

RBI/2011-12/175 A.P. (DIR Series) Circular No. 14

September 15, 2011

Foreign Investments in India - Transfer of security by way of gift -Liberalisation

Attention of the Authorised Dealer (AD) banks is invited to the Regulation 10 A (a) of the Notification No. FEMA 20/2000-RB dated 3rd May 2000 viz. Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000, as amended from time to time, read with A.P. (DIR Series) Circular No. 08 dated August 25, 2005 in terms of which a person resident in India who proposes to transfer any security, by way of gift, to a person resident outside India, is required to make an application to the Reserve Bank.

2. The Committee to Review the Facilities for Individuals under the Foreign Exchange Management Act, 1999 in its Report has suggested that general permission may be made available to individual residents in India to gift shares / securities /convertible debentures, etc. to their NRI/PIO close relative (relative as defined in Section 6 of the Companies Act, 1956) subject to certain conditions.

3. On a review, it has been decided that as hitherto, a person resident in India who proposes to transfer, by way of gift, to a person resident outside India any security including shares/convertible debentures is required to obtain prior approval of the Reserve Bank. However, the value of security to be transferred together with any security transferred by the transferor, as gift, to any person residing outside India which was not to exceed the rupee equivalent of USD 25,000 during a calendar year has been enhanced to USD 50,000 per financial year.

4. All other conditions as specified in Regulation 10 A (a) of Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations 2000 dated May 3, 2000 shall remain unchanged.

5. The necessary amendments to the Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations 2000 notified vide Reserve Bank Notification No. FEMA 20/2000-RB dated May 3, 2000, are being issued separately.

6. AD banks may bring the contents of this circular to the notice of their constituents/customers concerned.

7. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,
(Meena Hemchandra)
Chief General Manager In-Charge