# Frequently Asked Questions (FAQs) on Guidelines for Investments from Countries Sharing Land Bordering with India (LBCs)

## (1) What are the key changes introduced by the amendments through Press Note 2 (2026) dated 15.03.2026 (PN 2/2026)?

The key changes introduced through PN 2/2026 are as follows:

**(a) Clarification of the definition and assessment of Beneficial Owner (BO):**

There was no definition referred to/ provided in PN3/2020. The definition of BO has been aligned with the Prevention of Money-Laundering Act, 2002, and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, to provide for clarity on cases requiring prior Government approval. Para 3.1.1(c) of the FDI Policy provides the definition of BO and the manner of its determination.

**(b) Level at which the BO test applies:**

It is clarified that the BO test applies at the level of the investor entity incorporated in a non-LBC jurisdiction. This provides greater certainty and clarity in determining BO.

**(c) Investments by citizens of LBCs:**

It is clarified that investments by citizens of an LBC require Government approval. However, investments by an NRI or a citizen of a non-LBC country who is merely residing in an LBC does not require Government approval on this ground alone.

## (2) Post the notification, which cases of investments from LBC countries require prior Government approval and which do not require Government approval.

**Cases not requiring prior Government approval:**

Where the BO of an investor company (incorporated in a non-LBC jurisdiction) is **not** vested in an LBC (i.e. citizens or entities of an LBC neither **control** the investor company nor hold more than **10%** ownership in it), prior

Government approval is **not required**. This is subject to the applicable sectoral entry conditions.

However, in all such cases which do not require prior Government approval on account of the PN2/2026, certain information with regard to the investment has to be filed with the Government before the investment is made.

**Cases requiring prior Government approval:**

Prior government approval is required in following cases:

(A) Where the BO of an investor company (incorporated in a non-LBC jurisdiction) is vested in an LBC, prior Government approval is required if citizens or entities of an LBC exercise control over the investor company or hold more than 10% ownership in it;

(B) Where the beneficial ownership of an investor company (incorporated in a non-LBC jurisdiction) is vested in an LBC by virtue of citizen(s) or entity(ies) of an LBC, individually or cumulatively, directly or indirectly, holding more than 10% ownership in the investor company or exercising control over the investor company or the Indian investee company;

(C) Any investment directly by an LBC citizen or an LBC entity

(D) Irrespective of the BO prescription being met or not, where the sectoral entry conditions require prior Government approval; and

(E) Any transfer of ownership of existing or future FDI in an Indian entity that results in beneficial ownership being vested in an LBC.

## (3) What does "beneficial owner of an investment into India" mean under Press Note 2 of 2026?

The "beneficial owner of an investment into India" means the beneficial owner(s) of the investor entity incorporated or registered in a country other than an LBC (i.e., a non-LBC jurisdiction). Accordingly, the BO test is applied at the level of the non-LBC investor entity. The manner of determining BO may be referred to in the under Question no. 1.

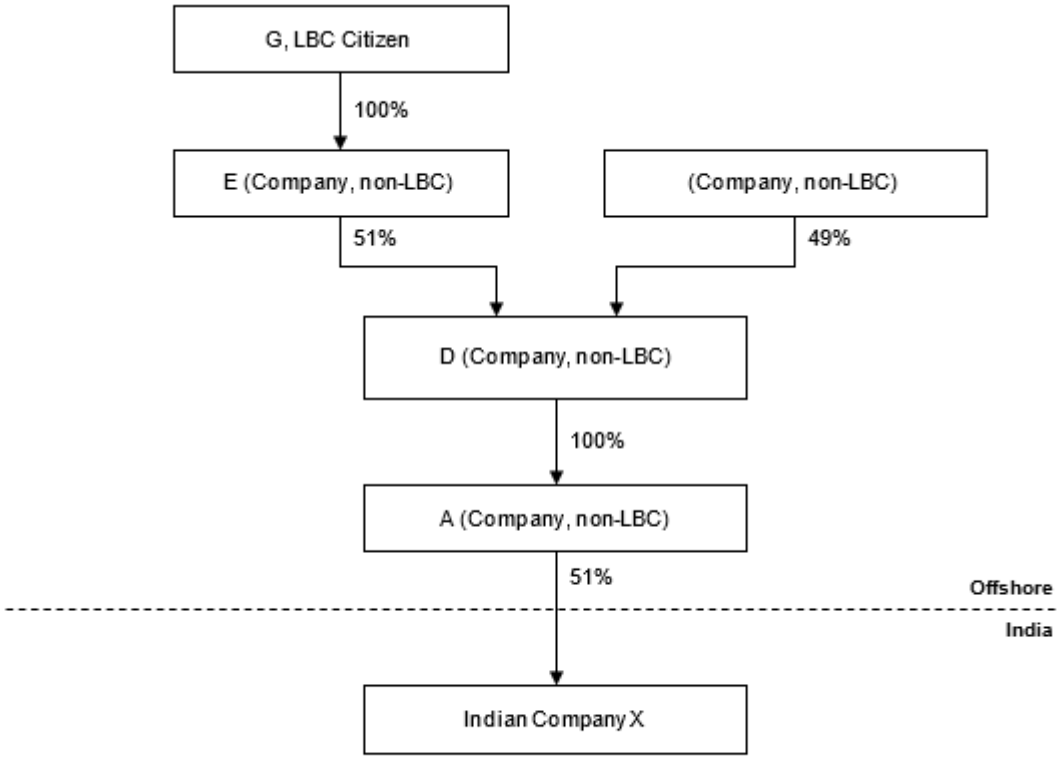
As per the proviso to Para 3.1.1(c) of the FDI Policy, beneficial ownership shall be deemed to be vested in an LBC where citizens or entities of LBCs, directly or indirectly, individually or cumulatively, hold more than 10% ownership in the investor company, or exercise control over the investor company or the Indian investee company.

Note: The Prevention of Money-laundering (Maintenance of Records) Rules, 2005 may be accessed at https://dor.gov.in/files/rules_files/PMLA_Rules.pdf

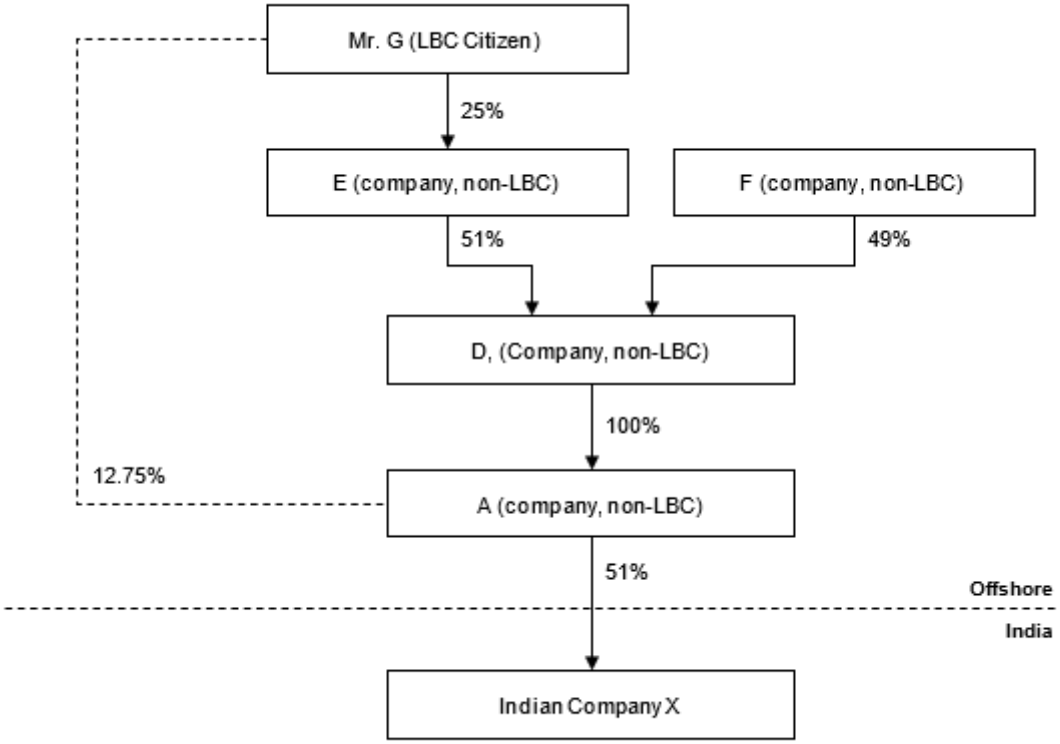
**(4) What is the methodology for computation of the beneficial ownership?**

