

PRESS NOTE No. 11 (1999 SERIES)

Under the guidelines for foreign equity investment in Non-Banking Financial Companies (NBFC) issued vide Press Note No. 4 (1997 series) as amended from time to time, 100% foreign owned NBFCs would act as a holding company and specific activities would be undertaken by step-down subsidiaries with minimum 25% domestic equity.

There have been cases where foreign owned holding companies, who had earlier been permitted to undertake specific activities on their own prior to the issue of guidelines and which, through restructuring, undertake such specific activities with domestic participation through downstream subsidiaries have sought permission to charge fees by the holding company for providing services for the step down subsidiaries.

The matter has been reviewed and it has been decided as under :

(i) Foreign held companies which had FIPB approval for undertaking specific activities on their own prior to issue of NBFC guidelines, and which through restructuring dilute their holdings through JVs with domestic participation in downstream subsidiaries, may be allowed to undertake such "specific activities" confined to rendering of support and facilities to only its downstream subsidiaries / JVs on an "arms length basis" with the option of charging fees for the same.

(ii) The above would further be subject to a formal agreement being entered into by the Holding Company with the downstream subsidiaries (JVs) concerned.

(ASHOK KUMAR)

Joint Secretary to the Government of India

F. No. 10(32)/97-IP
dated 1st July 1999

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Information Bureau, for giving wide publicity to the above Press Release.