

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

UNSTARRED QUESTION NO:2842
ANSWERED ON:07.12.2009
ENACTMENT OF NATIONAL SECURITY EXCEPTION ACT
Singh Dr. Raghuvansh Prasad

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

- (a) Whether the Government proposes to enact National Security Exception Act to prohibit any foreign funds inflow detrimental to national security;
- (b) If so, the details thereof; and
- (c) The time by which it is likely to be implemented?

Answer

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

(a) to (c) : The policy on Foreign Direct Investment (FDI) is incorporated in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, notified under the Foreign Exchange Management Act (FEMA), 1999. FEMA indicates the countries from where investment is not permitted. As per Section 5(1) of FEMA Regulations, 2000 a person resident outside India or an entity incorporated outside India, other than a citizen or an entity in Pakistan, may purchase shares or convertible debentures of an Indian company under FDI scheme. FDI coming from Bangladesh is required to follow the approval route. Section 13 of the Act provides for imposition of penalty, after adjudication, for contravention of the provisions of the Act or Rules / Regulations. Further, any company established in the country has to follow the relevant rules and regulations and is subject to the provisions of relevant Acts, including the Prevention of Money Laundering Act.

Government has put in place a simple and investor friendly policy on Foreign Direct Investment (FDI) under which FDI up to 100% is permitted on the automatic route in most sectors/ activities. The policy on FDI is reviewed on a continuing basis through an inter-ministerial consultation process, with a view to rationalizing/simplification of the policy and taking into account stakeholders concerns. All concerns of National security are being constantly addressed to by the Government suitably.