[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

Ministry of Finance

(Department of Economic Affairs)

NOTIFICATION

New Delhi, ------ , 2026

G.S.R. (E).— In exercise of the powers conferred by sub-section (1) and clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in supersession of the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, except as respects things done or omitted to be done before such supersession, the Central Government hereby makes the following rules, namely:

CHAPTER I
PRELIMINARY

1. Short title and commencement. – (1) These rules may be called the Foreign Exchange Management (Foreign Investment) Rules, 2026.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. Applicability. – (1) These rules apply to any foreign investment in equity of an eligible investee entity by a person resident outside India or transfer thereof.

Exceptions

(2) These rules do not apply to investments made by a person resident outside India in a financial institution set up or incorporated in an International Financial Services Centre (IFSC) where "financial institution" has the same meaning as defined in the International Financial Services Centers Authority Act, 2019.

3. Definitions.– (1) In these rules, unless the context otherwise requires,–

a) **"Act"** means the Foreign Exchange Management Act, 1999 (42 of 1999);
b) "**eligible investee entity**" means, –
    i) a company as defined in the Companies Act, 2013 or a body corporate established or constituted by or under any Central or State Act, which is incorporated in India and does not include a society or trust;
    ii) a limited liability partnership or "LLP" registered as such under the Limited Liability Partnership Act, 2008;
    iii) an investment vehicle registered with the SEBI and shall include (i) Real Estate Investment Trusts (REITs);(ii) Infrastructure Investment Trusts (InvITs) (iii) Alternative Investment Funds (AIFs) (iv) Venture Capital Funds (v) Mutual funds or Exchange-Traded Fund (ETFs) or any other investment vehicle which invest more than fifty per cent in equity which are registered and regulated under the respective Securities and Exchange Board of India (SEBI) regulations;
    iv) a partnership firm registered under the Indian Partnership Act, 1932 and a proprietary concern registered under the applicable domestic laws;
c) **"entry routes"** shall mean the Government route and the Automatic route, as prescribed under the foreign investment policy (Annexure-II);
d) **"equity"** means
    i) Instruments classified as equity by the eligible investee entity, other than an investment vehicle, as per applicable accounting standards;
    ii) Unit of an investment vehicle as per the respective SEBI regulations;
    iii) "Participating interest or right" in oil fields or mines of an Indian company or an LLP;
e) **"foreign investment in equity" (referred to as 'foreign investment' in these rules)** means: investment in equity of an eligible investee entity by a person resident outside India;
    A. directly; or
    B. indirectly through

(i) an FCE; or

(ii) any other person resident outside India (other than the person resident outside India who is investing directly) which is owned or controlled by the person resident outside India, or through any other person resident outside India which is under common ownership or control with the person resident outside India, In this context, –

I. "ownership" means beneficial holding of more than fifty percent of such person resident outside India;

II. "control" means the right to appoint majority of the directors or to control management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders' agreements or voting agreements that entitle them to ten per cent. or more of voting rights or in any other manner in the entity;

f) **"foreign Direct Investment" or "FDI"** means foreign investment of ten per cent or more in the equity of a company or an LLP.

g) "**foreign portfolio investment"** means foreign investment of less than ten per cent in the equity of a company or an LLP;

h) "**foreign controlled entity**" or **"FCE"** means a resident company or an LLP or an investment vehicle which is owned or controlled by a person resident outside India; where 'Ownership and Control" shall be governed by the applicable provisions stipulated by the respective sectoral regulators in consultation with the central Government. In the absence of any such stipulations, the ownership and control in the entities shall be determined in accordance with the applicable Indian laws under which such entity is incorporated (the Companies Act, 2013 for Indian companies or LLP Act, 2009 for an Indian LLP or SEBI AIF regulations for AIFs etc.);

i) **"foreign investment policy" (FDI policy)** means a policy issued by the Government stipulating the entry routes, sectoral caps, sectoral conditions and prohibited sectors, as applicable to foreign investment in India and provided in **Annexure-II** to these rules;

j) **"overseas Citizen of India"** or **"OCI" or** means an individual resident outside India who is registered as an Overseas Citizen of India Cardholder under the Citizenship Act, 1955;

k) **"sectoral cap"** means maximum aggregate amount of foreign investment on repatriation basis in a company or an LLP and shall be as per the foreign investment policy (FDI policy);

l) **"sectoral conditions"** means the sector specific conditions/provisions for foreign investment prescribed under the foreign investment policy (Annexure-II).

