

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

Notification No.FEMA.131/2005-RB

dated March 17, 2005

**Foreign Exchange Management (Transfer or Issue of Security by
a Person Resident outside India)(Second 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) (Second Amendment) Regulations, 2005
- (ii)They shall come into force from the date of 4th day of October 2004*

Amendment of the Regulations:-

In the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, in Regulation 10

(A) in sub-regulation A-

- I. after the words "person resident outside India", the words "not being erstwhile OCBs shall be added
- II. clause (b) shall be substituted as under; namely:

" (b) any share /convertible debenture of an Indian Company whose activities fall under Annexure B to Schedule 1, other than item nos.1 ,2 and 3 and subject to the Sectoral Limits specified therein, shall transfer such shares / debentures without prior approval of Government and RBI if the same is by way of sale subject to the following:

- (i) that the Indian Company whose shares or convertible debentures are proposed to be transferred is not engaged in rendering any financial service;
- (ii) that the transfer does not fall within the purview of the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997; and

(iii) that the concerned parties adhere to pricing guidelines, documentation and reporting requirements for such transfers, as may be specified by Reserve Bank from time to time.

Explanation: For the purpose of this Regulation, "financial services", shall mean service rendered by banking and non-banking companies regulated by the Reserve Bank, insurance companies regulated by Insurance Regulatory and Development Authority (IRDA) and other companies regulated by any other financial regulator, as the case may be. "

(B) in sub-regulation B

- (i) clause (1) shall be deleted;
- clause (2) shall be substituted; namely

"A person resident outside India, may transfer share or convertible debenture of an Indian company ,without the prior permission of the Reserve Bank ,by way of sale, to a person resident in India subject to the adherence to pricing guidelines, documentation and reporting requirements for such transfers as may be specified by Reserve Bank from time to time."

(F. R. Joseph)
Chief General Manager

Footnote: (i)* The date on which the directions were issued to Authorised Dealers vide AP(DIR Series} circular No.16 dated 4th October 2004-.to implement the Government decision to dispense with the requirement of obtaining prior approval of the Government (FIBP) in respect of transfer of shares /convertible debentures, by way of sale, from residents to non- residents (included transfer of subscriber's shares) of an Indian company in sectors other than financial service sector (i.e. Banks, NBFCs and Insurance).

(ii)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 2.3.2001
G.S.R.No. 175(E}dated 13.3.2001
G.S.R.No. 182(E dated 14.3.2001
G.S.R.No. 4(E) dated 2.1.2002
G.S.R.No. 574(E) dated 19.8.2002
G.S.R.No. 223(E) dated 18.3.2003
G.S.R.No. 225(E) dated 18.3.2003
G.S.R.No. 558(E) dated 22.7.2003
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 7.1.2004

G.S.R.No.278(E) dated 23.4.2004
G.S.R.No.625(E) dated 21.9.2004
G.S.R.No.799(E) dated 8.12.2004

G.S.R.No.202(E) /01.04.2005