



**FOREIGN EXCHANGE LAWS**

# N. A. SHAH **BULLETIN**

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**N. A. SHAH ASSOCIATES LLP**  
Chartered Accountants



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## **EXECUTIVE SUMMARY**

- Listed Indian companies will have to provide information in regard to foreign investment in the company directly to the depositories.
- Revision in Investment Limits and other conditions for FPIs in debt in India.

## **1. Reporting of foreign investment in listed companies**

Every listed Indian companies on an ongoing basis will have to provide specified data / information on foreign investment to the Designated Depository in the manner as prescribed by the Depositories and such information will be uploaded on the database designed specifically for monitoring the foreign investment limit in the Listed Indian Company. The first of such information was to be submitted by 15<sup>th</sup> May 2018. Listed companies failing to comply with the said requirement will not be able to receive foreign investment and will be non-compliant with Foreign Exchange Management Act, 1999 and regulations thereunder.

## **2. Investment by Foreign Portfolio Investors (FPI) in Debt**

- a. FPIs are permitted to invest in Corporate Bonds (CBs) with minimum residual maturity of above one year. In order to bring consistency across debt categories, FPIs can now invest in CBs with residual maturity below one year provided, at any point of time the investment in CBs shall not exceed 20% of the total investment in CBs of that FPIs.
- b. FPIs are permitted to invest in treasury bills issued by Central Government.
- c. FPIs are required to invest in Central Government securities (G-secs) and State Development Loans (SDLs), and CBs with residual maturity below one year provided investment shall not exceed 20% of the total investment. The investment limit shall be evaluated on a continuous basis. In case, investment exceeds 20%, FPIs shall dilute the investments and bring the share below 20% within a period of 6 months.
- d. For the purpose of concentration limit, "Related FPIs" shall include all FPIs registered by a non-resident entity. Illustratively, ABC Inc. has five funds each registered as FPI, total investment by all five FPIs will be considered for evaluation of concentration limit for ABC Inc.

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