(2) The words and expressions used but not defined in these rules shall have the same meanings respectively assigned to them in the Act or the rules or regulations made thereunder.

4. Powers of the Reserve Bank under these rules. –

(1) These rules shall be administered by the Reserve Bank. While administering the rules, the Reserve Bank may interpret the rules and issue such regulations, directions, circulars, instructions, clarifications, as it may deem necessary, for effective implementation of the provisions of these rules.

(2) Notwithstanding anything contained in sub-rule (1), the powers related to interpretation of the foreign investment policy and issuance of directions, circulars or clarifications in relation thereto, shall be vested with the Department for Promotion of Industry and Internal Trade (DPIIT), Government of India. The mode of payment, reporting requirements and other operational requirements for foreign investment or the transfer of foreign investment shall be specified by the Reserve Bank from time to time.

5. Restriction on foreign investment and transfer thereof. –

Save as otherwise provided in these rules or the regulations and directions issued thereunder as listed in Annexure-III, no person shall make, transfer or receive any foreign investment.

Provided that the Reserve Bank may on an application made to it and for sufficient reasons permit any foreign investment or transfer of foreign investment subject to such terms and conditions as may be considered necessary.

CHAPTER II

Foreign Investment in an eligible investee entity

6A. Acquisition or transfer of equity by a person resident outside India or an FCE. –

In accordance with the conditions provided under Rule 8, a person resident outside India or an FCE may make foreign investment on repatriation or non-repatriation basis, in any of the following manner:

(1) by way of subscription to an issue;

(2) by way of purchase from any person;

(3) by way of gift between natural persons;

Provided that where the gift is being made on repatriation basis, from a person holding the investment on a non-repatriation basis, the same shall be subject to the following conditions: -

i) such person shall be a close relative as per the Companies Act 2013, and
ii) the value of equity transferred in a financial year shall be within the limits as applicable under the Liberalized Remittance Scheme.

(4) by way of pledge,

Provided that the transaction consequent to invocation of such pledge is in accordance with the conditions of foreign investment prescribed in Rule 8.

(5) An erstwhile OCB may transfer equity in accordance with the Foreign Exchange Management [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003, in accordance with the conditions prescribed in rule 8 and directions issued by the Reserve Bank.

(6) Other permissible investments:

(a) A person resident outside India may acquire or transfer depository receipt issued by an eligible investee entity against its equity, in accordance with the Depository Receipts Scheme 2014.

(b) A person resident outside India being an NRI or an OCI may subscribe to the National Pension System governed and administered by Pension Fund Regulatory and Development Authority (PFRDA), provided such person is eligible to invest as per the provisions of the PFRDA Act. The annuity/ accumulated saving will be repatriable.

(c) Foreign investment by a person resident outside India or transfer thereof, on an international stock exchange, shall be in accordance with the conditions prescribed in **Annexure-I**.

6B. Issue of equity by an eligible Investee entity:

An eligible Investee entity may issue its equity to a person resident outside India or an FCE subject to conditions prescribed in Annexure-I and Annexure-II of these Rules, as applicable.

7. A person resident outside India may transfer the equity of an eligible investee entity to a person resident in India by way of sale or gift or pledge.

Provided that the investment in equity of a company may also be made by way of swap of equity of a company or equity capital of a foreign company, where the 'equity capital' shall have the same meaning as assigned to it under the FEM (Overseas Investment) Rules, 2022.

Provided further that an investment vehicle may issue its units to a person resident outside India against swap of equity of a Special Purpose Vehicle (SPV) proposed to be acquired by such Investment vehicle.

CHAPTER III
Conditions Applicable on Foreign Investment

8. Conditions applicable on foreign investments. –

(1) General Conditions:

(a) Foreign investment shall be in compliance with the conditions prescribed in the foreign investment policy (Annexure-II), including conditions of entry routes, sectoral caps and sectoral conditions, as applicable.

Provided that foreign investment by an FCE shall comply with the applicable conditions only for sectors which are specifically prescribed in the foreign investment policy (Annexure-II) for such purpose.

Provided further that the conditions prescribed above shall not apply to the issue of equity to a person resident outside India on bonus or rights basis, if the shareholding pattern of such investors does not change pursuant to the issue.

(b) Unless otherwise exempted under applicable SEBI regulations, foreign investment by a person resident outside India, not being an individual person or a foreign central bank or any other person resident outside India notified by the RBI, shall comply with the necessary registration in accordance with the SEBI regulations for investment on a recognised stock exchange in India.