The assessment of BO needs to be done at the immediate investor entity level. The same is explained through the following illustrations:

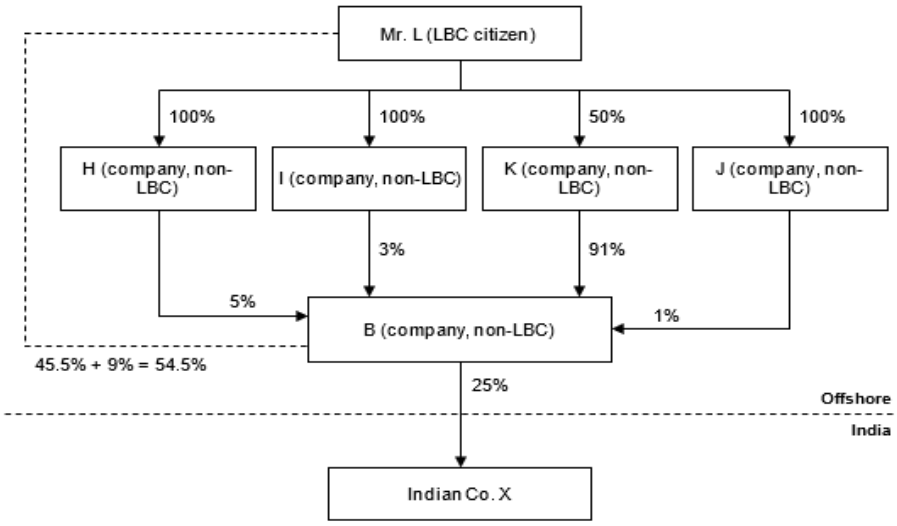
**Illustration 1: LBC BO through non-LBC entities**



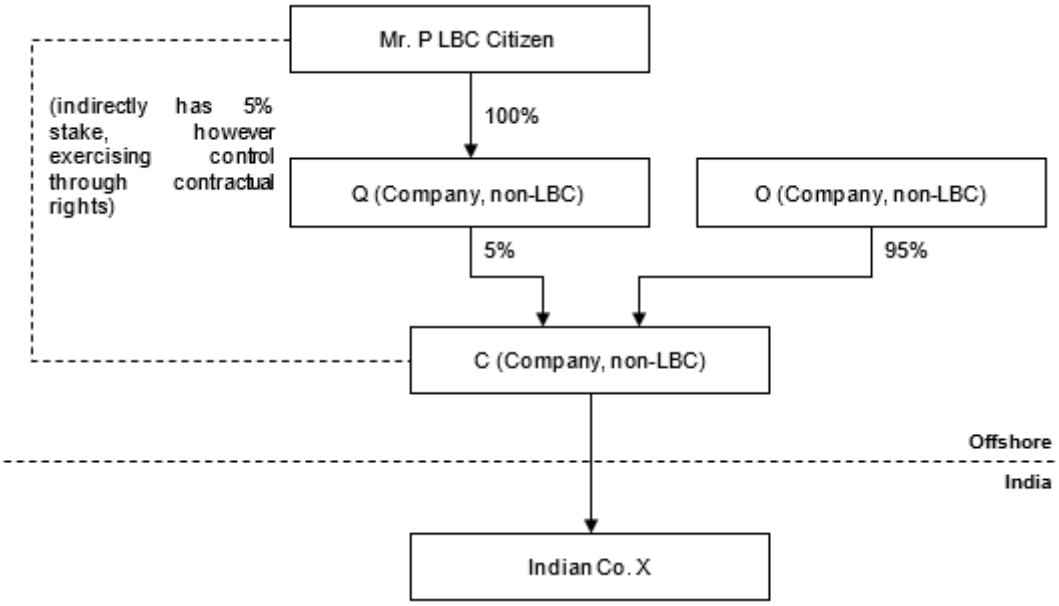
## Illustration 2: LBC BO through non-LBC entities




