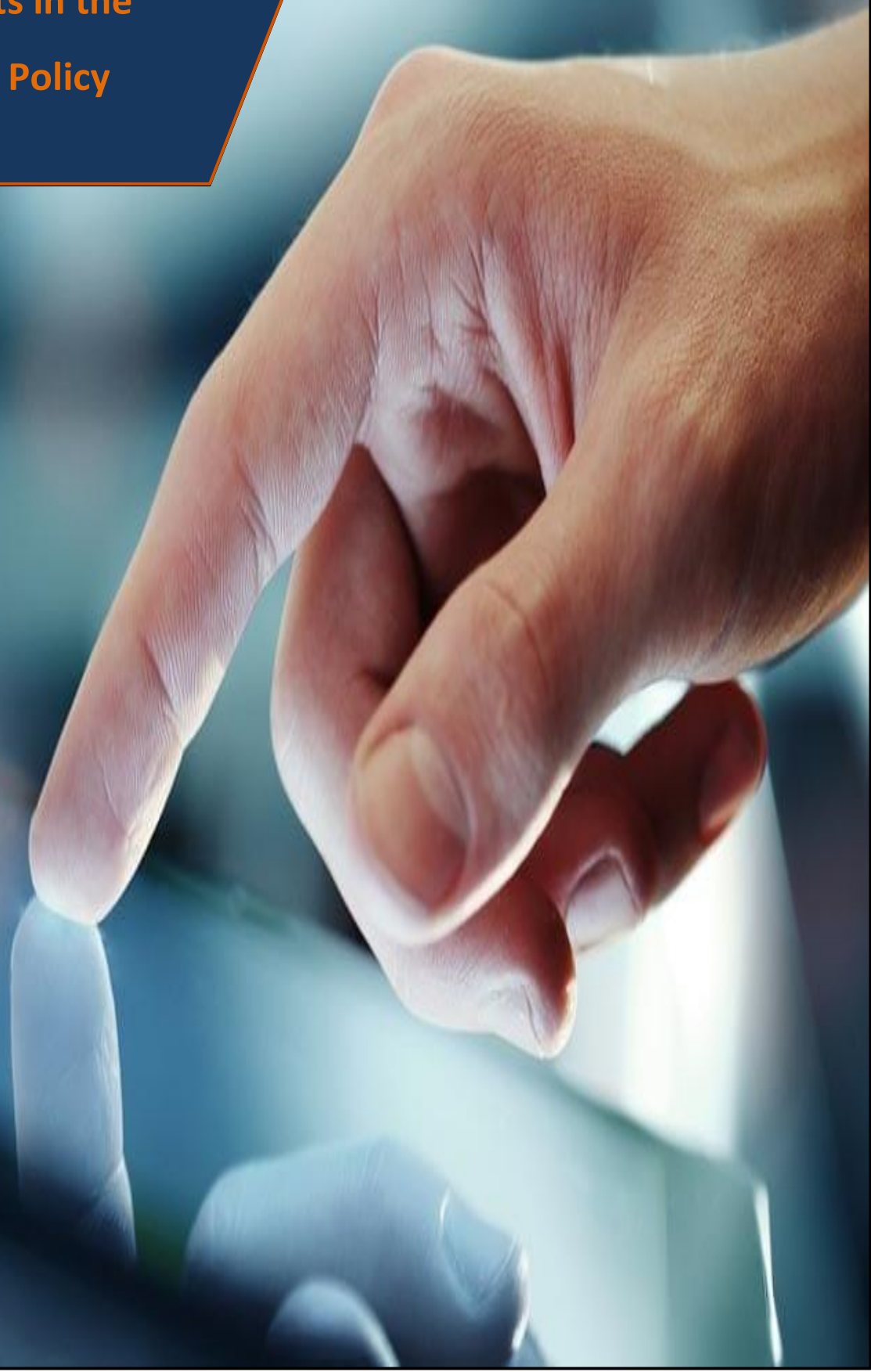


# REGULATORY UPDATE

Amendments in the  
existing FDI Policy



## AMENDMENTS IN EXISTING FDI POLICY

The Department of Promotion of Industry and Internal Trade, Ministry of Commerce & Industry vide its press note No. 1 (2022 Series) have made amendments in the FDI policy for permitting Investment in Life Insurance Corporation of India (LIC) and providing clarifications on various provisions of FDI policy. Highlights of key amendments introduced via press note are as follows:

### 1. Convertible Note

The amendment has increased the maximum period for conversion of the Convertible Note into Equity shares issued by startup. Previously, convertible notes were repayable at the option of the holder or could be converted into equity shares of the start up companies within a period not exceeding **5 years from the date of issue of the convertible notes**. Now, the maximum conversion period has been increased **to 10 years**.

### 2. Amendment in definition of Indian Company

The meaning of Indian Company has been amended to include **body corporate established or constituted by or under any Central or State Act**. Previously, it only covered companies incorporated under Companies Act, 2013.

### 3. Introduction of Concept of “Share Based Employee Benefits”

The press note has introduced the concept of **Share Based Employee Benefits** in FDI policy which allows for issue of capital instruments, pursuant to share based employees benefits schemes formulated by a body corporate to its employees/or directors or to the employees/or directors of its holding company or joint venture or wholly owned overseas subsidiary/subsidiaries who are resident outside India subject to conditions provided under press note. Previously, the FDI policy only covered Employee Stock Option (ESOP) and Sweat Equity Shares.

**4. Reporting of issue of ESOPs or sweat equity shares or shares issued on exercise of ESOPs**

The Indian Company shall be required to file form “ESOP Reporting” within 30 days with Foreign Exchange Department or the Reserve Bank of India(RBI) of the issue of ESOPs or sweat equity shares or shares issued on exercise of ESOPs.

Form “ESOP Reporting” is a physical form that will be submitted with RBI, whereas previously reporting was required to be ensured by Form ESOP which was an online form available for filing on FIRMs portal.

**5. Permitted FDI in Life Insurance Corporation of India**

The FDI policy has permitted Foreign Direct Investment in Life Insurance Corporation(LIC) of India to **20 % under Automatic route** subject to prescribed

**CONCLUSION**

The changes introduced in the FDI Policy, via Press Note 1 (2022 Series) are primarily to streamline and iron-out certain interlinked provisions in the existing FDI Policy and introduced sectoral limit of Foreign Direct Investment in Life Insurance Corporation of India. For further details or clarifications, please refer the press note at:

[https://dpiit.gov.in/sites/default/files/Press\\_Note\\_1\\_2022\\_14March2022.pdf](https://dpiit.gov.in/sites/default/files/Press_Note_1_2022_14March2022.pdf)

**DISCLAIMER:**

*The information contained herein is based on the information issued by Department of Promotion of Industry and Internal Trade, Ministry of Commerce & Industry. While the information is believed to be accurate to the best of our knowledge, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of this information. Recipients should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This note is not an offer, invitation, advice or solicitation of any kind. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.*