(c) Foreign investment on a recognised stock exchange in India by a person resident outside India holding rupee vostro account shall be in the manner as specified by the RBI.

(d) Foreign portfolio investment made on a recognised stock exchanges in India which results in a person resident outside India holding ten percent or more of the equity of a company may be reclassified to FDI by complying with the applicable conditions for FDI as prescribed in Annexure-II and directions issued by the RBI and SEBI.

(2) Pricing Guidelines. –

Foreign investment and transfer thereof, shall be at a price:

(a) Determined in accordance with the relevant SEBI Regulations in case of a company listed on a recognised stock exchange in India or an investment vehicle;

(b) Determined in accordance with the conditions prescribed in **Annexure-I**, in case of a public company listed on an international stock exchange.

(c) Determined, in all other cases, as per any internationally accepted pricing methodology for valuation on an arm's length basis. This shall be duly certified by a Chartered Accountant or a Merchant Banker registered with the Securities and Exchange Board of India or a Cost Accountant.

Provided that the pricing guidelines shall not apply to subscription to equity of an eligible investee entity issued on rights basis.

(3) Foreign investment on non-repatriation basis shall not require compliance with the conditions prescribed in this rule.

Provided that foreign investment on non-repatriation basis shall not be permitted in the prohibited sectors prescribed in the foreign investment policy (Annexure-II) for such investment.

CHAPTER IV
General Provisions

9. **Onus of compliance. –** The onus of compliance with these Rules shall be on the foreign investor and the eligible investee entity or transferor and transferee in a foreign investment.

Annexure-I

Direct Listing of Equity of Companies Incorporated in India on International Stock Exchange Scheme

Annexure-II

Foreign Investment Policy (FDI policy) issued by the Government of India (as amended from time to time).

Annexure-III

Regulations, directions issued by the RBI, applicable on foreign investment or transfer thereof.

Annexure-I : Direct Listing of Equity of Companies Incorporated in India on International Stock Exchange(s) Scheme

(1). Issue and Listing on an International stock exchange .- A public company may issue its equity or offer equity of existing shareholders on an international stock exchange, subject to the following conditions, namely :-

(a) the company or such shareholders satisfies the eligibility criteria prescribed in para 2 of this annexure.

(b) the issue or offer, shall be in accordance with the provisions of the Companies Act, 2013 and Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024.

(c) the issue or offer of equity shall be in compliance with the conditions of entry routes, sectoral caps and sectoral conditions as prescribed in Annexure-II and aggregate of equity which may be issued or offered along with equity already held in India by persons resident outside India, shall not exceed the sectoral cap of the company as prescribed in Annexure-II.

(d) the equity shall be denominated in INR in the books of the company and held in dematerialised form.

(e) if such company is listed on a recognised stock exchange in India, then issue or offer of equity shall additionally be in compliance with the applicable SEBI regulations and such equity shall rank pari passu with equity listed on a recognised stock exchange in India.

(f) if such company is not listed on a recognised stock exchange in India, then issue or offer of equity shall be in compliance with the conditions or requirements prescribed by the Ministry of Corporate Affairs from time to time.

(g) the company shall comply with the extant laws relating to issuance of equity, including conditions prescribed in this annexure, the Securities Contracts (Regulation) Act,1956, the Securities and Exchange Board of India Act, 1992, the Depositories Act, 1996, the Foreign Exchange Management Act,1999, the Prevention of Money-laundering Act, 2002 or the Companies Act, 2013 and rules and regulations made thereunder, as applicable. For this purpose, the public company may also enter into necessary arrangements with Indian Depository and Foreign Depository.

(2). Eligibility .- A public company shall be eligible to issue equity or existing shareholders of an Indian company shall be eligible to offer its equity, on an international stock exchange, if.-

(a) company or any of its promoters, promoter group or directors or such shareholder are not debarred from accessing the capital market by the appropriate regulator;
(b) none of the promoters or directors of company is a promoter or director of any other Indian company which is debarred from accessing the capital market by the appropriate regulator;
(c) company or any of its promoters or directors or such shareholder is not a wilful defaulter;
(d) company is not under inspection or investigation under the provisions of the Companies Act;
(e) none of the promoters or directors of the company or such shareholder is a fugitive economic offender.