## Illustration 3: LBC citizen holding indirect aggregate ownership through multiple entities



## Illustration 4 – Control Through Any Contractual Arrangement




## Illustration 5: Downstream Investments (where X is a foreign owned and controlled entity)

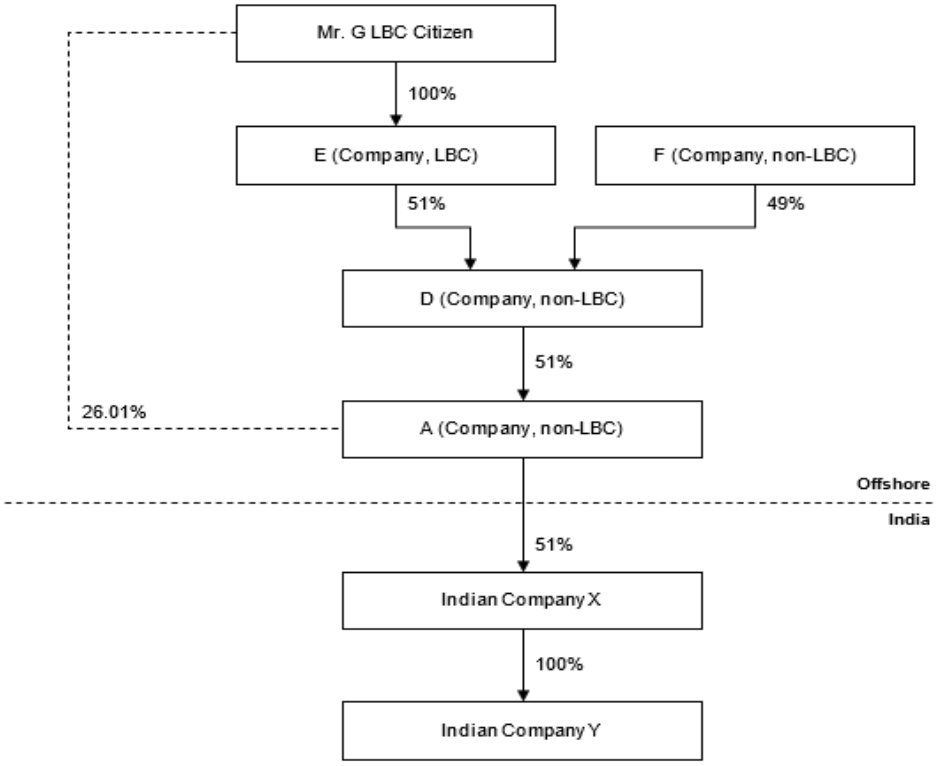
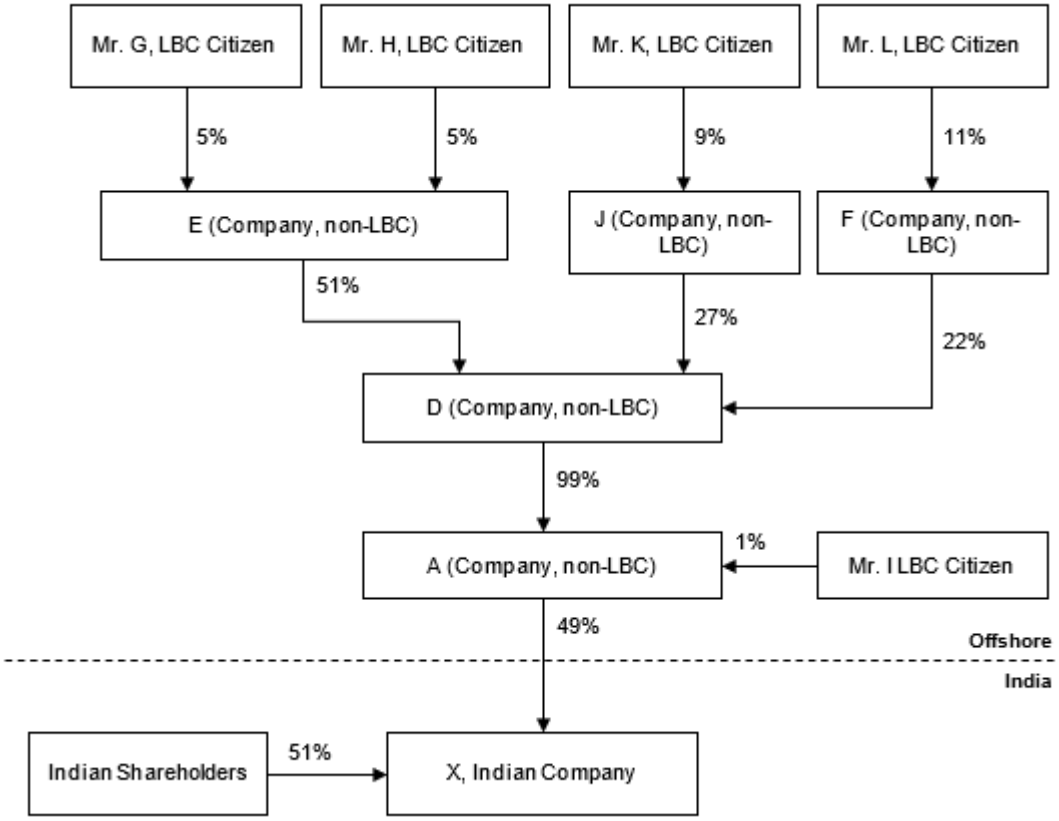


