

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:881
ANSWERED ON:25.02.2011
FDI RULES
Rao Shri Sambasiva Rayapati

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to tighten the definition of foreign Investments to include instruments that carry potential voting-rights, such as convertible debentures;
- (b) if so, the details thereof;Nv
- (c) whether experts opinion in this regard has been sought;
- (d) if so, the details thereof; and
- (e) the steps being taken to make the rules easier and accessible?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (b): The Foreign Direct Investment Policy framework has been laid out in the Circular 2 of 2010 issued by the Department of Industrial Policy and Promotion (DIPP) which is the nodal department for the subject. As per paragraph 2.1.5 of the circular, `Capital means equity shares; fully, compulsorily & mandatorily convertible preference shares; fully, compulsorily & mandatorily convertible debentures.` As such, instruments such as fully, compulsorily & mandatorily convertible preference shares and debentures are already included in the definition of `Capital`.

(c) to (d): No sir.

(e): An exercise has been undertaken to consolidate all the existing policies on FDI including various Press Notes, into one document called consolidated FDI Policy Circular, for simplification of the policy and greater clarity and understanding of foreign investment rules among foreign investors and sectoral regulators. The Circular is updated after every six months incorporating clarifications. The latest one was the consolidated FDI Policy Circular 2/2010 issued on 1.10.2010. The DIPP has made all the Circulars available in the public domain and these can be accessed at the website of this Department www.dipp.nic.in.