

Overseas Investments
A. P. (DIR Series) Circular No.97 (April 29, 2003)

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

A. P. (DIR Series) Circular No.97

April 29, 2003

To
All Authorised Dealers in Foreign Exchange

Madam/ Sirs,

Overseas Investments

1. Corporates/ Individuals

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No. 66 dated January 13, 2003, in terms of which, Indian corporates and resident individuals are permitted to invest in the equity of listed foreign companies who have shareholding of at least 10 per cent in Indian companies listed on a recognised stock exchange in India.

As a measure of further liberalisation, it has now been decided to permit Indian corporates and resident individuals to invest within the respective ceilings as applicable, in rated bonds/fixed income securities also. The rating should be at least A-1/ AAA by Standard & Poor or P-1/ Aaa by Moody's or F1 /AAA by Fitch IBCA etc. for short term obligations and corresponding ratings for long term ones.

2. Investment by Mutual Funds

At present, Indian Mutual Funds are permitted to invest in ADRs / GDRs of Indian companies and rated debt / equity instruments within an overall cap of USD 1.0 (One) billion. Mutual Funds desirous of availing of this facility have to approach the Reserve Bank, under FEMA 1999 after obtaining necessary permission from Securities and Exchange Board of India (SEBI) in the matter.

It has now been decided to accord general permission and dispense with the requirement of obtaining separate permission from the Reserve Bank under FEMA 1999. Accordingly, Mutual Funds desirous of availing of this facility and having the approval from SEBI for undertaking such investments, need not obtain separate approval from the Reserve Bank.

3. Monthly reporting requirement to the Reserve Bank stipulated vide A.P. (DIR Series) Circular No.96 dated April 28, 2003 would continue.

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