

**REGULATORY UPDATE**

**RBI amended FEMA Regulations  
for direct listing on International  
Exchange**



## RBI AMENDED FEMA REGULATIONS FOR DIRECT LISTING ON INTERNATIONAL EXCHANGE

On January 24, 2024, the Ministry of Corporate Affairs introduced the Companies (Listing of Equity Shares in Permissible Jurisdiction) Rules, 2024. Simultaneously, the Ministry of Finance, Department of Economic Affairs, made amendments to the Foreign Exchange Management (Non-debt Instruments) Rules, 2019. Both notifications aimed to facilitate the direct listing of shares on international stock exchanges established in International Financial Services Centres (IFSCs)

Now, the Reserve Bank of India ("RBI") on 23<sup>rd</sup> April, 2024 has further amended the following to provide clarity regarding proceeds from the direct listing :

1. Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 ("hereinafter referred to as Mode of Payment and Reporting Regulations")
2. Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) (Amendment) Regulations, 2015

In the first notification dated 23<sup>rd</sup> April, 2024, the Reserve Bank of India has introduced the following provisions for Direct Listing :

### 1. MODE OF PAYMENT

The consideration for purchasing or subscribing to equity shares of an Indian company listed on an International Exchange can be paid in two ways:

- **Through Banking Channels:** The amount can be paid to a foreign currency account of the Indian company held in accordance with the Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015;
- **As Inward Remittance from Abroad:** The payment can be received as inward remittance from abroad through banking channels.

## **2. REMITTANCE OF SALES PROCEEDS**

The net proceeds from the sale of equity shares, after tax deductions, can either be remitted overseas or deposited into a bank account held by the permissible holder in accordance with the regulations outlined in the Foreign Exchange Management (Deposit) Regulations of 2016.

## **3. REPORTING OF FOREIGN PORTFOLIO INVESTMENT BY INVESTEE COMPANY**

Indian companies receiving foreign portfolio investments by permissible holders (except for transfers between foreign investors on international exchanges) must file Form LEC (FII) with the Reserve Bank through AD bank.

## **KEEPING UNUTILISED FUNDS IN THE FOREIGN CURRENCY ACCOUNT**

In the second notification Reserve Bank of India has stated that the funds raised through the direct listing of equity shares of Indian companies on international exchanges pending utilization, will be kept in foreign currency accounts held with banks located outside India.

*Please refer to the links for the respective notification issued in this regard :*

<https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=NDE1Nzl3NjYy&docCategory=Notifications&type=open>

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/FCM10R25042024BFD3086C81B14BE3AEF736407A9485B9.PDF>

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/AMENDMENTFEMA395800362AB7AE242719B9DB8CE256E6329.PDF>

**DISCLAIMER**

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