



REGULATORY UPDATES

Foreign Exchange Management (Overseas Investment) Directions, 2022- Investment in Overseas Funds

Reserve Bank of India (“RBI”) vide its notification dated 7th June 2024 has amended the Foreign Exchange Management (Overseas Investment) Directions, 2022. This amendment provides clarity with respect to Overseas Portfolio Investment permitted in foreign funds.

The key highlights of the notification are as follows :

1. Clarification on the type of instrument for Overseas Portfolio Investment (“OPI”)

Prior to the amendment, under the OPI route listed entities and resident individuals with regard to overseas investment funds, were restricted to invest **in the units** of overseas investment funds.

RBI has now permitted listed entities and resident individuals to make investment **in units or any other instruments** issued by Overseas Investment Funds.

Similarly, amendment has been made with regard to investment in IFSC under the OPI route by Resident Individuals, Listed Entities and unlisted Indian Entity, wherein they can now make investment in investment fund or vehicle in IFSC **in units or any other instruments**, unlike the previous restriction that limited investments to units issued by such investment funds or vehicles in IFSC.

2. Clarity on how the investment fund could be regulated

Prior to the amendment, listed entities and resident individuals were permitted to invest only in such Investment Fund Overseas which were duly regulated by the regulator of financial sector in the host jurisdiction.

However, now RBI has permitted investment in investment fund overseas which are regulated by the regulator of financial sector in the host jurisdiction **or jurisdiction through a fund manager.**

The amendment by the RBI, bring significant flexibility and broaden the scope of investment opportunities for listed entities, resident individuals, and unlisted Indian entities. These changes now allow for investments not only in units but in a variety of instruments issued by overseas investment funds and those based in International Financial Services Centres (IFSCs). Additionally, the regulatory framework for investment funds has been expanded bringing much needed clarity. These changes are set to facilitate a more dynamic and diversified approach to overseas portfolio investment, empowering stakeholders with greater options and clarity in their investment strategies.

For more details, refer to the RBI Circular No. RBI/2024-25/41 A.P. (DIR Series) Circular No. 09 dated 7th June, 2024:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/APDIRCIRCULAR0983259ED23DD84EC0BC5D9864789C84CD.PDF>


DISCLAIMER


The summary information herein is based on RBI Circular No. RBI/2024-25/41 A.P. (DIR Series) Circular No. 09 dated 07.06.2024. While the information is believed to be accurate, we make no representations or warranties, express or implied, as to the accuracy or completeness of it. Readers 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, advice or solicitation. 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.

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