



New Norms to Invest Overseas

Why in News?

Recently, The **Ministry of Finance** noticed new norms making it easier for domestic corporates to invest abroad, while making it **tougher for loan defaulters and those facing a probe by investigative agencies to invest in overseas entities**.

What are the Key Highlights of the New Rules?

- **Administered by RBI:**
 - The **Overseas Investment Rules and Regulations**, notified under the [Foreign Exchange Management Act](#), will be **administered by the Reserve Bank of India (RBI)**, and shall subsume all existing norms pertaining to overseas investments as well as the acquisition and transfer of immovable property outside India.
- **No Go Sectors:**
 - A **No-Objection Certificate (NOC)** will be mandatory for any person who has a bank account classified as a [Non-performing asset](#), or is labelled a wilful defaulter by any bank, or is under investigation by a financial service regulator, the [Enforcement Directorate \(ED\)](#) or the [Central Board of Investigation \(CBI\)](#).
 - Further, no Indian resident will be permitted to make investments in foreign entities that are engaged in real estate business, gambling in any form and dealing with financial products linked to the Indian rupee without the central bank's specific approval.
- **Sixty Day Timeline:**
 - However, **if the lenders or the relevant regulatory body or investigative agency fail to furnish the NOC within sixty days** of receiving an application, it may be presumed that they have no objection to the proposed transaction.
- **Significance:**
 - The revised regulatory framework for overseas investment provides for simplification of the existing framework for overseas investment and has been aligned with the current business and economic dynamics
 - Clarity on overseas direct investment and overseas portfolio investment has been brought in and "various overseas investment-related transactions that were earlier under **the approval route are now under automatic route, significantly enhancing ease of doing business**.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Q. Which of the following is issued by registered foreign portfolio investors to overseas investors who want to be part of the Indian stock market without registering themselves directly? (2019)

- (a) Certificate of Deposit
- (b) Commercial Paper
- (c) Promissory Note
- (d) Participatory Note

Ans: (d)

Exp:

- A **Participatory Note** or P-note is an instrument issued by a registered Foreign Institutional Investor (FII) to an overseas investor who wishes to invest in Indian stock markets without registering themselves with the market regulator, the Securities and Exchange Board of India (SEBI).
- A Certificate of Deposit is a savings certificate with a fixed maturity date and specified fixed interest rate that can be issued in any denomination aside from minimum investment requirements.
- Commercial Paper is an unsecured money market instrument issued in the form of a Promissory Note. It was introduced in India in 1990 with a view to enable highly rated corporate borrowers to diversify their sources of short-term borrowings and to provide an additional instrument to investors.
- A Promissory Note is a financial instrument that contains a written promise by one party (the note's issuer or maker) to pay another party (the note's payee) a definite sum of money, either on demand or at a specified future date.
- **Therefore, option (d) is the correct answer.**

Source: TH

PDF Refernece URL: <https://www.drishtiias.com/printpdf/new-norms-to-invest-overseas>