

July 29, 2005

To
All Banks Authorised to Deal in Foreign Exchange

Madam / Sir,

**Foreign Direct Investment in
Petroleum Sector and Air Transport Services**

Attention of Authorised Dealer (AD) banks is invited to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA 20 /2000 - RB dated May 3, 2000, as amended from time to time.

2. The foreign direct investment (FDI) limit in the Petroleum sector and Air Transport Services (Domestic Airlines) under the Automatic Route, has been further liberalised by Government of India. Accordingly, FDI upto 100 per cent has been permitted under the Automatic Route in Petroleum Product Marketing, Oil Exploration in both small and medium sized fields and Petroleum Product Pipelines. In Air Transport Services (Domestic Airlines) sector, FDI upto 100 per cent has been permitted under the Automatic Route by Non-Resident Indians (NRIs) and upto 49 per cent by others. However, no direct or indirect equity participation by foreign airlines would be allowed.

3. Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2005, Notification No. FEMA 130/2005-RB dated March 17, 2005 has been notified by Government vide G.S.R. No.201(E) dated April 01, 2005 (copy enclosed).

4. Authorised Dealer banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The direction contained in this circular has been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully

(Vinay Baijal)
Chief General Manager

**RESERVE BANK OF INDIA
(FOREIGN EXCHANGE DEPARTMENT)
CENTRAL OFFICE
MUMBAI 400 001**

Notification No.FEMA.130/2005-RB

dated March 17, 2005

**Foreign Exchange Management (Transfer or issue of Security
by a Person Resident outside India) (Amendment) Regulations, 2005**

In exercise of the powers conferred by clause (b) of sub-section (3) of Section 6 and Section 47 of the Foreign Exchange Management Act,1999 (42 of 1999) and in partial modification of its Notification No FEMA 20/2000-RB dated 3rd May 2000, the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Transfer or issue of Security by a Person. Resident outside India) Regulations,2000 as amended from time to time, namely:

Short Title & Commencement:-

- (i) These Regulations may be called the Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) (Amendment) Regulations, 2005
- (ii) They shall come into force from the date of their publication in the official gazette.

Amendment of the Regulations:-

In the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000,

- a) in Annexure A to Schedule 1,in para (A),
 - (i) Item No.1 shall be deleted and the existing items 2 to12 may be renumbered as 1 to 11
 - (ii) in existing item No.2 the following may be added, namely:
"Natural Gas/LNG Pipelines"
- b) in the table shown in Annexure B to Schedule1,
 - (i) existing item No.5 shall be renumbered as item No. 5(i) and (ii) the following sub-items shall be inserted under the headings Sector, Investment Cap, Description of Activity / Items / Conditions respectively, namely:

(ii) Petroleum Product Marketing	100%	Subject to the existing sectoral policy and regulatory framework in the oil marketing sector.
(iii) Oil Exploration in both small and medium sized fields	100%	Subject to and under the policy of Government on private participation in - (a) exploration of oil and (b) the discovered fields of national oil companies.
(iv) Petroleum Product Pipelines	100%	Subject to and under the Government Policy and regulations thereof.

(iii) after item No.21, under the headings Sector, Investment Cap, Description of Activity /items / Conditions, the following shall be inserted respectively, namely:

22. Air Transport Services (Domestic Airlines)	100% for NRIs 49% for others	No direct or indirect equity participation by foreign airlines is allowed
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(F. R. Joseph)
Chief General Manager

Footnote: The Principal Regulations were published in the Official Gazette vide G.S.R.No.406 (E) dated May 8,2000 in Part II, Section 3, sub-section(i) and subsequently amended as under:

G.S.R.No.158 (E) dated 02.03.2001
G.S.R.No.175(E) dated 13.03.2001
G.S.R.No.182(E) dated 14.03.2001
G.S.R.No.4(E) dated 02.01.2002
G.S.R.No.574(E) dated 19.08.2002
G.S.R.No.223(E) dated 18.03.2003
G.S.R.No.225(E) dated 18.03.2003
G.S.R.No.558 (E) dated 22.07.2003
G.S.R.No.835(E) dated 23.10.2003
G.S.R.No.899(E) dated 22.11.2003
G.S.R.No.12(E) dated 07.01.2004
G.S.R.No.278(E) dated 23.04.2004
G.S.R.No.625(E) dated 21.09.2004
G.S.R.No.799(E) dated 08.12.2004
G.S.R.No.201(E) dated 01.04.2005