

RBI to frame standard procedure for FDI approvals post FIPB

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The Reserve Bank of India (RBI) is expected to formulate standard operating procedure (SOP) for approval of foreign direct investment (FDI) proposals by ministries following the government decision to phase out Foreign Investment Promotion Board (FIPB).

The proposal for setting up norms for FDI approvals in sensitive sectors, which are currently under government approval of the FDI policy, was discussed at a recent inter-ministerial meeting. According to people aware of the development, several options came up for discussions at the meeting. In order to further improve ease of doing business, the government has decided to abolish FIPB and form a new mechanism for expeditious clearance of foreign investment proposals.

Once the FIPB is abolished, the onus of approving FDI proposals would be on the ministries and regulatory authorities concerned. The inter-ministerial committee has also discussed the possibility of approving the FDI proposals along with grant of licences, people aware of the news said.

In the sensitive sectors like defence and telecom, companies having licences can only seek foreign investments. Citing example of the telecom ministry, they said, the government may extend the power to approve the FDI proposals to the same ministry.

“For every ministry, RBI can be requested to prepare the standard operating procedure,” they said, adding that the home ministry could be asked to vet the FDI proposals from Pakistan and Bangladesh.

These issues are under discussions of the committee formed by the government. It includes representatives from RBI, finance ministry, the department of industrial policy and promotion, and the home affairs ministry.

RBI is the nodal agency for administration of foreign investments and foreign exchange. The committee is expected to submit its report within two months which will give guidelines on FDI approval procedures in the sensitive sectors.

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