Provided that the conditions prescribed at para (a) and (b) above, shall not be applicable to the person or company, debarred in the past by the appropriate regulator and the period of debarment is over as on the date of listing of its equity on the international stock exchange.

(3) Foreign investment or transfer of equity, on an international stock exchange.-

(a) A person resident outside India may make foreign portfolio investment on an international stock exchange in accordance with the entry routes, sectoral caps as prescribed in Annexure-II and pricing guidelines prescribed in this Annexure.

Provided that the beneficial owner of investment by a person resident outside India on an international stock exchange shall not be a person resident in India. Further, the concerned investor including its beneficial owner shall be responsible for ensuring compliance with this requirement and the company shall make a disclosure to this effect in its offer document, by whatever name called on the concerned international stock exchange.

However, the beneficial owner of a broker dealer or an investment banker authorised or registered with the concerned regulator of an international stock exchange can be a person resident in India, where, such broker dealer or investment banker may buy or sell or hold equity only on behalf of its constituents.

(b) Foreign portfolio investment made on an international stock exchange which results in a person resident outside India holding ten percent or more of the equity of a company shall require to be divested as per guidelines of concerned regulator of such international stock exchange or as per guidelines of SEBI, in absence of guidelines of concerned regulator of such international stock exchange.

For the purpose of this clause, the equity of the company held in India by such person resident outside India shall also be taken into account to arrive at the limit of ten percent.

(c) A person resident outside India may transfer the equity of a company on an international stock exchange to another person resident outside India in accordance with the condition of entry routes as prescribed in Annexure-II.

(d) A person resident outside India may transfer the equity of a company on an international stock exchange to a person resident in India, only in any of the following events:

i) Delisting Offers made in accordance with the applicable regulations or requirements specified by the concerned regulator of the international stock exchange; or
ii) Resolution plan approved under Insolvency and Bankruptcy Code, 2016; or
iii) Buy-back of equity in accordance with the applicable regulations or requirements specified by the concerned regulator of the international stock exchange; or
iv) Merger or amalgamation of company in accordance with the provisions of the Companies Act and rules or regulations made thereunder; or
v) Acquisition of equity by way of transmission on succession or inheritance.

(4). Voting rights.- A public company having their equity listed on an international stock exchange shall ensure that the voting rights on such equity shall be exercised directly by the person resident outside India holding such equity or through their custodian pursuant to voting instruction only from such person.

(5). Pricing.-

(a) In case of initial listing of equity by a public company which is not listed on a recognised stock exchange in India, the price for issue or transfer of equity shall be determined by a book- building process as permitted by the concerned international stock exchange.

(b) In case of issuance or transfer of equity of a public company which is listed on a recognised stock exchange in India, the same shall be issued at a price, not less than the price applicable to a corresponding mode of issuance of such equity to domestic investors under the applicable laws.

Provided that subsequent issuance or transfer of equity for the purpose of listing additional shares post initial listing would be based on applicable pricing norms of concerned regulator of the international stock exchange.

Explanation.- For the purposes of this Annexure-

(a) “public company’ shall have the same meaning as assigned to it in the Companies Act;

(b) "appropriate regulator" means any financial sector regulator or Government Ministry or Department administering Acts applicable to the company, listed or unlisted;
(c) "beneficial owner" shall have the same meaning as provided in proviso to sub-rule (1) of rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005;
(d) "foreign depository" means a corporate entity registered and regulated in an international stock exchange for the purpose of –
i) holding securities and maintaining securities accounts for beneficial owners in an electronic manner; and
ii) managing rights or interests in securities resulting from the credit of securities to a securities account.
Explanation.- For the purposes of this clause "foreign depository" includes Central Securities Depositories and International Central Securities Depositories.
(e) "fugitive economic offender" shall have the same meaning as assigned to it under clause (f) of sub-section (1) of section 2 of the Fugitive Economic Offenders Act, 2018;
(f) "Indian depository" means a depository as defined in clause (e) of sub-section (1) of section 2 of the Depositories Act, 1996;
(g) "offer by existing shareholders of equity" means offer of existing equity of the company pursuant to formal agreement among the company, the Indian Depository and the Foreign depository;
(h) "offer document" means a prospectus, red herring prospectus, or shelf prospectus, as applicable, as referred to in clause (70) of section 2 of the Companies Act, in case of a public issue, and a letter of offer in case of a rights issue;
(i) "wilful defaulter" means a person who is categorised as a wilful defaulter by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.