

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:361
ANSWERED ON:23.11.2012
FEMA AMENDMENT FOR FDI IN RETAIL SECTOR
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Will the Minister of FINANCE be pleased to state:

(a) whether amendment in Foreign Exchange Management Act (FEMA) was required before allowing Foreign Direct Investment in the retail sector; and

(b) if so, the details thereof and the reaction of the Government in this regard?

Answer

MINISTER OF STATE FOR FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): Foreign Direct Investment (FDI) is a Capital Account Transaction under Foreign Exchange Management Act, 1999 (FEMA). In terms of Section 6(2) of FEMA, Reserve Bank of India may, in consultation with the Central Government, specify any class or classes of capital account transactions which are permissible. Further, in terms of clause (b) of Section 6(3) and Section 47 of FEMA, Reserve Bank of India may, by regulations, prohibit, restrict or regulate the transfer or issue of any security by a person resident outside India.

Ministry of Commerce & Industry, Department of Industrial Policy & Promotion vide its Press Note No.4 (2012 Series) dated 20th September, 2012 amended the existing policy on FDI in Single-Brand Product Retail Trading and vide its Press Note No.5 (2012 Series) dated 20th September, 2012 permitted FDI in Multi-Brand Retail Trading under FIPB route subject to certain terms and conditions. The consequent amendments in FEMA regulations were made to facilitate implementation of this policy decision of the Government. RBI issued the A.P. (DIR Series) Circular No. 32 on 21st September, 2012 under section 10(4) and 11(1) of FEMA. Accordingly, RBI amended the relevant regulations of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India), Regulations, 2000 to give effect to the above-said decision which has been notified in Official Gazette (Extraordinary) vide GSR No. 795 (E) dated the 30th October, 2012.