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Regulatory Alert Tracking change

Consolidated FDI Policy - 2016

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Background

The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry, Government of India (GOI) recently issued its Consolidated Foreign Direct Investment Policy (FDI Policy) Circular of 2016 (Circular) updating the FDI Policy 2015 of GOI.

The Circular is effective from 7 June 2016. There are no material changes in the FDI Policy. The changes in FDI Policy are essentially consolidation of various press notes, circular, notifications issued earlier by DIPP / RBI and clarifications which are aimed at ease of doing business in India.

Highlights of the Circular

FDI in Private Security Agencies

- FDI in Private Security Agencies sector is permitted upto 49% under approval route. The Circular has provided the following additional conditions for investment in the said sector:
 - FDI in private security agencies is subject to compliance with Private Security Agencies (Regulation) (PSAR) Act, 2005.
 - The terms “Private Security Agencies”, “Private Security” and “Armoured Car Service” shall have the same meaning as defined under PSAR Act, 2005 which is reproduced as under:
 - **"Private Security Agency"** means a person or body of persons other than a government agency, department or organisation engaged in the business of providing private security services including training to private security guards or their supervisor or providing private security guards to any industrial or business undertaking or a company or any other person or property
 - **"Private Security"** means security provided by a person, other than a public servant, to protect or guard any person or property or both and includes provision of armoured car service

- **"Armoured Car Service"** means the service provided by deployment of armed guards along with armoured car and such other related services which may be notified by the Central Government or as the case may be, the State Government from time to time.

The above changes will bring clarity in FDI in Private Security Agencies sector as against logistics service providers.

Other Changes

- With the merger of Forward Markets Commission (FMC) with Securities Exchange and Board of India (SEBI), the scope of FDI in Infrastructure Company in Securities Market has been widened by including Commodity Exchanges under the said sector which was considered as separate sector under the erstwhile FDI Policy 2015.
- The FDI Policy 2016 has removed Courier Services from the list of sectors/activities where FDI upto 100% was allowed under automatic route subject to certain conditions and would now fall under any other business category for which there is no cap / conditions on FDI. Accordingly, FDI upto 100% continues to be allowed under automatic route in Courier Services without any conditions.

Conclusion

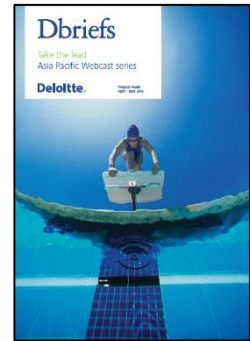
The amendments/ clarifications issued under FDI Policy are aimed at making the existing FDI framework more simple and investor friendly and would promote the objective of the Government to attract and promote foreign direct investment for accelerated economic growth.

Source: Consolidated FDI Policy dated 7 June 2016 issued by the Government of India

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