PRESS RELEASE

RESERVE BANK OF INDIA

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RBI further liberalises Forex Rules

On a review of the current macro economic situation and in consultation with the Government of India, it has been decided to accelerate the implementation of the third phase of the recommendations of the Committee on Fuller Capital Account Convertibility (CFCAC) with regard to the foreign exchange outflows.

Accordingly, the following measures are being implemented with immediate effect:

i) Investment in overseas Joint Ventures (JV) / Wholly Owned Subsidiaries (WOS) by Indian companies will now be permitted up to 400 per cent of the net worth of the Indian company under the Automatic Route. The enhanced limit will also be available to registered partnership firms.

ii) In order to provide greater opportunities to listed Indian companies for portfolio investment abroad, the existing limit of 35 per cent of the net worth for portfolio investments by listed companies is being increased to 50 per cent of the net worth. Further, the requirement of 10 per cent reciprocal share holding in the listed Indian companies by overseas companies for the purpose of portfolio investment outside India by Indian listed companies has been dispensed with.

iii) The existing limit for prepayment of External Commercial borrowings (ECBs) without the Reserve Bank approval is being increased from USD 400 million to USD 500 million, subject to compliance with the minimum average maturity period as applicable to the loan.

iv) The aggregate ceiling for overseas investments by mutual funds, registered with SEBI is being increased from USD 4 billion to USD 5 billion. In addition, the existing facility of investing up to USD 1 billion in overseas Exchange Traded Funds, as may be permitted by SEBI by a limited number of qualified Indian mutual funds would continue.

v) The existing limit under Liberalised Remittance Scheme (LRS) is being enhanced from USD 100,000 to USD 200,000 per financial year.

The operational guidelines on the measures will be issued separately.

Alpana Killawala
Chief General Manager

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