

Corpsec Hotline

October 05, 2004

TRANSFER OF SHARES BETWEEN RESIDENTS AND NON-RESIDENTS NOW UNDER AUTOMATIC ROUTE

The Reserve Bank of India ("RBI"), vide its circular No. 16 dated October 4, 2004 ("Circular"), has significantly simplified the procedure for foreign investment into India by doing away with the requirement of obtaining prior governmental approval for the transfer of shares / convertible debentures of Indian companies.

Thus, the sale of shares / convertible debentures, by:

1. a person resident in India to a person resident outside India (including foreign national, non-resident Indian and a Foreign Institutional Investor, but excludes the Overseas Corporate Bodies); and
2. a person resident outside India to a person resident in India,

which previously required prior approval of the Foreign Investment Promotion Board ("FIPB") and / or the RBI, as the case may be, have now been brought under the automatic route, subject to certain conditions including pricing norms, sectoral cap, etc.

However, this benefit has not been extended to transfer of shares from a resident to non-resident relating to Indian Companies in the financial services sector (i.e. banks, non banking financial companies and insurance). Further, non-resident Indians, who have purchased shares under the Portfolio Investment Scheme, have been restricted from transferring the shares by way of sale under private arrangement.

As a post-transfer compliance, such transactions will have to be notified to the RBI in the form prescribed in the Circular, along with certain documents including inter alia consent letters from the transferor and the transferee, certificate from Chartered Accountant, etc.

The above move by the RBI demonstrates their commitment to de-bureaucratize the foreign investment regime and smoothen the process by cutting down on the time delays that are part and parcel of transactions involving transfer between residents and non-residents.

You can direct your queries or comments to *Kishore Joshi*

Source: *The Reserve Bank of India*

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

Littlel International Guide (India) 2024

November 08, 2024

Unmasking Deepfakes

October 25, 2024

Are we ready for Designer Babies

October 24, 2024

Research Articles

The Bitcoin Effect

November 14, 2024

Acquirers Beware: Indian Merger Control Regime Revamped!

September 15, 2024

Navigating the Boom: Rise of M&A in Healthcare

August 23, 2024

Audio

Renewable Roadmap: Budget 2024 and Beyond - Part I

August 26, 2024

Renewable Roadmap: Budget 2024 and Beyond - Part II

August 26, 2024

Renewable Roadmap: Budget 2024 and Beyond - Part III

August 26, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

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

Video

"Investment return is not enough" Nishith Desai with Nikunj Dalmia (ET Now) at FI8 event in Riyadh

October 31, 2024

Analysing SEBI's Consultation Paper on Simplification of registration for FPIs

September 26, 2024

