) Aquariums
 - (b) Hatcheries where eggs are artificially fertilized and fry are hatched and incubated in an enclosed environment with artificial climate control.
- (iv) In the case of apiculture, scope of the term 'under controlled conditions' covers–
 - (a) Production of honey by bee-keeping, except in forest/wild, in designated spaces with control of temperatures and climatic factors like humidity and artificial feeding during lean seasons.

13. Para 6.2.2 of the FDI Policy is amended to read as under:

Sector/Activity	Foreign Investment Cap	Entry Route
(i) Tea sector including tea plantations (ii) Coffee plantations (iii) Rubber plantations (iv) Cardamom plantations (v) Palm oil tree plantations (vi) Olive oil tree plantations Note: Besides the above, FDI is not allowed in any other plantation sector/activity.	100%	Automatic

6.2.2.2 Other Condition

Prior approval of the State Government concerned is required in case of any future land use change.

14. Para 6.2.3.3.2 of the FDI Policy is amended to read as under:

(i) FDI for separation of titanium bearing minerals & ores will be subject to the following conditions viz.:

(A) value addition facilities are set up within India along with transfer of technology;

(B) disposal of tailings during the mineral separation shall be carried out in accordance with regulations framed by the Atomic Energy Regulatory Board such as Atomic Energy (Radiation Protection) Rules, 2004 and the Atomic Energy (Safe Disposal of Radioactive Wastes) Rules, 1987.

(ii) FDI will not be allowed in mining of “prescribed substances” listed in the Notification No. S.O. 61(E), dated 18.1.2006, issued by the Department of Atomic Energy.

Clarification:

(1) For titanium bearing ores such as Ilmenite, Leucosene and Rutile, manufacture of titanium dioxide pigment and titanium sponge constitutes value addition. Ilmenite can be processed to produce 'Synthetic Rutile or Titanium Slag as an intermediate value added product.

(2) The objective is to ensure that the raw material available in the country is utilized for setting up downstream industries and the technology available internationally is also made available for setting up such industries within the country. Thus, if with the technology transfer, the objective of the FDI Policy can be achieved, the conditions prescribed at (i) (A) above shall be deemed to be fulfilled.

15. Para 6.2.6 of the FDI Policy is amended to read as under:

Sector/Activity	Foreign Investment Cap	Entry Route
6.2.6.1 Defence Industry subject to Industrial license under the Industries (Development & Regulation) Act, 1951	49%	Automatic up to 49% Above 49% under Government route on case to case basis, wherever it is likely to result in access to modern and 'state-of-art' technology in the country.

6.2.6.2 Other Conditions

- (i) Infusion of fresh foreign investment within the permitted automatic route level, in a company not seeking industrial license, resulting in change in the ownership pattern or transfer of stake by existing investor to new foreign investor, will require Government approval.
- (ii) Licence applications will be considered and licences given by the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, in consultation with Ministry of Defence and Ministry of External Affairs.
- (iii) Foreign investment in the sector is subject to security clearance and guidelines of the M/o Defence.
- (iv) Investee company should be structured to be self-sufficient in areas of product design and development. The investee/joint venture company along with manufacturing facility, should also have maintenance and life cycle support facility of the product being manufactured in India.

16. Para 6.2.7.1 of the FDI Policy is amended to read as under:

Sector/Activity	Foreign Investment Cap	Entry Route
6.2.7.1.1 (1)Teleports(setting up of up-linking HUBs/Teleports); (2)Direct to Home (DTH); (3)Cable Networks (Multi System Operators (MSOs) operating at National or State or District level and undertaking upgradation of networks towards digitalization and addressability); (4)Mobile TV; (5)Headend-in-the Sky Broadcasting Service(HITS)	100%	Automatic up to 49% Government route beyond 49%
6.2.7.1.2 Cable Networks (Other MSOs not undertaking upgradation of networks towards digitalization and addressability and Local Cable Operators (LCOs))	100%	Automatic up to 49% Government route beyond 49%

Para 6.2.7.2 of the FDI Policy is amended to read as under:

Sector/Activity	Foreign Investment Cap	Entry Route
6.2.7.2.1 Terrestrial Broadcasting FM (FM Radio), subject to such terms and conditions, as specified from time to time, by Ministry of Information & Broadcasting, for grant of permission for setting up of FM Radio stations	49%	Government
6.2.7.2.2 Up-linking of 'News & Current Affairs' TV Channels	49%	Government
6.2.7.2.3 Up-linking of Non-'News & Current Affairs' TV Channels, Down-linking of TV Channels	100%	Automatic

Consequent to increase in sectoral cap in certain activities of the sector, para 4.1.3 (v)(d) of FDI Policy will read as under:

In the I& B sector where the sectoral cap is up to 49%, the company would need to be 'owned and controlled' by resident Indian citizens and Indian companies, which are owned and controlled by resident Indian citizens.

