



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

**RBI/2012-13/ 173**  
**A. P. (DIR Series) Circular No. 16**

August 22, 2012

To

All Category – I Authorised Dealer Banks

Madam / Sir,

**Foreign Direct Investment by citizen / entity incorporated in Pakistan**

Attention of Authorised Dealer (AD Category - I) 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](#) (hereinafter referred to as Notification No.FEMA 20), and as amended from time to time.

2. In terms of sub-regulation (1) of Regulation 5 of the Notification *ibid*, a person resident outside India who is a citizen of Pakistan or an entity incorporated outside India in Pakistan, is not allowed to purchase shares or convertible debentures of an Indian company under Foreign Direct Investment Scheme.

3. It has now been decided that notwithstanding anything contained in sub-regulation (1) of Regulation 5 of the Notification No.FEMA. 20, a person who is a citizen of Pakistan or an entity incorporated in Pakistan may, with the prior approval of the Foreign Investment Promotion Board of the Government of India, purchase shares and convertible debentures of an Indian company under Foreign Direct Investment Scheme, subject to the terms and conditions specified in Schedule 1 of the Notification, *ibid*, provided further that notwithstanding anything contained in Schedule 1 of the Notification, *ibid*, the Indian company, receiving such foreign direct investment, is not engaged or shall not engage in sectors / activities pertaining to defence, space and atomic energy and sectors/ activities prohibited for foreign investment.

4. AD Category - I banks may bring the contents of the circular to the notice of their customers and constituents concerned.

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,

(Rudra Narayan Kar)  
**Chief General Manager**