

Amendment in regulations for foreign investment in NBFCs

The Ministry of Finance has issued a Press Release dated 10 August, 2016 reporting that the Union Cabinet has given its approval to amend the regulations for foreign investment in Non-Banking Finance Companies (NBFCs) on the following key aspects:

1. Under the present regulations on "Non-Banking Finance Companies", Foreign Direct Investment (FDI) is allowed in only 18 specified activities under the automatic route, after fulfilling prescribed minimum capitalisation norms mentioned therein. In his Budget 2016-17 Speech, the Finance Minister had announced that "FDI will be allowed beyond the 18 specified NBFC activities under the automatic route in other activities which are regulated by financial sector regulators".

As per the Press Release, FDI is allowed under the automatic route for all "Other Financial Services" provided such services are regulated by any regulators (RBI, SEBI, PFRDA, etc.)/ Government Agencies. Foreign investment in "Other Financial Services" that are not regulated by any regulators/ Government Agency, can be made under the approval route.

2. Also, minimum capitalisation norms as mandated under the FDI policy have been eliminated, as most regulators have already fixed minimum capitalisation norms.

You may click [here](#) to access a copy of the Press Release. A Press Note/ FEMA notification implementing the above changes is awaited.

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