

FOREIGN INVESTMENTS IN INDIA - THE NEW REGIME

The year 2019 saw a paradigm shift in the regulation of foreign investments in India. From the supersession of what was once the backbone of the regime, i.e. the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 (FEMA 20) to the bifurcation of investment instruments into debt and non-debt instruments, there has been a change in how foreign investments in India are regulated.

The origin of the current changes can be traced back to 2015 when the Finance Act, 2015 proposed amendments to the Foreign Exchange Management Act, 1999 (FEMA). The rationale for the changes can be traced to the late minister of Finance Mr. Arun Jaitley's budget speech of 2015, where while proposing the amendments to FEMA he had stated that capital account control is a matter of policy decision and not regulatory, and therefore its control must remain with the Central Government. The discernible rationale for the change in the regime is to bring in a change in the governance of equity inflows, by shifting it from the purview of the Reserve Bank of India (RBI) to the Central Government.

The Government on October 15, 2019 notified the amendments to Section 6, Section 46 and Section 47 of FEMA, with effect from October 15, 2019; and on October 17, 2019, introduced the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (NDI Rules), the Foreign Exchange Management (Debt Instruments) Regulations, 2019 (DI Regulations) and the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 (Payment and Reporting Regulations).

Click here to read more on how the erstwhile FEMA 20 regime has been impacted by the current regime of the NDI Rules, DI Regulations and Payment and Reporting Regulations: [Foreign Investments in India - The New Regime](#)

**This is an update for general information purposes only and does not constitute legal advice. Please contact us if you require further clarification on this subject.*



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