(A) For this purpose, the equity held by the largest Indian shareholder would have to be at least 51% of the total equity, excluding the equity held by Public Sector Banks and Public Financial Institutions, as defined in Section 4A of the Companies Act, 1956 or Section 2 (72) of the Companies Act, 2013, as the case may be. The term 'largest Indian shareholder', used in this clause, will include any or a combination of the following:

- (l) In the case of an individual shareholder,
 - (aa) The individual shareholder,
 - (bb) A relative of the shareholder within the meaning of Section 2 (77) of Companies Act, 2013.

- (cc) A company/group of companies in which the individual shareholder/HUF to which he belongs has management and controlling interest.
- (II) In the case of an Indian company,
 - (aa) The Indian company
 - (bb) A group of Indian companies under the same management and ownership control.

(B) For the purpose of this Clause, "Indian company" shall be a company which must have a resident Indian or a relative as defined under Section 2 (77) of Companies Act, 2013/ HUF, either singly or in combination holding at least 51% of the shares.

(C) Provided that, in case of a combination of all or any of the entities mentioned in Sub-Clauses (I) and (II) of clause 4.1.3(v)(d)(A) above, each of the parties shall have entered into a legally binding agreement to act as a single unit in managing the matters of the applicant company.

17. Para 6.2.9.3 of the FDI Policy is amended to read as under:

Sector/Activity	Foreign Investment Cap	Entry Route
(1) (a) Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline (b) Regional Air Transport Service	49% FDI (100% for NRIs)	Automatic
(2) Non-Scheduled Air Transport Service	100%	Automatic
(3) Helicopter services/seaplane services requiring DGCA approval	100%	Automatic

There is no change in other conditions mentioned at 6.2.9.3.1 of the FDI Policy and Note thereto.

18. Para 6.2.9.4 of the FDI Policy is amended to read as under:

Sector/Activity	Foreign Investment Cap	Entry Route
(1)Ground Handling Services subject to sectoral regulations and security clearance	100%	Automatic
(2)Maintenance and Repair organizations; flying training institutes; and technical training institutions.	100%	Automatic

19. Para 6.2.13 of the FDI Policy is amended to read as under:

Sector/Activity	Foreign Investment Cap	Entry Route
6.2.13.1 Satellites- establishment and operation, subject to the sectoral guidelines of Department of Space/ISRO	100%	Government

20. Para 6.2.18.5 of the FDI Policy is amended to read as under:

Sector/Activity	Foreign Investment Cap	Entry Route
6.2.18.5.1 Credit Information Companies	100%	Automatic

6.2.18.5.2 Other Conditions

- (1) Foreign investment in Credit Information Companies is subject to the Credit Information Companies (Regulation) Act, 2005.
- (2) Foreign investment is permitted subject to regulatory clearance from RBI.
- (3) Such FII/FPI investment would be permitted subject to the conditions that:

- (a) A single entity should directly or indirectly hold below 10% equity.
- (b) Any acquisition in excess of 1% will have to be reported to RBI as a mandatory requirement; and
- (c) FII/FPIs investing in CICs shall not seek a representation on the Board of Directors based upon their shareholding.

21. Para 6.2.11 of the FDI Policy is amended to read as under:

Sector/Activity	Foreign Investment Cap	Entry Route
6.2.11.1 Construction-development projects (which would include development of townships, construction of residential/commercial premises, roads or bridges, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure, townships)	100%	Automatic

6.2.11.2

Each phase of the construction development project would be considered as a separate project for the purposes of FDI policy. Investment will be subject to the following conditions:

- (A) (i) The investor will be permitted to exit on completion of the project or after development of trunk infrastructure i.e. roads, water supply, street lighting, drainage and sewerage.
- (ii) Notwithstanding anything contained at (A) (i) above, a foreign investor will be permitted to exit and repatriate foreign investment before the completion of project under automatic route, provided that a lock-in-period of three years, calculated with reference to each tranche of foreign investment has been completed. Further, transfer of stake from one non-resident to another non-resident, without repatriation of investment will neither be subject to any lock-in period nor to any government approval.
- (B) The project shall conform to the norms and standards, including land use requirements and provision of community amenities and common facilities, as laid

down in the applicable building control regulations, bye-laws, rules, and other regulations of the State Government/Municipal/Local Body concerned.

(C) The Indian investee company will be permitted to sell only developed plots. For the purposes of this policy “developed plots” will mean plots where trunk infrastructure i.e. roads, water supply, street lighting, drainage and sewerage, have been made available.

(D) The Indian investee company shall be responsible for obtaining all necessary approvals, including those of the building/layout plans, developing internal and peripheral areas and other infrastructure facilities, payment of development, external development and other charges and complying with all other requirements as prescribed under applicable rules/bye-laws/regulations of the State Government/Municipal/Local Body concerned.

(E) The State Government/Municipal/Local Body concerned, which approves the building/development plans, will monitor compliance of the above conditions by the developer.

Note:

(i) It is clarified that FDI is not permitted in an entity which is engaged or proposes to engage in real estate business, construction of farm houses and trading in transferable development rights (TDRs).

“Real estate business” means dealing in land and immovable property with a view to earning profit therefrom and does not include development of townships, construction of residential/ commercial premises, roads or bridges, educational institutions, recreational facilities, city and regional level infrastructure, townships. Further, earning of rent/ income on lease of the property, not amounting to transfer, will not amount to real estate business.

(ii) Condition of lock-in period at (A) above will not apply to Hotels & Tourist Resorts, Hospitals, Special Economic Zones (SEZs), Educational Institutions, Old Age Homes and investment by NRIs.

(iii) Completion of the project will be determined as per the local bye-laws/rules and other regulations of State Governments.

(iv) It is clarified that 100% FDI under automatic route is permitted in completed projects for operation and management of townships, malls/ shopping complexes and business centres. Consequent to foreign investment, transfer of ownership and/or control of the investee company from residents to non-residents is also permitted. However, there would be a lock-in-period of three years, calculated with

reference to each tranche of FDI, and transfer of immovable property or part thereof is not permitted during this period.

(v) "Transfer", in relation to FDI policy on the sector, includes,—

- (a) the sale, exchange or relinquishment of the asset ; or
- (b) the extinguishment of any rights therein ; or
- (c) the compulsory acquisition thereof under any law ; or
- (d) any transaction involving the allowing of the possession of any immovable property to be taken or retained in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882 (4 of 1882) ; or
- (e) any transaction, by acquiring shares in a company or by way of any agreement or any arrangement or in any other manner whatsoever, which has the effect of transferring, or enabling the enjoyment of, any immovable property.

22. Para 6.2.16.1.2 (f) of the FDI Policy is amended to read as under:

A wholesale/cash & carry trader can undertake single brand retail trading, subject to the conditions mentioned in para 6.2.16.3. An entity undertaking wholesale/cash and carry as well as retail business will be mandated to maintain separate books of accounts for these two arms of the business and duly audited by the statutory auditors. Conditions of the FDI policy for wholesale/cash and carry business and for retail business have to be separately complied with by the respective business arms.

23. Para 6.2.16.3 of the FDI Policy is amended to read as under:

Sector/Activity	Foreign Investment Cap	Entry Route
Single Brand Product Retail Trading	100%	Automatic up to 49% Government route beyond 49%
(1) Foreign Investment in Single Brand product retail trading is aimed at attracting investments in production and marketing, improving the availability of such goods for the consumer, encouraging increased sourcing of goods from India, and enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices.		

(2) FDI in Single Brand product retail trading would be subject to the following conditions:

- (a) Products to be sold should be of a 'Single Brand' only.
- (b) Products should be sold under the same brand internationally i.e. products should be sold under the same brand in one or more countries other than India.
- (c) 'Single Brand' product-retail trading would cover only products which are branded during manufacturing.
- (d) A non-resident entity or entities, whether owner of the brand or otherwise, shall be permitted to undertake 'single brand' product retail trading in the country for the specific brand, directly or through a legally tenable agreement with the brand owner for undertaking single brand product retail trading. The onus for ensuring compliance with this condition will rest with the Indian entity carrying out single-brand product retail trading in India. The investing entity shall provide evidence to this effect at the time of seeking approval, including a copy of the licensing/franchise/sub-licence agreement, specifically indicating compliance with the above condition. The requisite evidence should be filed with the RBI for the automatic route and SIA/FIPB for cases involving approval.
- (e) In respect of proposals involving FDI beyond 51%, sourcing of 30% of the value of goods purchased, will be done from India, preferably from MSMEs, village and cottage industries, artisans and craftsmen, in all sectors. The quantum of domestic sourcing will be self-certified by the company, to be subsequently checked, by statutory auditors, from the duly certified accounts which the company will be required to maintain. This procurement requirement would have to be met annually from the commencement of the business i.e. opening of the first store. For the purpose of ascertaining the sourcing requirement, the relevant entity would be the company, incorporated in India, which is the recipient of Foreign Investment for the purpose of carrying out single-brand product retail trading.
- (f) Subject to the conditions mentioned in this Para, a single brand retail trading entity operating through brick and mortar stores, is permitted to undertake retail trading through e-commerce.

