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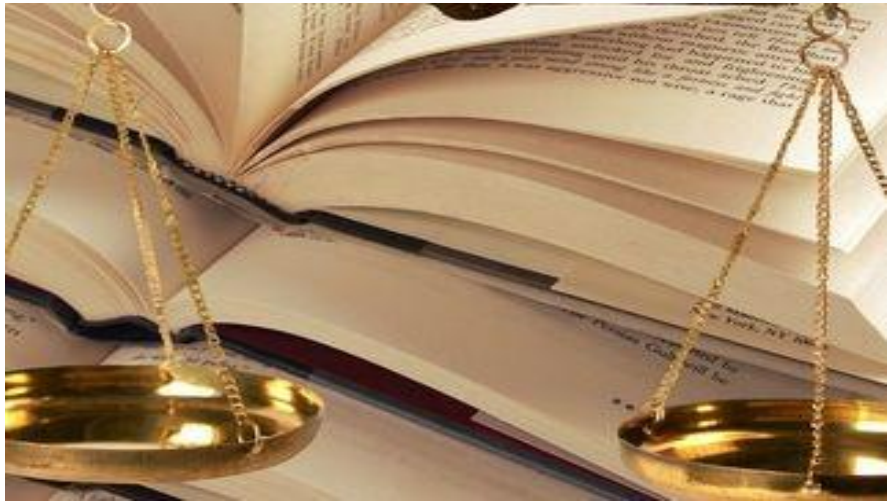

PREFACE

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ABBREVIATIONS	
National Company Law Tribunal	NCLT
Company Law Board	CLB
Securities and Exchange Board of India	SEBI
Optionally Fully Convertible Debentures	OFCDs
Securities Appellate Tribunal	SAT
Related Party Transactions	RPT
Foreign Institutional Investors	FII
Press Information Bureau	PIB
Companies Bill, 2012	Bill

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Dear Readers,

This February, 2013 issue of the Newsletter highlights some of the Provisions in the Companies Bill 2012, in relation to matters concerning Minority Protection and forums constituted for adjudication and dispute settlement. It provides an insight into some important Judgments and Orders of Courts, SAT and SEBI. Some key notifications & circulars issued by SEBI, MCA and RBI relevant to corporates and industry professionals have also been covered.

The Companies Bill 2012 (the Bill) was passed in the Lok Sabha on 18th December 2012, however it still needs to be approved by the Rajya Sabha and seek accent of the President of India, thereafter the Bill would be notified in official gazette to become a law. Once enacted the Bill is set to replace the 56 year old Companies Act, 1956. It contains 470 clauses divided into 29 chapters and 7 schedules as against 658 sections in the existing Companies Act. The move is likely to improve corporate governance and increase transparency in dealings by corporate professionals. Some of the provisions that are likely to have a significant impact on matters concerning minority protection, dispute resolution, trial of offences under the Bill are discussed in the newsletter.

We hope, you would find the newsletter informative.

Best regards,

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MINORITY PROTECTION	COMPANIES BILL, 2012	COMPANIES ACT, 1956
OPPRESSION AND MISMANAGEMENT	Clause 241 of the Bill contains the provisions for both oppression and mismanagement. An application is to be filed before the NCLT for seeking an appropriate relief.	Sections 397 and 398 of the Companies Act, 1956 allow minority shareholders to apply before CLB, for relief in cases of oppression and mismanagement respectively.
NOTICE TO CENTRAL GOVERNMENT WHILE PASSING A FINAL ORDER	The NCLT is not required to give any notice to the Central Government while passing a final order in respect of an application under Chapter XVI.	CLB is required to give notice of every application made to it under section 397 or 398 to the Central Government, and shall take into consideration the representations, if any, made to it by that Government before passing final order under that section.
POWERS OF NCLT/CLB	Clause 242(2) of the Bill vests additional powers in NCLT in addition to those vested with CLB under section 402 of the Companies Act. The Additional powers, in respect of passing an order for the prevention of oppression and mismanagement, are: • Restrictions on the transfer or allotment of the shares of the company. • Removal of the managing director, manager or any of the directors of the company. • Recovery of undue gains made by any managing director, manager or director during the period of his appointment as such and the manner of utilization of the recovery amount. • The manner in which the managing director or manager of the company may be appointed subsequent to an order removing the existing managing director or manager of the company. • Appointment of directors, to report to the tribunal such matters as the tribunal may direct. • Imposition of cost as may be deemed fit by the NCLT.	The Companies Act, provides adequate powers to the CLB on application under section 397or 398 for providing relief in cases of oppression and mismanagement. CLB has inter-alia been vested with powers to pass appropriate order if in the opinion of CLB they are "just and equitable" to end the oppression and mismanagement.

MINORITY PROTECTION	KEY PROVISIONS	COMMENTS
CLASS ACTION SUIT	The Bill contain provisions relating to Class Action Suits. Lawsuits may be filed by members or depositors or any class of them, if they are of the opinion that the management or conduct of the affairs of the company is being conducted in a manner prejudicial to the interest of the company, its members or depositors. The NCLT will hear these suits and pass appropriate orders. The orders passed by NCLT would be binding on the company and all its members, depositors and auditor including audit firm or expert or consultant or advisor or any other person associated with the company and stringent penalty could be imposed in case of a breach. There is a threshold limit in terms of the number of member or depositors required for bringing a class action: ▪ In case of companies limited by shares requisite number of members to bring Class Action Suit- At least 100 members or specified percentage members whichever is lower or any member or members holding specified percentage of the issued share capital of the company. ▪ In case of Company not having share capital- One fifth of the total number of its members. ▪ Requisite number of depositors to bring class action suit – At least 100 depositors or specified percentage of number of depositors whichever is lower or any depositor or depositors to whom the company owes such percentage of total deposits.	Following the Satyam scam, there was a growing realization to guard the interest of small investors. While Indian investors barely got any compensation in the scam, owing to a strong class action structure in the US, some of their American counterparts, owning ADRs, made the company to pay millions in settlement. Further, in order to discourage "frivolous or vexatious" litigation NCLT is conferred with powers to impose cost on imitating shareholders, depositors and reject an application where the shareholders are not acting in good faith or have no personal interest in the action. This will ensure that only genuine actions are entertained and the provisions are not misused by parties to blackmail companies. Class action lawsuits are common in developed economies like the US. In the US, rules governing all class actions are directed inter-alia by the Rule 23 of Federal Rules of Civil Procedure. Every state has its own rules of procedure for class actions, but they all closely resemble **Rule 23 of the Federal Rules of Civil Procedure.** Once a class action suit is filed, the Court will determine whether the complaint fulfills the necessary requirements and satisfies the class requirement. **Class Action Fairness Act 2005,** gives Federal Courts the jurisdiction to govern class actions cases in which the amount in controversy exceeds $5 million and in which any of the members of a class of plaintiffs is a citizen of a state different from any defendant, unless at least two-thirds or more of the members of all proposed plaintiff classes in the aggregate and the primary defendants are citizens of the state in which the action was originally filed.

COMPANY LAW

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SPECIAL COURTS

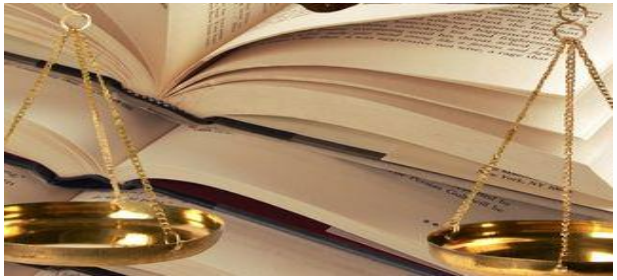
- At present offences under the Companies Act are triable by several forums like Districts Courts, High Court, CLB, etc. The Central Government is empowered to establish or designate as many Special Courts as may be necessary for the purpose of speedy trial of offences under the Companies Bill 2012.
- Offences under the Act will be tried by Special Court established for the area in which the registered office of the company in relation to which the offence is committed or where there are more Special Courts than one for such area, by such one of them as may be specified in this behalf by the High Court concerned.
- Provisions of CrPC, 1973 would apply to proceeding before Special Courts and they would be vested with powers of Court of Session and the person conducting a prosecution before the Session Court shall be deemed as Public Prosecutor.
- Special Court shall consist of a single judge who shall be appointed by the Central Government with the concurrence of the Chief Justice of the High Court within whose jurisdiction the Judge to be appointed is working.

DISPUTE SETTLEMENT MECHANISM

- The Central Government shall maintain Mediation and Conciliation Panel consisting of experts for mediation between parties during the pendency of any proceedings before the Central Government or NCLT or NCLAT.
- The Panel shall dispose of the matter within 3 months of the date of reference and provide its recommendations to the appropriate authorities.
- Any party aggrieved with the recommendation of Panel may file objections to the Central Government, NCLT or NCLAT, as applicable.

SETTING UP OF NATIONAL COMPANY LAW TRIBUNAL (NCLT)

- Clause 408 and 410 provide for constitution of NCLT and National Company Law Appellate Tribunal which will replace CLB, BIFR and AAIFR. It is proposed to constitute NCLT and NCLAT broadly in terms of the guidance laid by the Hon'ble Supreme Court .
- Initially, the Companies (Second Amendment) Act, 2002 paved way for setting up of the NCLT and NCLAT.
- However, the Hon'ble Madras High Court in R. Gandhi V. Union of India, held that NCLT is against the basic structure of the constitution as it has been awarded with all the powers which are conferred to the High Court except, Article 266.
- Subsequently, Hon'ble Supreme Court in Union of India Vs. R. Gandhi/ Madras Bar Association upheld the Constitutional validity of NCLT.



SECURITIES LAW

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SELECT RULINGS:

SAHARA INDIA REAL ESTATE EXCHANGE CORPORATION LIMITED & OTHERS VS SEBI

- Sahara Issued OFCDs, which were in contrast to the maximum limit prescribed under proviso to Sec 67(3) of the Companies Act beyond which offer would become a public offer.
- When SEBI made inquiries, Sahara insisted that SEBI had no jurisdiction. SEBI passed some orders, finally the order by SEBI along with an Order on appeal by SAT were upheld by Supreme Court.

KEY ISSUES-

- **Whether the offer of OFCDS by Sahara was a private placement as claimed by Sahara or an issue to the public?**

  Offer to more than 50 Investors would be deemed to be an offer to the public under proviso to Section 67(3).

- **Whether listing of OFCDs on stock exchange optional or mandatory?**

  Section 73 clearly requires that a company seeking to offer securities to public has to apply for listing to the stock exchange. It was concluded that offer was an offer to public. Listing was an inevitable consequence of such an offer. Hence was mandatory not optional.

- **Whether Section 55A provides SEBI with the authority to administer specific provisions on unlisted companies.?**

  Section 11 of the SEBI Act, is wide enough to give powers to SEBI to protect interest of investors. Section 11B/11C reinforces this conclusion that SEBI has the power to govern Listed and Unlisted companies.

  Accordingly SEBI has Power to investigate into any matter relating to interest of investors even if it pertains to companies that are not listed.

DIPAK PATEL VS SEBI

- Mr Dipak Patel was a portfolio manager of a FII, Passport India Investment (Mauritius). He provided information to Shri Kanaiyalal Baldev Patel (KB) and Shri Anand Kumar Baldev Bhai Patel (AB) regarding forth coming trading activity of the company. They indulged in front running and made profits from such transactions, following which penalties were imposed against Dipak, KB and AB by the Adjudicating Officer, SEBI for violation of SEBI (Prohibition of fraudulent and Unfair Trade Practices to securities market)Regulations 2003.
- On appeal, SAT reversed the order of the Adjudicating Officer on two grounds.
- **Firstly, that front running only by an intermediary is prohibited under the 2003 Regulations.** Parties not being intermediaries are not guilty under the 2003 regulations.
- SAT observed "In the absence of any specific provision in the Act, rules or regulations prohibiting front running by a person other than an intermediary, we are of the view that the appellants cannot be held guilty of the charges leveled against them."
- Front running was a fraud on the part of Dipak on his employers and was punished for the same, **however it did not amount to any manipulative practice or fraud on the market.** Hence provisions of Regulations 3 could not apply on the present case.

SECURITIES LAW

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UNIJULES LIFE SCIENCES & OTHERS LTD VS SEBI

- Appeal was filed against an Order of SEBI imposing a penalty of Rs 50 lakhs on appellants for violating the regulations 14(2) of SEBI (SASTS) Regulation 1997.
- ZIM Laboratories Ltd. made preferential allotment of shares to appellants which resulted in to triggering the regulation 10 and 11 read with regulation 14(2)of SEBI (SAST) Regulation 1997. As per Regulation 14(2) thereof, these appellants (the acquirers) were required to make public announcement within four working days of the acquisition of voting rights. The appellants failed to do so. There after the appellants made public announcement under regulation 11(1) and (2), however Board felt that such public offer was made with the intension to regularize the acquisition.
- At the request of appellant SEBI directed the appellants to make a delisting offer. Board further initiated the adjudication proceedings against the appellants for above said violation and imposed the penalty of Rs 50 lakhs. Against which the Acquirer preferred an appeal before SAT.
- **Issue**-Whether SEBI can give both directions at once i.e. either to give direction to make public offer or initiate proceedings for imposing penalty.
- **SAT observed that direction made by SEBI to provide exit opportunity to the shareholder was not made to condone the violation of SAST Regulations (Takeover code).**
- The Court further observed that once the contravention is established then the penalty has to follow and only the quantum of penalty is discretionary.
- SAT further observed, authorities gave emphasis to aims and objects of the Act, impact of violation and other mitigating factors. It is also not a case of market manipulation or of investors interest having been adversely affected and there is no change in the management.
- Upholding the findings of Adjudicating Officer, Hon'ble SAT reduced the penalty from Rs 50 lakh to 10 lakhs.

SEBI ORDER AGAINST KHAITAN LEFIN LTD(KLL) AND OTHERS DIRECTING THEM TO MAKE A COMBINED PUBLIC ANNOUNCEMENT.

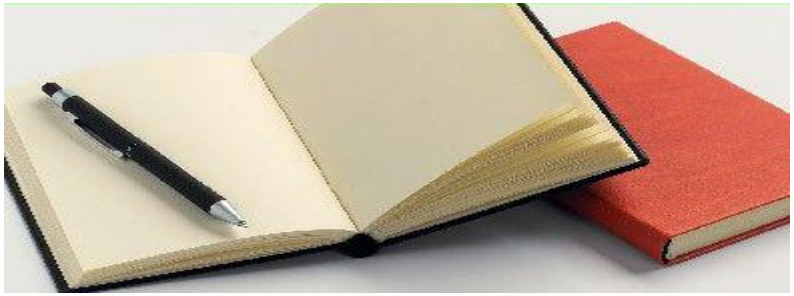
- SEBI issued an Order against Sunil Krishan Khaitan, & others, directing them make a combined public announcement to acquire shares of, Khaitan Electricals Limited, with in 45 days. Besides this the promoters shall along with consideration amount, pay interest at the rate of 10 per cent per annum, from June 16, 2007, to the date of payment of consideration.
- SEBI observed that the obligation to make public announcement under regulation 10 gets triggered when the acquisition of the acquirer, individually or collectively along with persons acting in concert with him, would cross the threshold limit of 15%. Thus, if individual acquisition of any person in a group (acting in concert) breaches the threshold limit of 15%, such acquirer is under obligation to make public announcement under regulation 10.
- **SEBI ruled that:**
- Creeping acquisition limit should be seen on a gross acquisition basis within the financial year ending on March 31st and no netting of acquisition and disinvestment is permitted.
- Obligation to make Public announcement under Regulation 11(1) is triggered if at any point of time during the financial year the acquisition breaches the threshold of 5%limit.

PROPOSED MODIFICATIONS TO THE EXISTING FRAMEWORK FOR BUY BACK

- SEBI released a discussion paper entitled 'Proposed modifications to the existing framework for buy back through open market purchase' intended for inviting Public comments.
- The paper at its outset gives a brief background of the matter, this is followed by the reasons as to why buy back has failed to achieve its objectives. Some of the reasons are-
- Section 77A(4) of the Companies Act, 1956 specifies that every buy back shall be completed within a period of 12 months. Instead of fixing a definitive period, companies usually keep the offer open for the entire period of 12 months. Even after this there are instances where companies do not buy a single share.
- There are no explicit provisions in the Act, or in the SEBI Regulations, 1998 regarding the price or quantity for which the company shall place orders for buying back its shares or the periodicity of placement of such orders.
- Many companies took shareholders/board approval for buyback proposals and in some cases even published public notice but did not take a single step to buy the shares.
- It has been observed that the company discloses the maximum price only and subsequently purchases the shares near market price which could be significantly lower than the announced price.

Key proposals:-

- It is proposed to mandate 50% of the proposed offer size as the minimum quantity to be bought back.
- Listed companies coming out with buyback programs may not be allowed to raise further capital for a period of two years.
- Companies coming out with buyback offer would not be allowed to raise fresh capital for 2 years.
- Companies complete the buy back in 3 months. To ensure that only serious companies launch the buyback program, it is further proposed that these companies be mandated to put 25% of the maximum amount proposed for buy back in an escrow account.
- Buy-back of 15% or more of (paid up capital + free reserves) must be only by way of a tender offer method.
- Issuance of shares pursuant to obligations arising out of Employee Stock Option Schemes may be allowed during the buy-back period subject to the following: (a) the shares are not allotted to directors and key managerial personnel of the company (b) there is no acceleration in the vesting period.
- The companies shall extinguish/ destroy shares bought back during the month, on or before fifteenth day of the succeeding month subject to the companies destroying the bought back shares in the last month within seven days of the completion of the offer.
- The current restrictions on Promoters in dealing with securities of the company during the buyback period shall extend to off-market trades.



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SEBI's CONSULTATIVE PAPER ON REVIEW OF CORPORATE GOVERNANCE NORMS IN INDIA

To ensure superior Corporate Governance standards in India and taking into consideration the global scenario SEBI issued a Consultative paper entitled 'Consultative paper on review of Corporate Governance norms in India'.

The move is likely to revamp standards of corporate governance in case of the listed companies.

Some of the key proposals listed in the paper are:-

- Appointment of Independent Directors by minority shareholders.
- Cumulative voting for appointment of Independent Director.
- Formal letter of appointment to Independent Directors and non executive directors.
- Certification course and training for Independent Directors.
- Treatment of nominee director as Non-Independent Director.
- Mandate minimum and maximum age for Independent Directors.
- Requiring Independent Directors to disclose reasons of their resignation.
- Clarity on liabilities and on remuneration of Independent Directors.
- Separate meetings of Independent Directors at least once in everyone year and performance evaluation of Independent Directors.
- Making Whistle Blower Mechanism a compulsory requirement.
- Constituting a Remuneration Committee a mandatory condition and expanding its scope.
- Enhanced disclosure of remuneration policies.
- Mandate e-voting for all resolutions of a listed company.
- Some of the proposals to curb abusive RPTs are as follows:
  - Requiring approval by shareholders for divestment of major subsidiaries.
  - Immediate and continuous disclosures of material RPTs.
  - Prohibiting/regulating grant of affirmative rights to certain investors.
  - Approval of major RPTs by 'Majority of the minority'.
  - Pre-approval of RPTs by Audit Committee and encouraging them to refer major and RPTs for third party valuation.
- Approval of Managerial Remuneration by disinterested shareholders.
- Expanding the scope of Related Party Transactions.
- Provision for regulatory support to class action suits.
- Exhaustive Guidelines laid on the role of Institutional Investors:
- Enforcement for non-compliance of Corporate Governance Norms.

NEGOTIABLE INSTRUMENTS

M/S LAXMI DYECHEM VS STATE OF GUJARAT AND OTHERS.

- The case is the result of an appeal against Gujarat High Court's (HC) order whereby the High Court had quashed 40 different complaints under Section 138 of the Negotiable Instruments Act, 1881 filed by the appellant against the respondents.
- High Court observed that the provisions of Section 138 are attracted only in cases where a cheque is dishonored either because the amount of money standing to the credit to the account maintained by the drawer is insufficient to pay the cheque amount or the cheque amount exceeds the amount arranged to be paid from account maintained by the drawer by an agreement made with the bank.
- The Apex Court held that if a cheque issued gets dishonored on the ground that drawers signature does not match the specimen signatures available with the bank, such mismatch of signature would attract Section 138 of the Negotiable Instrument Act.
- The Apex Court observed that irrespective of whatever may be the reason, if a change is brought about "with a view to preventing the cheque being honored, the dishonour would become an offence under Section 138 of the Negotiable Instruments Act 1881, subject to other conditions prescribed being satisfied."
- This judgment of the Apex Court is a step in the right direction to realize the overall intent and objectives of the Negotiable Instruments Act.

REGULATORY UPDATES - SEBI

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SEBI MODIFIES SECURITES LENDING & BORROWING (SLB) FRAMEWORK

- SEBI vide circular CIR/MRD/DP/30/2012 dated 22.11.2012 modified SLB framework.

Under the said circular:

- Any lender or borrower willing to extend an existing lent or borrow position shall be permitted to roll-over such positions.
- Rollover shall not permit netting of counter positions.
- The roll-over shall be available for a period of 3 months.
- The liquid Index Exchange Traded Funds (ETFs) would be eligible for trading in the SLB segment.
- Position limits for SLB in respect of ETF's shall be based on the assets under management of the respective ETF.

AMENDMENTS BY SEBI IN MINI DERIVATIVE (FUTURES & OPTIONS) CONTRACTS ON INDEX (SENSEX AND NIFTY)

- SEBI vide circular CIR/DRMNP/4/2012 dated 20.11.2012 has decided to discontinue mini derivative contracts on an Index (Sensex and Nifty) with a view to ensure that small/retail investors are not attracted towards derivative segment.
- The stock exchanges have been directed to take necessary action to give effect to the amendment.
- It also stated that no fresh mini derivatives contracts will be Issued. However, the existing unexpired contracts may be permitted to trade till expiry and new strikes may also be introduced in the existing contract months.
- Exchanges are directed to give due notice to the market in this regard.

FII PERMITTED TO REINVEST 50% OF DEBT HOLDING

- SEBI stated on 1.01.2013 that FIIs that did not purchase their debt investment limit at the start of the year in 2012 but did so subsequently, can reinvest 50% of their maximum debt holding in 2013.
- Previously, only FIIs that bought up to their limit at the start of the year were given this flexibility.
- This move will increase the presence of FIIs in the corporate debt market.

SEBI ALLOWS PARTICIPATION OF MUTUAL FUNDS IN CREDIT DEFAULT SWAPS (CDS) MARKET AS USERS AND IN REPO IN CORPORATE DEBT SECURITIES

- SEBI vide circular CIR/IMD/DF/23/2012 dated 15.11.2012 permitted Mutual Funds to participate in CDS market as per the guidelines issued by RBI from time to time, subject to compliance of certain conditions.

SEBI MODIFIES DEBT ALLOCATION MECHANISM FOR FOREIGN INSTITUTIONAL INVESTORS (FIIs)

- SEBI vide circular CIR/IMD/FIIC/22/2012, dated 7.11.2012, has modified the mechanism for debt allocation for FIIs.

The circular provides that :

- With a view to provide operational flexibility, beginning January 1, 2014, FIIs/Sub-accounts will be allowed to re-invest, during each calendar year, up to 50% of their debt holdings at the end of the previous calendar year.
- It has been decided that the time period for utilization of the Government debt limits (for both old and long term limits) allocated through bidding process shall be 30 days while the time period for utilization of corporate debt limits (both old and long term infra limits) allocated through bidding process shall be 60 days.
- It has also been decided that FII/Sub-Accounts may avail limits in the Corporate Debt long term infra category without obtaining SEBI approval till the overall FII investments reaches 90%, after which the auction mechanism would be initiated for remaining limits, and SEBI would monitor utilization of the limit.

REGULATORY UPDATES - RBI

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A CERTIFICATE OF REGISTRATION REQUIRED BY CIC MAKING OVERSEAS INVESTMENT IN THE FINANCIAL SECTOR

- RBI vide Notification DNBS (PD)252/CGM (US).2012 dated 06.12.2012 issued directions to all Core Investment Companies.
- CICs desirous of making overseas investment in the financial sector will need a Certificate of Registration from RBI and shall comply with all the regulations applicable to registered CICs.
- Exempted CICs, would be required to be registered with the Bank and would be regulated like CICs-ND-SI, for the purpose of overseas investment in financial sector.
- Exempted CICs making overseas investment in non-financial sector will not require registration from the Reserve Bank and hence, these Directions are not applicable to them.
- Further, a registered CIC need not obtain prior approval from Department of Non-Banking Supervision (DNBS), RBI, for overseas investment in non-financial sector. However, it should report to the Regional Office of DNBS where it is registered within 30 days of such investment in the stipulated format of quarterly return and also continue to submit the return quarterly.

RELAXATIONS IN ECB POLICY FOR 2G SPECTRUM ALLOCATIONS

- RBI vide Notification RBI/2012-13/310 A.P. (DIR Series) Circular No. 54 dated 26.11.2012 provided relaxations in the existing ECB Policy, for 2G spectrum auction. Some of the relaxation are as under:
- The successful bidders making the upfront payment for the award of 2G spectrum initially out of Rupee loans availed of from the domestic lenders would be eligible to refinance such Rupee loans with a long-term ECB, under the automatic route, subject to the following conditions:
- The long term ECB shall be raised within a period of 18 months from the date of sanction of such Rupee loans for the stated purpose from the domestic lenders
- The designated Authorized Dealer (AD) Category I bank has evidenced the payment of upfront fees to Government of India in the form of a receipt/challan from Department of Telecom .
- The designated AD - Category I bank shall monitor the end-use of funds.
- The successful bidders in the 2G auction will be allowed to avail of ECB under the 'automatic route' from their ultimate parent company without any maximum ECB liability-equity ratio subject to the condition that the lender holds minimum paid-up equity of 25% in the borrower company, either directly or indirectly.
- The successful bidders can avail of short term foreign currency loan in the nature of bridge finance under the 'automatic route' for the purpose of making upfront payment towards 2G spectrum allocation and replace the same with a long term ECB under the automatic route subject to the conditions that (a) the long term ECB is raised within a period of 18 months from the date of drawdown of bridge finance and (b) the long term ECB is in compliance with all the applicable guidelines on ECB.
- It is specified under the said circular that the above relaxations are applicable only to the successful bidders in the 2G spectrum auction.

REGULATORY UPDATES - MCA

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CENTRAL GOVERNMENT DELEGATES ITS POWERS UNDER SECTION 388B, 388C,& 388E TO RBI

- Ministry of Corporate Affairs vide Notification SO2978 (E) dated 21.12.2012 notified that Central Government in exercise of the powers conferred by section 637(1) of the Companies Act, 1956, delegated its powers under sections 388B, 388C and 388E of the Act in relation to banking companies falling within the purview of the Banking Regulation Act, 1949 (10 of 1949), to the Reserve Bank of India, subject to condition that the Central Government may revoke such delegation of powers or may itself exercise the powers under the said sections, if, in its opinion, such a course of action is necessary in the public interest.

CEILING FOR FDI IN ARC's INCREASED FROM 49% TO 74%

- PIB vide press release dated 21.12.2012 stated that the ceiling for FDI in Asset Reconstruction Companies (ARCs) has been increased from 49% to 74% subject to the condition that no sponsor may hold more than 50% of the shareholding in an ARC either by way of FDI or by routing through an FII. The foreign investment in ARCs would need to comply with the FDI policy in terms of entry route conditionality and sectoral caps.
- The foreign investment limit of 74% in ARC would be a combined limit of FDI and FII. Hence, the prohibition on investment by FII in ARCs will be removed. The total shareholding of an individual FII shall not exceed 10% of the total paid-up capital.
- The limit of FII investment in SRs may be enhanced from 49% to 74%. Further, the individual limit of 10% for investment of a single FII in each tranche of SRs issued by ARCs may be dispensed with. Such investment should be within the FII limit on corporate bonds prescribed from time to time, and sectoral caps under the extant FDI Regulations should be complied with.

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