**Illustration 6 – Multiple LBC citizens with individual isolated holdings below threshold**




***Note**: The above diagrams and related assessment are for illustrative purposes only. Actual position may vary based on the case-specific facts, transaction structure and contractual arrangements.*

## (5) Is an investment involving less than 10% shareholding in an Indian investee company by an LBC citizen or an LBC entity exempt from prior Government approval under PN 2/2026?

No. Under PN 2/2026, prior Government approval is required for investments by an LBC citizen or an entity incorporated or registered in an LBC, irrespective of the percentage of shareholding in the Indian investee company.

**(6) Which cases require prior Government approval under PN 2/2026?**

Prior Government approval is required in the following cases under PN 2/2026:

(i) Any investment in India by a citizen of an LBC or an entity incorporated or registered in an LBC.

(ii) Any investment in India by an entity incorporated or registered in a non-LBC jurisdiction, where its beneficial ownership is vested in an LBC. The criteria for determining BO are explained in Q.1 above.

(iii) Any transfer of ownership of existing or future FDI in an Indian entity that results in beneficial ownership being vested in an LBC.

**(7) What kind of investments are subject to reporting under Para 3.1.1(d) of the FDI Policy?**

The reporting requirement applies in a case where the investments is not requiring prior government approval, on account of the requirements specified under the para 3.1.1 of the FDI Policy i.e. where cumulative ownership interest of citizens or entities of an LBC (whether such interest is held directly or indirectly through one or more entities) in the non-LBC investor company does not exceed 10% and they do not exercise control over it through other means. For investor entities other than companies such as partnership firms, unincorporated associations or body of individuals and trusts, the relevant threshold prescribed under Rule 9(3) of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 shall apply.

