



**RESERVE BANK OF INDIA**  
**Mumbai - 400 001**

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**RBI/2016-17/90**

**A.P. (DIR Series) Circular No. 8**

**October 20, 2016**

To

All Category - I Authorised Dealer Banks

Madam/Sir,

**Foreign investment in Other Financial Services**

Attention of Authorised Dealers Category – I (AD Category - I) banks is invited to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, notified vide [Notification No. FEMA 20/2000-RB dated May 3, 2000](#), as amended from time to time (Principal Regulations).

2. At present, paragraph F.8 of Annex B to Schedule 1 of the Principal Regulations permits foreign investment up to 100%, under the automatic route, in Non-Banking Finance Companies (NBFCs) engaged in the 18 activities listed therein. Such investment is subject to the conditions, including minimum capitalisation norms.

3. On a review, in consultation with the Government of India, it has been decided to allow foreign investment up to 100% under the automatic route in 'Other Financial Services'. Other Financial Services will include activities which are regulated by any financial sector regulator viz. Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority, Pension Fund Regulatory and Development Authority, National Housing Bank or any other financial sector regulator as may be notified by the Government of India in this regard. Such foreign investment shall be subject to conditionalities, including minimum capitalisation norms, as specified by the concerned Regulator/ Government Agency.

4. Other salient features of the revised regulatory framework are as under:

- a) In financial services activities which are not regulated or partly regulated by any financial sector regulator or where there is lack of clarity regarding regulatory oversight, foreign investment will be allowed up to 100% under the Government approval route.
- b) Foreign investment in an activity which is specifically regulated by an Act, will be restricted to foreign investment levels/limits, if any, specified in that Act.
- c) Downstream investment by any entity engaged in ‘Other Financial Services’ will be subject to extant sectoral regulations and provisions of Principal Regulations.

5. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. Reserve Bank has since amended the Principal Regulations accordingly through the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Thirteenth Amendment) Regulations, 2016 which have been notified through [Notification No. FEMA 375/2016-RB dated September 9, 2016](#) vide G.S.R. No.879(E) dated September 9, 2016.

7. The directions contained in this circular have been issued under section 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Yours faithfully,

(Shekhar Bhatnagar)  
Chief General Manager-in-Charge