

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3308
ANSWERED ON:01.08.2014
FOREIGN INVESTMENT RULES
Scindia Shri Jyotiraditya Madhavrao

Will the Minister of FINANCE be pleased to state:

- (a) the details of difference between a Foreign Direct Investment and a portfolio investment into the country;
- (b) whether a panel headed by ArvindMayaram has proposed to make India's foreign investment rules less ambiguous;
- (c) if so, the details thereof and other recommendations made by the panel along with response of the Government thereon, point-wise?

Answer

Minister of State in the Ministry of FINANCE (SMT. NIRMALA SITHARAMAN)

- (a) Foreign Direct investment (FDI) is characterized by a lasting interest i.e. existence of a long term relationship, significant degree of influence. Normally, ownership of 10 percent or more of the ordinary shares OR voting power signifies this relationship and it involves both initial and subsequent transactions. Portfolio Investment is characterized by the largely anonymous relationship between the issuers and holders, and the degree of trading liquidity in the instruments. Further it covers, but is not limited to securities traded on organized or other financial markets.
- (b) Yes, sir
- (c) Response of the Government on the recommendations of the panel is tabulated as annexed.