

Government of India
Ministry of Finance
Department of Economic Affairs
Capital Markets Division

PRESS RELEASE

Working Group on Foreign Investment in India

With a view to rationalising the present arrangements relating to foreign portfolio investments by Foreign Institutional Investors (FIIs)/ Non Resident Indians (NRIs) and other foreign investments like Foreign Venture Capital Investor (FVCI) and Private Equity entities etc., the Government has decided to set up a working group to look at various types of foreign flows, which are taking advantage of arbitrage across the respective stand-alone regulations and generate recommendations to Government. The working group consists of members from the Government, the regulators and the private sector. Its composition and the office order is available at the following links: <http://finmin.nic.in/> (in the recent updates column) and <http://www.nipfp.org.in/nipfp-dea-program/misc.html>

2. The terms of reference of the working group draw attention to the following:

- i. To review the existing policy on foreign inflows, other than Foreign Direct Investment (FDI), such as foreign portfolio investments by Foreign Institutional Investors (FIIs)/ Non Resident Indians (NRIs) and other foreign investments like Foreign Venture Capital Investor (FVCI) and Private equity entities and suggesting rationalisation of the same with a view to encourage foreign investment and reducing policy hurdles in this regard while maintaining the Know Your Customer (KYC) requirements.
- ii. To identify challenges in meeting the financing needs of the Indian economy through the foreign investment. Foreign investment for this purpose to be understood broadly and can include investment in listed and unlisted equity, derivatives and debt including the markets for government bonds, corporate bonds and external commercial borrowings.
- iii. To study the arrangements relating to the use of Participatory Notes and suggest any ' change in the policy if required from KYC and other point of view


- iv. To re-examine the rationale of taxation of transactions through the STT and stamp duty.
- v. To review the legal and regulatory framework of foreign investment in order to identify specific bottlenecks impeding the servicing of these financing needs.
- vi. To suggest specific short, medium and long term legal, regulatory and other policy change;" in respect to foreign investment keeping in view of the suggestions expert committee reports such as the Committee on Fuller Capital Account Convertibility, the Committee on Financial Sector Reforms and the High Powered Expert Committee on Making Mumbai an International Financial Centre.
- vii. Any other matter the working group may consider relevant.

3. Comments of industry associations, bodies and individuals on the issues involved in the office order are invited by 10th February, 2010 to be sent to the National Institute of Public Finance and Policy ("NIPFP"), 18/2 Satsang Vihar Marg, Special Institutional Area (Near JNU), New Delhi 110067, INDIA or at email id nipfp.wgpf@gmail.com

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The press Information Bureau is requested to give wide publicity to this Press Release.



(Dr. K. P. Krishnan)

Joint Secretary to the Government of India

Press Information Officer
Press Information Bureau
Shastri Bhawan
New Delhi.

Copy to:

1. The Director (Technical), NIC, North Block, New Delhi for placing the press release on MOF's website.


(Dr. K. P. Krishnan)
Joint Secretary to the Government of India