

Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion

Press Note No. 4 (2016 Series)

Subject: Policy on foreign investment for Asset Reconstruction Companies- amendment of paragraph 6.2.18.1 of 'Consolidated FDI Policy Circular of 2015'

1.0 Present Position:

1.1 Paragraph 6.2.18.1 of 'Consolidated FDI Policy Circular of 2015', effective from May 12, 2015, relating to Asset Reconstruction Companies, presently reads as below:

6.2.18.1 Asset Reconstruction Companies

Sector/Activity	% of Equity/ FDI Cap	Entry Route
6.2.18.1.1 'Asset Reconstruction Company' (ARC) means a company registered with the Reserve Bank of India under Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act).	100% of paid-up capital of ARC (FDI+FII/FPI)	Automatic up to 49% Government route beyond 49%

6.2.18.1.2 Other Conditions:

(i) Persons resident outside India can invest in the capital of Asset Reconstruction Companies (ARCs) registered with Reserve Bank, up to 49% on the automatic route, and beyond 49% on the Government route.

(ii) No sponsor may hold more than 50% of the shareholding in an ARC either by way of FDI or by routing it through an FII/FPI controlled by the single sponsor.

(iii) The total shareholding of an individual FII/FPI shall be below 10% of the total paid-up capital.

(iv) FIIs/FPIs can invest in the Security Receipts (SRs) issued by ARCs registered with Reserve Bank. FIIs/FPIs can invest up to 74 per cent of each tranche of scheme of SRs. Such investment should be within the FII/FPI limit on corporate bonds prescribed from time to time, and sectoral caps under extant FDI Regulations should also be complied with.

(v) All investments would be subject to provisions of section 3(3) (f) of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

2.0 Revised Position:

2.1 The Government of India has liberalized the foreign investment limits for Asset Reconstruction Companies. Accordingly, Paragraph 6.2.18.1 of 'Consolidated FDI Policy Circular of 2015', effective from 12.5.2015, is amended to read as below:

Sector/Activity	% of Equity/ FDI Cap	Entry Route
6.2.18.1.1 'Asset Reconstruction Company' (ARC) means a company registered with the Reserve Bank of India under Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act).	100%	Automatic

6.2.18.1.2 Other Conditions:

- (i) Persons resident outside India can invest in the capital of Asset Reconstruction Companies (ARCs) registered with Reserve Bank of India, up to 100% on the automatic route.
- (ii) Investment limit of a sponsor in the shareholding of an ARC will be governed by the provisions of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended from time to time. Similarly, investment by institutional / non-institutional investors will also be governed by the said Act, as amended from time to time.
- (iii) The total shareholding of an individual FII/FPI shall be below 10% of the total paid-up capital.
- (iv) FIIs / FPIs can invest in the Security Receipts (SRs) issued by ARCs registered with Reserve Bank of India. FIIs / FPIs may be allowed up to 100 per cent of each tranche in SRs issued by ARCs, subject to directions / guidelines of Reserve Bank of India.
- (v) All investments would be subject to provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended from time to time.

3.0 The above decision will take immediate effect.



(Atul Chaturvedi)

Joint Secretary to the Government of India

D/o IPP File No.: No.5/19/2012-FC.I dated: 06th May, 2016

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For suitably incorporating the policy changes in Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 and the relevant schedules thereof.