Subject: Setting up of step down (operating) subsidiaries by NBFCs having foreign investment above 75% and below 100% and with a minimum capitalisation of US$ 50 million - amendment of paragraph 6.2.24.2 (1) (iv) of ‘Circular 1 of 2012- Consolidated FDI Policy’

1.0 Present Position:

1.1 As per paragraph 6.2.24.2 (1) (iv) of Circular 1 of 2012- Consolidated FDI Policy’, effective from 10.04.2012, 100% foreign owned NBFCs with a minimum capitalisation of US$ 50 million can set up step down subsidiaries for specific NBFC activities, without any restriction on the number of operating subsidiaries and without bringing in additional capital. The minimum capitalization condition as mandated by para 3.10.4.1 of the above Circular, therefore, shall not apply to downstream subsidiaries.

2.0 Revised Position:

2.1 The Government of India has reviewed the policy, as contained in paragraph 6.2.24.2 (1) (iv) of the circular *ibid* and decided to permit NBFCs (i) having foreign investment above 75% and below 100% and (ii) with a minimum capitalisation of US$ 50 million, to set up step down subsidiaries for specific NBFC activities, without any restriction on the number of operating subsidiaries and without bringing in additional capital.

3.0 Amendment to paragraph 6.2.24.2 (1) (iv):

3.1 Accordingly, Paragraph 6.2.24.2 (1) (iv) of Circular 1 of 2012- Consolidated FDI Policy’, effective from 10.4.2012, is amended to read as below:

NBFCs (i) having foreign investment more than 75% and up to 100%, and (ii) with a minimum capitalisation of US$ 50 million, can set up step down subsidiaries for specific NBFC activities, without any restriction on the number of operating subsidiaries and without bringing in additional capital. The minimum capitalization condition as mandated by para 3.10.4.1 of the above Circular, therefore, shall not apply to downstream subsidiaries.

4.0 The above decision will take immediate effect.

D/o IPP File No.: 12/10/2011-FC.I dated: 3rd October, 2012

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