

Corpsec Hotline

September 17, 2003

BAN ON FOREIGN DIRECT INVESTMENTS BY OVERSEAS CORPORATE BODIES

The Reserve Bank of India ("RBI"), through a Circular dated September 16, 2003, has banned Overseas Corporate Bodies ("OCBs") [held to the extent of at least 60% by Non Resident Indians or Persons of Indian Origin] from making any fresh investments through foreign direct investment ("FDI") route.

While the OCBs were banned to invest in the secondary market with effect from November, 2001, till now they were permitted to make direct investment under the FDI route. By taking this step, the RBI has derecognized OCBs in India as an eligible 'class of investor'. The decision was taken pursuant to a review of the investment activities of OCBs in India, carried out by RBI on the basis of the recommendations of the Joint Parliamentary Committee on Security Market Scam.

Some of the major decisions taken by the RBI, after consultations with the Government, are:

- the ban imposed on OCBs under Portfolio Investment Scheme ("PIS") in November 2001 shall continue;
- OCBs as a 'class of investor' shall not be allowed to make fresh investments in India under various routes/schemes available under extant Foreign Exchange Management Regulations and facility of opening fresh Non-Resident External Rupee ("NRE") and Foreign Currency (Non-Resident) ("FCNR") and Non-Resident Ordinary Rupee ("NRO") accounts shall also be withdrawn;
- OCBs shall not be allowed to acquire, by way of sale or gift, the shares or convertible debentures, from non-resident investors or other OCBs; and
- OCBs shall not lend in rupees or in foreign currency to a person resident in India.

While the RBI has allowed the OCBs to continue to hold investments earlier made under the PIS and the FDI route (on repatriation basis), investments made under the FDI route (on non-repatriation basis) would have to be disposed of, after obtaining specific permission of the RBI.

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Evolution of Generative AI

July 11, 2024

From Capital to Impact: Role of Blended Finance

June 15, 2024

Opportunities in GIFT City

June 14, 2024

Research Articles

Private Client Insights - Sustainable Success: How Family Constitutions can Shape Corporate Governance, Business Succession and Familial Legacy

January 25, 2024

Private Equity and M&A in India: What to Expect in 2024?

January 23, 2024

Emerging Legal Issues with use of Generative AI

October 27, 2023

Audio

Pursuing Remedies against Non-signatories in Investment Agreements

July 03, 2024

Why is the ad industry unhappy with MIB's self-declaration mandate?

June 18, 2024

Incorporation of arbitral clause by reference: Position in India and other Asian Jurisdictions

June 12, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

[Click here to view Hotline archives.](#)

Video

Self Declaration Certificate For Ads: Decoding The Complexities Of Ad Regulations

July 08, 2024

**Future of India-Mauritius tax treaty –
Impact of new Protocol on M&A
deals and Private Equity structures**

April 23, 2024

**Q&A 2024 Protocol to the Mauritius
India Tax Treaty**

April 22, 2024