

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:399
ANSWERED ON:20.08.2010
FOREIGN FUNDS INTO STOCK MARKET
Adhi Sankar Shri ;Singh Rajkumari Ratna

Will the Minister of FINANCE be pleased to state:

- (a) the details of legislations governing the inflow of foreign funds into the Indian stock market;
- (b) the average percentage share of the various categories of foreign investors out of the total volume of funds traded in the Indian stock market;
- (c) whether the working group set up by the Government to look into various types of foreign inflows has submitted its report;
- (d) if so, the details thereof and the action taken or proposed to be taken thereon;and
- (e) if not, the time by which the report is likely to be submitted?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PRANAB MUKHERJEE)

(a) to (e): A Statement is placed on the Table of the House

Statement referred to in the reply to Lok Sabha Starred Question No.399 by SHRIMATI RAJKUMARI RATNA SINGH and SHRI ADHI SANKAR: Members of Parliament, for 20th August, 2010 regarding 'Foreign Funds into Stock Market'

(a) The regulations for foreign investment in India have been framed by the Reserve Bank of India in terms of Sections 6 and 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) and notified vide Notification No. FEMA 20/ 2000-RB dated 3rd May 2000 viz. Foreign Exchange Management (Transfer or issue of Security by a person Resident outside India) Regulations 2000, as amended from time to time (the Notification). In line with the said regulations, the Securities and Exchange Board of India (SEBI) has been registering Foreign Institutional Investors (FIIs) and monitoring investments made by them through the portfolio investment route under the SEBI (FII) regulations 1995. The Foreign Venture Capital Investors (FVCI) are registered with and regulated by SEBI under SEBI (Foreign Venture Capital Investors) Regulations 2000.

(b) The average percentage share of the Foreign Institutional Investors volume to total volume in the Indian stock market during 2009-2010 is 11.33%. RBI/SEBI do not maintain the average percentage share of the other various categories of foreign investors out of the total volume of funds traded in the Indian stock market.

(C) Yes Sir.

(d) and (e) With a view to rationalising the present arrangements relating to foreign portfolio investments by Foreign Institutional Investors (FIIs)/ Non Resident Indians (NRIs) and other foreign investments like Foreign Venture Capital Investor (FVCI) and Private Equity entities etc., the Government had set up a working group on 19th November, 2009 to look at various types of foreign flows, which are taking advantage of arbitrage across the respective stand-alone regulations and generate recommendations to Government. The report was presented to the Government on 30th July,2010. The examination of the recommendations of the report in consultations with the Regulators is a dynamic and ongoing process.