



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2011-12/453
A.P. (DIR Series) Circular No. 94

March 19, 2012

To

All Category – I Authorised Dealer banks

Madam / Sir,

Clarification - Prior intimation to the Reserve Bank of India for raising the aggregate Foreign Institutional Investors / Non-Resident Indian limits for investments under the Portfolio Investment Scheme

Attention of Authorised Dealers Category – I (AD Category - I) banks is invited to the provisions of Schedules 2 and 3 to the [Notification No. FEMA 20/2000-RB dated May 3, 2000](#), viz., Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000, as amended from time to time, in terms of which registered Foreign Institutional Investors (FII) and Non-Resident Indians (NRI) are allowed to purchase/sale shares and convertible debentures of an Indian company (through registered brokers) on recognized stock exchanges in India subject to, inter-alia, aggregate investment limit of 24 per cent and 10 per cent, respectively, of the paid up equity capital or value of each series of convertible debentures of the Indian company.

2. It is hereby clarified that the Indian company raising the aggregate FII investment limit of 24 per cent to the sectoral cap/ statutory limit, as applicable to the respective Indian company or raising the aggregate NRI investment limit of 10 per cent to 24 per cent, should necessarily intimate the same to the Reserve Bank of India, immediately, as hitherto, along with a Certificate from the Company Secretary stating that all the relevant provisions of the extant Foreign Exchange Management Act, 1999 regulations and the Foreign Direct Policy, as amended from time to time, have been complied with.

3. It may also be noted that the Reserve Bank of India monitors the ceilings on FII/ NRI/ PIO investments in Indian companies on a daily basis. For effective monitoring of foreign investment ceiling limits, the Reserve Bank has fixed cut-off

points that are two percentage points lower than the actual ceilings. Once the aggregate net purchases of equity shares of the company by FIIs/NRIs/PIOs reaches the cut-off point of 2 per cent below the overall limit, the Reserve Bank cautions all the designated bank branches not to purchase any more equity shares of the respective company on behalf of any FIIs/ NRIs/ PIOs without prior approval of the Reserve Bank. The link offices are then required to intimate the Reserve Bank about the total number and value of equity shares/ convertible debentures of the company proposed to be bought on behalf of their FIIs /NRIs /PIOs clients. On receipt of such proposals, the Reserve Bank gives clearances on a first-come-first served basis till such investments in companies reaches the respective limits (such as, 10 / 24 / 30 / 40/ 49 per cent limit or the sectoral caps/statutory ceilings), as applicable. On reaching the aggregate ceiling limit, the Reserve Bank advises all designated bank branches to stop purchases on behalf of their FIIs/ NRIs/ PIOs clients. The Reserve Bank also informs the general public about the `caution' and the `stop purchase' in these companies through a press release and an updated list regarding the same is placed on the RBI website (www.rbi.org.in).

4. AD banks are advised to bring the above changes to the notice of their customers and constituents immediately.

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

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge