

## **Corporate Affairs Ministry provides clarity on foreign currency bond issuance**

Provisions related to prospectus and allotment of securities under the new companies law will not be applicable to foreign currency bonds that are issued exclusively to persons residing outside India.

The clarification from the Ministry of Corporate Affairs (MCA), which is implementing the Companies Act, has come after consultations with the Finance Ministry and Securities and Exchange Board of India (Sebi).

Stakeholders had sought clarity on applicability of provisions of Chapter III of the new Companies Act with respect to issue of Foreign Currency Convertible Bonds (FCCBs) and Foreign Currency Bonds (FCBs) by Indian companies exclusively to persons resident outside India.

Chapter III is on 'Prospectus and Allotment of Securities'.

The issue of FCCBs and FCBs by companies is regulated by the Ministry of Finance's regulations contained in Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipts Mechanism) Scheme, 1993 (Scheme) and Reserve Bank of India through its various directions/ regulations.

"It is, accordingly, clarified that unless otherwise provided in the said scheme or the directions/regulations issued by RBI, provisions of Chapter III of the Act shall not apply to an issue of a FCCB or FCB made exclusively to persons resident outside India....," the Corporate Affairs Ministry said in a circular issued yesterday.

*(Economic Times)*