

## Foreign venture capital investors get to dabble in securities via secondary market

ET Bureau Mar 20, 2012, 02:40AM IST

MUMBAI: Reserve Bank of India has allowed [foreign venture capital investors](#) to invest in [securities](#) through the [secondary market](#) and also through private arrangements or purchase from a third party.

The move is expected to bring several venture capital investors to India's debt and equities market, legal experts said.

"It has been decided to allow foreign venture capital investors (FVCI) to invest in eligible securities (equity, equity-linked instruments, debt and debt instruments, debentures of a domestic venture capital undertaking or VC funds, units of schemes/funds set up by a VC fund) by way of private arrangements or purchase from a third party also," a circular issued by the [central bank](#) said.

Till now, there was no clarity on whether registered foreign venture funds could buy securities from the secondary markets using the FVCI route.

While there was no specific restriction under the [FVCI Regulations](#) issued by capital markets regulator, the Securities Exchange Board of India, or [Sebi](#), certain custodians did not permit their FVCI clients to purchase shares. The [RBI](#) notification has clarified that FVCIs can invest in securities of investee companies "by way of a private arrangement or purchase from a third party".

"FVCI registered entities now have a greater investment horizon as they will be able purchase shares of venture capital undertakings from existing investors, including angel investors, venture capital and private equity funds, under the FVCI route," said Vikram Shroff of law firm Nishith Desai Associates.