

April 30, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Investment by Venture Capital Funds (VCFs)

Reserve Bank of India, in consultation with the Securities and Exchange Board of India (SEBI), has decided to permit Indian Venture Capital Funds (VCFs), registered with SEBI, to invest in equity and equity-linked instruments of off-shore venture capital undertakings, subject to an overall limit of USD 500 million and SEBI regulations issued in this regard. SEBI have accordingly notified the enabling Venture Capital Funds (Amendment) Regulations 2006 on January 25, 2006 (Annex). Allocations of limits to individual VCFs will be made by SEBI, subject to such terms and conditions as SEBI may deem necessary.

2. Accordingly, Domestic Venture Capital Funds registered with SEBI, desirous of making investments in off-shore Venture Capital Funds may approach SEBI for prior approval in this regard. No separate permission from the Reserve Bank is necessary for such VCFs.

3. Necessary amendments to Notification No. FEMA120/RB-2004 dated July 7, 2004 [Foreign Exchange Management (Transfer or Issue of Any Foreign Security), Regulations, 2004], are being issued separately.

4. Authorised Dealer Category – I (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 has been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions/approval, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

[Annex to A. P. (DIR Series) Circular No. dated April , 2007]

THE GAZETTE OF INDIA
EXTRAORDINARY
PART II SECTION 3 - SUB-SECTION (ii)
PUBLISHED BY AUTHORITY
SECURITIES AND EXCHANGE BOARD OF INDIA
NOTIFICATION
Mumbai, the 25th January, 2006

**SECURITIES AND EXCHANGE BOARD OF INDIA
(VENTURE CAPITAL FUNDS) (AMENDMENT) REGULATIONS, 2006**

S.O.No. 93(E). In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following Regulations to further amend the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, namely: -

1. (i) These Regulations may be called the Securities and Exchange Board of India (Venture Capital Funds) (Amendment) Regulations, 2006.

(ii) They shall come into force on the date of their publication in the Official Gazette.

2. In the Securities and Exchange Board of India (Venture Capital Funds) Regulation, 1996: -

(i) In regulation 2, -

after clause (m), clause (ma) be inserted-

(ma) "a foreign company" means a foreign company within the meaning of section 591 of the Companies Act, 1956.

(ii) In regulation 12, after clause (b), the following clause, shall be inserted, namely

(ba) venture capital fund may invest in securities of foreign companies subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and the Board from time to time.

**M. DAMODARAN
CHAIRMAN**

Foot notes

(1) The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, the Principal Regulations were published in the Gazette of India on December 4, 1996 vide S.O. No.850(E).

(2) The Regulations were subsequently amended:

(a) On January 5, 1998 by the SEBI (Venture Capital Funds) (Amendment) Regulations, 1998 vide S.O. No.19 (E).

(b) On November 17, 1999 by the SEBI (Venture Capital Funds) (Amendment) Regulations, 1999 vide S.O. No.1118 (E).

(c) On September 15, 2000 by the SEBI (Venture Capital Funds) (Amendment) Regulations, 2000 vide S.O. No.831 (E).

(d) On September 27, 2002 by the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 vide S.O. No.1045 (E).

(e) On April 5, 2004 Securities and Exchange Board of India (Venture Capital Funds) (Amendment) Regulations, 2004 vide S.O. No. 468 (E).