

Dear All,

Foreign Exchange Management (Non-Debt Instruments) Rule 2019 (“**Regulations**”) was amended on 27th April 2020 (“**Amendment**”) to allow for certain relaxations in the Foreign Direct Investment (“**FDI**”) regime and to bring about certain clarifications.

The salient changes under the Amendment are provided briefly below:

- 1) 100% automatic route for Insurance intermediaries:**
 - (a) While Insurance Companies still remain under 49% automatic route, the FDI norms for Insurance intermediaries have been relaxed to allow for 100% FDI in automatic route, subject to certain conditions.
 - (b) Insurance intermediaries which has majority foreign shareholder is required to ensure certain requirements such as:
 - (i) Be incorporated as a limited company. Hence LLPs, partnerships etc. cannot bring in FDI under this route;
 - (ii) At least one KMP of the Insurance Intermediary should be a resident Indian citizen;
 - (iii) Repatriation of certain amounts outside India will be subject to the approval of, or as per limits prescribed by, the Authority; and
 - (iv) Composition of the board will be as prescribed by the regulators.
- 2) Insurance Companies:** It is clarified that foreign portfolio investments (“**FPI**”) are allowed in insurance Companies as per the provisions of the regulations and read with the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014.
- 3) Single Brand Product Retail Trading:** In addition to local sourcing norms becoming effective from 3 years from opening of first store, it shall be triggered even upon the entity starting online retail.
- 4) Renouncing of Shares:** Clarity is brought in that a person resident outside India can acquire shares (other than share warrants) renounced by a person resident in India, provided pricing guidelines are met.
- 5) Breach of FPI threshold:** It is clarified that in the event of the breach of FPI threshold, the divestment of FPI holdings or the reclassification to FDI will be subject to the applicable SEBI/RBI guidelines.

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