

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

UNSTARRED QUESTION NO:4248
ANSWERED ON:03.08.2009
IMPACT OF FDI NORMS
Botcha Lakshmi Smt. Jhansi

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

- (a) whether the Foreign Direct Investment (FDI) norms announced recently by the Government will have any adverse impact on the banks;
- (b) if so, the details thereof;
- (c) whether the Government is reluctant to further such FDI norms;
- (d) if so, the details thereof and reasons cited by Department of Industrial Policy and Promotion (DIPP) therefor; and
- (e) the steps taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY(SHRI JYOTIRADITYA M. SCINDIA)

- (a) to (e): Government had issued Press Notes 2, 3 and 4 of 2009 in February, 2009, on the subjects of:
- (i) Guidelines for calculation of total foreign investment i.e. direct and indirect foreign investment in Indian companies
 - (ii) Guidelines on transfer of ownership or control of Indian companies in sectors with caps from resident Indian citizens to non-resident entities and
 - (iii) clarificatory guidelines for downstream investment by Indian Companies (respectively). Guidelines contained in Press Note 2 of 2009 will simplify, streamline and rationalize the methodology of calculation of indirect foreign investment across sectors leading to investor friendly, credible and predictable regulations and would facilitate greater foreign capital inflows and send a positive signal in the present difficult economic scenario. They are not sector specific and are applicable for determining the total foreign investment in all sectors, except where such policy/methodology is governed specifically under any statutes or rules thereunder, such as the Insurance sector. The guidelines contained in Press Note 3 of 2009 would ensure that, in sectors with caps, Government approval/FIPB approval would be required in all cases where an Indian company is being established with foreign investment and is owned or controlled by a non-resident entity; or the ownership or control of an existing Indian company, currently owned or controlled by resident Indian citizens and Indian companies, which are owned or controlled by resident Indian citizens, will be/is being transferred/passed on to a non-resident entity as a consequence of transfer of shares to non-resident entities through amalgamation, merger, acquisition etc. Guidelines contained in Press Note 4 of 2009 would result in clarity on the need for Government/FIPB approval for Indian companies that are making downstream investments. These guidelines apply also to the Banking sector.