



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

**RBI/2011-12/481**

**A. P. (DIR Series) Circular No.101**

**April 02, 2012**

To

All Category-I Authorised Dealer Banks

Madam / Sir,

**Overseas Direct Investments – Liberalisation / Rationalisation**

Attention of the Authorised Dealer (AD - Category I) banks are invited to the [Notification No. FEMA10/2000-RB dated May 3, 2000](#) [Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000] (the Notification), as amended from time to time.

2. As per the extant provisions of FEMA, an Indian party (as defined under [Notification No. FEMA 120/RB-2004 dated July 07, 2004](#), as amended from time to time) is required to obtain prior permission of the Reserve Bank to open, hold and maintain Foreign Currency Account in a foreign country for the purpose of overseas direct investments in that country, in case the regulation of the host country requires that the investment in the country is to be made through a particular account to be opened with the commercial bank of the country.

3. To provide operational flexibility to the Indian party, it has been decided to liberalise the regulations pertaining to opening / holding / maintaining the Foreign Currency Account by Indian party outside India as under:

An Indian party will now be allowed to open, hold and maintain Foreign Currency Account (FCA) abroad for the purpose of overseas direct investments subject to the following terms and conditions:

- I. The Indian party is eligible for overseas direct investments in terms of Regulation 6 (Regulation 7, if applicable) of Notification No. FEMA 120/RB-2004 dated July 7, 2004, as amended from time to time.
- II. The host country Regulations stipulate that the investments into the country is required to be routed through a designated account.

- III. FCA shall be opened, held and maintained as per the regulation of the host country.
- IV. The remittances sent to the FCA by the Indian party should be utilized only for making overseas direct investment into the JV / WOS abroad.
- V. Any amount received in the account by way of dividend and / or other entitlements from the subsidiary shall be repatriated to India within 30 days from the date of credit.
- VI. The Indian party should submit the details of debits and credits in the FCA on yearly basis to the designated AD bank with a certificate from the Statutory Auditors of the Indian party certifying that the FCA was maintained as per the host country laws and the extant FEMA regulations / provisions as applicable.
- VII. The FCA so opened shall be closed immediately or within 30 days from the date of disinvestment from JV / WOS or cessation thereof.

4. Necessary amendments to the Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000 are being issued separately.

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

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

Yours faithfully,

**(Dr. Sujatha Elizabeth Prasad)**  
**Chief General Manager**