(3) Application seeking permission of the Government for FDI exceeding 49% in a

company which proposes to undertake single brand retail trading in India would be made to the Secretariat for Industrial Assistance (SIA) in the Department of Industrial Policy & Promotion. The applications would specifically indicate the product/product categories which are proposed to be sold under a 'Single Brand'. Any addition to the product/product categories to be sold under 'Single Brand' would require a fresh approval of the Government. In case of FDI up to 49%, the list of products/product categories proposed to be sold except food products would be provided to the RBI.

- (4) Applications would be processed in the Department of Industrial Policy & Promotion, to determine whether the proposed investment satisfies the notified guidelines, before being considered by the FIPB for Government approval.

Note:

- (i) Conditions mentioned at Para 6.2.16.3 (2) (b) & 6.2.16.3 (2) (d) will not be applicable for undertaking SBRT of Indian brands.
- (ii) An Indian manufacturer is permitted to sell its own branded products in any manner i.e. wholesale, retail, including through e-commerce platforms.
- (iii) Indian manufacturer would be the investee company, which is the owner of the Indian brand and which manufactures in India, in terms of value, at least 70% of its products in house, and sources, at most 30% from Indian manufacturers.
- (iv) Indian brands should be owned and controlled by resident Indian citizens and/or companies which are owned and controlled by resident Indian citizens.
- (v) Government may relax sourcing norms for entities undertaking single brand retail trading of products having 'state-of-art' and 'cutting-edge' technology and where local sourcing is not possible.

24. After para 6.2.16.4 of the FDI Policy, following new para is added:

Sector/Activity	Foreign Investment Cap	Entry Route
6.2.16.5 Duty Free Shops	100%	Automatic
(i) Duty Free Shops would mean shops set up in custom bonded area at International Airports/International Seaports and Land Custom Stations where there is transit of international passengers.		
(ii) Foreign investment in Duty Free Shops is subject to compliance of conditions		

stipulated under the Customs Act, 1962 and other laws, rules and regulations.

(iii) Duty Free Shop entity shall not engage into any retail trading activity in the Domestic Tariff Area of the country.

25. Para 6.2.18.2.2.4(i) of the FDI Policy is amended to read as under:

The permissible limits under portfolio investment schemes through stock exchanges for FIIs/FPIs and NRIs will be as follows:

- (i) In the case of FIIs/FPIs, as hitherto, individual FII/FPI holding is restricted to below 10 per cent of the total paid-up capital, aggregate limit for all FIIs/FPIs/QFIs cannot exceed 24 per cent of the total paid-up capital, which can be raised up to sectoral limit of 74 per cent of the total paid-up capital by the bank concerned through a resolution by its Board of Directors followed by a special resolution to that effect by its General Body.
- (a) In the case of NRIs, as hitherto, individual holding is restricted to 5 per cent of the total paid-up capital both on repatriation and non-repatriation basis and aggregate limit cannot exceed 10 per cent of the total paid-up capital both on repatriation and non-repatriation basis. However, NRI holding can be allowed up to 24 per cent of the total paid-up capital both on repatriation and non-repatriation basis provided the banking company passes a special resolution to that effect in the General Body.
- (b) Applications for foreign direct investment in private banks having joint venture/subsidiary in insurance sector may be addressed to the Reserve Bank of India (RBI) for consideration in consultation with the Insurance Regulatory and Development Authority of India (IRDAI) in order to ensure that the 49 per cent limit of foreign shareholding applicable for the insurance sector is not being breached.
- (c) Transfer of shares under FDI from residents to non-residents will continue to require approval of RBI and Government as per para 3.6.2 above as applicable.
- (d) The policies and procedures prescribed from time to time by RBI and other institutions such as SEBI, D/o Company Affairs and IRDAI on these matters will continue to apply.
- (e) RBI guidelines relating to acquisition by purchase or otherwise of shares of a private bank, if such acquisition results in any person owning or controlling 5

per cent or more of the paid up capital of the private bank will apply to non-resident investors as well.

26. The above decision will take immediate effect.


(Atul Chaturvedi)

Joint Secretary to the Government of India

D/o IPP File No.: 5/8/2015-FC-I dated: 24th November, 2015

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For suitably incorporating the policy changes in Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 and the relevant schedules thereof.