

**PRESS INFORMATION BUREAU  
GOVERNMENT OF INDIA**

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**GOVERNMENT ACCEPTS THE REPORT OF THE COMMITTEE CONSTITUTED  
TO REVIEW THE ISSUE OF FOREIGN CURRENCY CONVERTIBLE BONDS AND  
ORDINARY SHARES (THROUGH DEPOSITORY RECEIPT MECHANISM)  
SCHEME 1993**

**New Delhi, May 13, 2014**  
**Vaisakha 23, 1936**

The issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 was formulated at a time when India's capital markets were substantially closed to foreign capital and the domestic financial system was not very well developed. The Scheme of 1993, envisages Depository Receipts (DRs) being issued only against equity shares as underlying securities and restricts such issuances to raising fresh capital by issuance of shares sponsored by the issuing company only. In the last two decades, the equity market has developed considerably with sophisticated market infrastructure with active participation by both domestic and foreign investors as capital controls have been eased substantially. In this period, the Indian legal and regulatory system for financial markets has evolved with substantial changes. These developments warranted a fresh look at the Scheme governing the issuance of Depository Receipts (DRs).

The first such examination was done by the U.K. Sinha Working Group on Foreign Investment set up in 2010 which recommended a rationalization of capital flows management regulations. Since this Working Group did not go into details of the 1993 Scheme, the Ministry of Finance on September 23, 2013 constituted a Committee under the chairmanship of Shri M. S. Sahoo, Secretary, the Institute of Company Secretaries of India, to comprehensively review the current Scheme. This committee has submitted its report and has recommended a Draft of the new Scheme which is to be notified at an appropriate stage after the enabling amendments have been completed.

The key recommendations of the Committee include allowing issuance of DRs against any underlying securities - equity or debt; by any issuer - listed or unlisted. The Committee has recommended that DRs can be issued both for capital raising through new shares or against existing/ secondary shares and the issuance may be either sponsored or unsponsored. It is proposed that DRs will count as public shareholding if they have attached voting rights for holders. The draft Scheme covers Depository Receipts only and FCCBs have been left out of its ambit (they would continue to be governed by the existing scheme until further notification).

Detailed consultations were held on the report with all relevant agencies/departments and thereafter it has been decided by the Government to accept the report submitted by the

Committee. The new Scheme suggested by the Committee would be notified at a later stage after the necessary tax related amendments are notified.

The copy of the report is placed in the public domain and may be accessed from the website of the Ministry of Finance, Government of India, (<http://finmin.nic.in/>)

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