The prescribed information must be furnished to the Government before the investment, in accordance with the prescribed format under the SOP.

**(8) What is the procedure for submitting information for cases under Para 3.1.1(d) of the FDI Policy?**

Cases covered under Para 3.1.1(d) of the FDI Policy must be reported to the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, in the format prescribed under Annexure VII of the

Standard Operating Procedure for Processing Foreign Direct Investment (FDI) Proposals dated 04.05.2026 (SOP).

The SOP is available at: https://fifp.gov.in/Forms/SOP.pdf

The report must be submitted through the National Single Window System (NSWS) portal (https://www.nsws.gov.in/) before the inward remittance of foreign capital. Upon submission, an acknowledgement is generated on the NSWS portal. The parties may proceed with the investment or transaction without waiting for any further approval or communication.

**(9) Are security and political clearances required for cases reported under Para 3.1.1(d) of the FDI Policy?**

No. Prior security and political clearances are not required for cases reported under Para 3.1.1(d) of the FDI Policy.

**(10) Who can file the requisite information/details under Para 3.1.1(d) of the FDI Policy?**

The responsibility for ensuring compliance with the reporting requirements rests with the Indian investee entity or the resident Indian transferor or transferee, as applicable. The requisite information/details must be submitted through the NSWS portal. The portal also allows the foreign investor to submit the information/details.

**(11) Is there any reporting requirement apart from reporting under Para 3.1.1(d) of the FDI Policy?**

Yes. After the investment, reporting must also be made to the Reserve Bank of India (RBI) in accordance with the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019. The reporting is to be completed through the Single Master Form (SMF) on the Foreign Investment Reporting and Management System (FIRMS) portal at https://firms.rbi.org.in.

The user manual for reporting is available at https://firms.rbi.org.in/firms/faces/pages/login.xhtml.

**(12) From which date are the changes notified through PN 2/2026 effective?**

The changes notified through PN 2/2026 dated 15.03.2026 are effective from **01.05.2026**, i.e., the date of notification of the Foreign Exchange Management (Non-Debt Instruments) Amendment Rules, 2026.

**(13) Which sectors/activities have been identified for expeditious processing of investment proposals from LBCs?**

To promote investment and manufacturing in India and enhance its competitiveness as an investment destination, a mechanism has been introduced under the revised SOP to facilitate the time-bound and expeditious processing of investment proposals from LBCs in specified sectors/activities.

The following sectors/activities have been identified under this mechanism:

(i) Capital Goods Manufacturing

(ii) Electronic Capital Goods and Electronic Components Manufacturing

(iii) Polysilicon and Ingot-Wafer Manufacturing

(iv) Advanced Battery Components

(v) Rare Earth Permanent Magnets

(vi) Rare Earth Processing

The specific sub-sectors/activities covered under these categories are listed in Part II of Annexure 7 of the SOP.

**(14) What are the qualifying criteria for proposals in the specified sectors/activities to be considered under the expedited mechanism?**

The expedited mechanism applies to applications meeting the following criteria:

(i) Cumulative LBC investment must not exceed 49% of the capital or voting rights of the Indian investee entity; and

(ii) The investee entity must remain under majority Indian ownership and Indian control at all times.

The Administrative Ministry/Department shall convey its decision to the applicant within 60 days from the date of filing the application.

The procedural guidelines for LBC investments in the specified sectors/activities are provided in Part II of Annexure VII of the SOP.

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***Disclaimer: These FAQs attempt to address the common queries on the subject in an easily comprehensible language and are intended only for the purpose of public information and knowledge dissemination. In case of any inconsistency between these FAQs and FEMA notification(s)/FDI Policy, the latter shall prevail.***