

December 22, 2006

To,

All Category – I Authorised Dealer Banks

Madam / Sir,

**Foreign investment in Infrastructure Companies in Securities Markets
- Amendment to the Foreign Direct Investment Scheme**

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

2. It has been decided in consultation with Government of India to allow foreign investment in Infrastructure Companies in Securities Markets, namely stock exchanges, depositories and clearing corporations, in compliance with SEBI Regulations and subject to the following conditions :

- i) Foreign investment upto 49 per cent will be allowed in these companies with a separate Foreign Direct Investment (FDI) cap of 26 per cent and Foreign Institutional Investment (FII) cap of 23 per cent;
- ii) FDI will be allowed with specific prior approval of FIPB; and
- iii) FII will be allowed only through purchases in the secondary market.

3. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 are being issued separately.

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge