

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:889
ANSWERED ON:27.07.2001
RULES FOR FDI
MANSUKHBHAID. VASAVA

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) the rules laid down for allowing foreign investment in the country;
- (b) whether the Government are aware that such rules are not being enforced properly;
- (c) if so, the reasons therefor; and
- (d) the action taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (DR. RAMAN SINGH)

(a) to (d): The detailed guidelines, including terms and conditions of foreign direct investment (FDI), are duly notified by the Government from time to time. Based on these notifications the FDI policy and procedures are also published in the form of a Manual for the convenience of investors. The Reserve Bank of India in exercise of powers conferred on it by Foreign Exchange Management Act, 1999 (FEMA) has framed and notified the rules and regulations governing foreign direct investment. As part of the progressive liberalisation of the FDI regime, most activities have been placed on the automatic route under which the investing company only has to notify RBI within 30 days of inward remittance of funds as also issuance of shares. The automatic route is backed by general permission granted by RBI under FEMA provisions based on self-declaration of foreign investors. The proposals involving transfer of existing shares in an Indian company and those attracting industrial licensing, sector specific guidelines, including equity cap, multiple ventures in the same/ allied field require prior Government approval. The Foreign Investment Promotion Board (FIPB) considers such proposals on the basis of the broad guidelines and principles notified for this purpose by the Government. A monitoring mechanism is in place for ensuring compliance with the terms and conditions of FDI and taking appropriate action in case of any deviation.