

## Regulatory Hotline

April 30, 2018

### INTRODUCTION OF MINIMUM CAPITALIZATION NORMS FOR FINANCIAL SERVICES – IMPLICATIONS ON EXISTING STRUCTURES

We recently conducted a webinar on the 'Introduction of Minimum Capitalization Norms for Financial Services – Implications on Existing Structures'. The webinar focussed on the recent press release by the Ministry of Finance regarding the proposed introduction of minimum capital requirements for foreign direct investment into 'unregulated' financial services activities [attached hereto](#) (the "**Press Release**").

The Press Release is likely to have significant implications particularly on asset managers and investment advisors having foreign investment. The Press Release now imposes dual test of: (i) registration for the entity, and (ii) regulation of the activity undertaken by such entity with a financial services regulator, failing which minimum capitalisation norms of USD 20 million (for fund based activities, such as asset management) and USD 2 million (for non-fund based activities, such as investment advisors rendering exempt advisory services) may trigger.

The Webinar, for instance, analyses one significant implication for asset managers of alternative investment funds ("AIF"). Such asset managers were hitherto considered regulated (by virtue of the AIF being regulated); however, now, in light of the Press Release, such asset managers would be considered unregulated entities, and be subjected to USD 20 million minimum capitalisation and regulatory approval. Similar implications may also ensue for investment advisors that have hitherto been rendering activities that are exempted under the relevant regulations.

The Webinar also summarises our interactions with the regulators, wherein we have been given to understand that asset managers of SEBI regulated AIFs should continue to be seen as regulated entities and minimum capitalisation norms should not be triggered. We have sought clarifications from the Ministry of Finance before the Press Release is effected into a law.

In case you were unable to join us live, or you would like to take notes on what was discussed by our industry experts during the event, you can now click on the link to hear the audio recording of the event. If there are any questions, please write to us on [Webinar2018\(at\)nishithdesai.com](mailto:Webinar2018(at)nishithdesai.com)

Click [here](#) for the audio recording.

– **Richie Sancheti, Ruchir Sinha & Pratibha Jain**

You can direct your queries or comments to the authors

### 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

### Mergers & Acquisitions

July 11, 2025

### New Age of Franchising

June 20, 2025

### Life Sciences 2025

June 11, 2025

## Research Articles

### 2025 Watchlist: Life Sciences Sector India

April 04, 2025

### Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

### INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

## Audio

### CCI's Deal Value Test

February 22, 2025

### Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

### Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

## NDA Connect

Connect with us at events, conferences and seminars.

## NDA Hotline

Click here to view Hotline archives.

## Video

### Reimagining CSR: From Grant Giving to Blended Finance & Outcome Based Funding

June 16, 2025

### Courts vs Bankruptcy code: The

**JSW-Bhushan Saga**

June 04, 2025

**Vyapak Desai speaking on the  
danger of deepfakes | Legally  
Speaking with Tarun Nangia |  
NewsX**

April 01, 2025

---