

IN THE NEWS

March 2004

The Government of India further liberalized Foreign Investment in the Banking sector. The equity cap of 49 per cent for Foreign Direct Investment (FDI) has been increased to 74 percent. The Government announced the following changes vide Press Note No. 2 (2004) dated March 05, 2004 issued by the Ministry of Commerce & Industry, Department of Industrial Policy and Promotion:

- Non Resident Indians (NRIs), Foreign Institutional Investors (FIIs) also permitted to invest.
- 26 percent of the paid up capital of a banking company to be held by residents, except where a bank is a wholly owned subsidiary of a foreign bank, for which the guidelines are yet to be issued.
- Insurance Regulatory and Development Authority (IRDA) shall ensure that 26 percent limit of foreign shareholding in insurance sector is not violated in cases where application for FDI is made in those banks having a joint venture/ subsidiary in insurance sector.

The Foreign Exchange Management (Foreign Currency Accounts by a person Resident in India) (Amendment) Regulations, 2004 was passed deleting the phrase “not exceeding US \$ 3 million” in sub-para (iv) of para 3 of the Schedule.