

## Corpsec Hotline

September 17, 2003

### BAN ON FOREIGN DIRECT INVESTMENTS BY OVERSEAS CORPORATE BODIES

The Reserve Bank of India ("RBI"), through a Circular dated September 16, 2003, has banned Overseas Corporate Bodies ("OCBs") [held to the extent of at least 60% by Non Resident Indians or Persons of Indian Origin] from making any fresh investments through foreign direct investment ("FDI") route.

While the OCBs were banned to invest in the secondary market with effect from November, 2001, till now they were permitted to make direct investment under the FDI route. By taking this step, the RBI has derecognized OCBs in India as an eligible 'class of investor'. The decision was taken pursuant to a review of the investment activities of OCBs in India, carried out by RBI on the basis of the recommendations of the Joint Parliamentary Committee on Security Market Scam.

Some of the major decisions taken by the RBI, after consultations with the Government, are:

- the ban imposed on OCBs under Portfolio Investment Scheme ("PIS") in November 2001 shall continue;
- OCBs as a 'class of investor' shall not be allowed to make fresh investments in India under various routes/schemes available under extant Foreign Exchange Management Regulations and facility of opening fresh Non-Resident External Rupee ("NRE") and Foreign Currency (Non-Resident) ("FCNR") and Non-Resident Ordinary Rupee ("NRO") accounts shall also be withdrawn;
- OCBs shall not be allowed to acquire, by way of sale or gift, the shares or convertible debentures, from non-resident investors or other OCBs; and
- OCBs shall not lend in rupees or in foreign currency to a person resident in India.

While the RBI has allowed the OCBs to continue to hold investments earlier made under the PIS and the FDI route (on repatriation basis), investments made under the FDI route (on non-repatriation basis) would have to be disposed of, after obtaining specific permission of the RBI.

### 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

### Taxing Offshore Indirect Transfers in India

February 28, 2025

### Unlocking Corporate Philanthropy

February 27, 2025

### Digital Health in India

February 26, 2025

## Research Articles

### 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

### Key changes to Model Concession Agreements in the Road Sector

January 03, 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

### Arbitration Amendment Bill 2024: A Few Suggestions | Legally Speaking With Tarun Nangia | NewsX

February 12, 2025

**What India’s Transition to New Data  
Protection Law Means for Global  
Businesses**

January 23, 2025

**India 2025: The Emerging  
Powerhouse for Private Equity and  
M&A Deals**

January 16, 2025

---