

Capital Account Transactions – Liberalisation – Clarification
A.P. (DIR Series) Circular No.96 (April 28, 2003)

Reserve Bank of India
Exchange Control Department
Central Office
Mumbai - 400 001

A.P. (DIR Series) Circular No.96

April 28, 2003

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Capital Account Transactions – Liberalisation - Clarification

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.66 dated January 13, 2003 advising certain liberalisation measures in respect of overseas direct investment by various categories of investors. The matter has been reviewed and clarification on certain issues is indicated in [Annexure I](#) to this circular.

2. Authorised dealers are required to put in place an adequate reporting mechanism and obtain such declaration/undertaking from their constituents to enable them to maintain a database. However, in order to ensure availability of uniform database, designated branches of authorised dealers may maintain the details of transactions routed through them as under :-

- (i) Name/address/Telephone/Fax No./e-mail ID/PAN No.
- (ii) Amount remitted to broker
- (iii) Date of remittance
- (iv) Date of purchase of shares
- (v) Name of the scrip purchased
- (vi) Amount paid
Price/Premium brokerage/Total
- (vii) Date of sale of shares
- (viii) Amount received
Price/Premium/Total
- (ix) Net balance held abroad

3. As stated in part 3(d) of the circular referred to above, a format for forwarding to Reserve Bank monthly statement prepared on the basis of the database mentioned at para 2 above, in respect of each of the categories of the investors is given in [Annexure II](#). Authorised dealers may ensure that the monthly statements are forwarded by the designated branches in terms of A.P. (DIR Series) Circular No.43 dated April 30, 2002 to the Chief General Manager, Exchange Control Department, Reserve Bank of India, Overseas Investment Division, Amar Building, 3rd Floor, Sir P.M.Road, Fort, Mumbai-400 001. The statements should reach Reserve Bank of India on or before 10th of the succeeding month.

4. Necessary amendments to the Foreign Exchange Management Regulations, 2000 are being issued separately.

5. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie
Chief General Manager

ANNEXURE I

[A.P.(DIR Series) Circular No.96
dated April 28, 2003]

**Overseas Investments by
resident individuals/corporates - Clarifications**

1. Remittance towards registration with overseas brokerage firms

Authorised dealers are permitted to allow initial remittances towards registration charges for individuals/corporates to register themselves with overseas brokerage firms.

2. Availment of various facilities provided by overseas brokerage firms

At present overseas investment is permitted in companies listed on a recognised stock exchange and which have a minimum shareholding of 10 per cent in an Indian company listed on a recognised stock exchange in India. Investment in money market funds or bank deposits is not permitted. Investment is allowed in equity instruments by way of cash remittances only. Investment with borrowed funds is not permitted. Similarly, the investors are not permitted to lend the securities acquired and lying with the brokers or with a depository for the purpose of earning any return thereon.

3. Investment in -

- (a) **Listed companies where subsidiaries
are holding 10% or more stake in listed Indian companies**
- (b) **Listed foreign companies where investment is
through a Special Purpose Vehicle (SPV) and**
- (c) **Listed foreign financial funds holding 10 per cent stake in a
listed Indian company**

Investment in the companies referred to above is not permitted.

4. Permission to Indian investors to open overseas bank accounts and securities accounts

A separate circular is being issued.

ANNEXURE-II

[A.P.(DIR Series) Circular No.96
dated April 28, 2003]

Statement Indicating Investment made in terms of AP (Dir Series) Circular No. 66 Dated January 13, 2003

Statement of Investments made during the month of-----

Name of the Bank-----

Branch-----

AD Code-----

Individuals

(USD in thousands)

	No. of Investors	Investments made during the month (Outflow)	Disinvestments made during the month (Inflow)	Net amount of Investment held abroad
	(1)	(2)	(3)	(2)-(3)
Position as on 1 st of-----		Xx	xx	
Position as on 30 th / 31 st of----				

Corporates

(USD in thousands)

	No. of Investors	Investments made during the month (Outflow)	Disinvestments made during the month (Inflow)	Net amount of Investment held abroad
	(1)	(2)	(3)	(2)-(3)
Position as on 1 st of-----		xx	xx	
Position as on 30 th / 31 st of----				

Mutual Funds*

(USD in thousands)

Name of the Mutual Fund	Investments made during the month (Outflow)			Disinvestments made during the month (Inflow)			Net amount of Investment held abroad		
	ADR/ GDR	Debt Instru- ments	Equity	ADR/ GDR	Debt Instru- ments	Equity	ADR/ GDR	Debt Instru- ments	Equity
Position as on 1 st of-----	xx	xx	xx	xx	xx	xx			
Position as on 30 th / 31 st of--									

* Separate statement in respect of each Mutual Fund by the designated AD has been dispensed with.