



May, 22<sup>st</sup> 2020

## India – Foreign Direct Investments

On 27 April 2020, the Government of India notified [Foreign Exchange Management \(Non-Debt Instruments\) \(Second Amendment\) Rules, 2020 \(Amendment\)](#) amending the [Foreign Exchange Management \(Non-debt Instruments\) Rules, 2019 \(“FEMA NDI Rules”\)](#) w.e.f 27 April 2020:

Particulars	Amendment
<b>Pricing guidelines</b>	
<b>Applicability of pricing guidelines to rights issue which is renounced in favor of person resident outside India</b>	New rule 7A provides that a person resident outside India who has acquired a right from a person resident in India who has renounced it may acquire equity instruments (other than share warrants) against the said rights as per pricing guidelines specified under rule 21 of the FEMA NDI Rules.
<b>Sector specific</b>	
<b>Single brand retail</b>	For the purpose of evaluating the applicability of sourcing norms for entities undertaking single brand retail trading of products having 'state-of-art' and 'cutting-edge' technology and where local sourcing is not possible, it has now been clarified that sourcing norms shall not be applicable up to three years from commencement of the business i.e. opening of the first store or start of online retail, whichever is earlier.
<b>Changes in FDI limit in the insurance sector</b>	F.8.1 of the FEMA NDI Rules on sectoral cap for insurance companies remain unchanged at 49% under the automatic route.  FDI in insurance intermediaries is liberalised. F.8.2 of the FEMA NDI Rules applicable to insurance intermediaries is substituted as follows:

	<p>F.8.2 Intermediaries or Insurance Intermediaries including insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrator, Surveyors and Loss Assessors and such other entities, as may be notified by the Insurance Regulatory and Development Authority of India from time to time.</p>	<p>100%</p>	<p>Automatic</p>
<p>FDI up to 49% of the total paid-up equity of the Indian Insurance Company shall be allowed on the automatic route subject to approval or verification by the Insurance Regulatory and Development Authority of India.</p> <p>FDI in the insurance sector shall be subject to compliance with the provisions of the Insurance Act, 1938 and the condition that Companies receiving FDI shall obtain necessary license or approval from the Insurance Regulatory and Development Authority of India for undertaking insurance and related activities.</p> <p>FDI proposals in insurance intermediaries shall be allowed under the automatic route subject to verification by the Authority and the foreign investment in intermediaries or insurance intermediaries shall be governed by the same terms as provided under rules 7 and 8 of the Indian Insurance Companies (Foreign Investment) Rules, 2015.</p> <p>The condition of 'owned and controlled by Indian resident entities' is relaxed in the case of insurance intermediaries.</p> <p>Certain conditions are prescribed for insurance intermediary that has a majority shareholding of foreign investors.</p>			

For any additional information, contact [Lisbeth Lanvers-Shah](#)



**Lisbeth Lanvers-Shah**

Counsel

[lanversshah@dsavocats.com](mailto:lanversshah@dsavocats.com)