

MCA seeks disclosure on investments from border countries

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New Delhi: The ministry of corporate affairs has amended rules on issuing prospectus and allotting shares to ensure that the company seeking investments comply with the government's foreign direct investment (FDI) norms relating to investors from countries with which India shares a land border.

The move puts the onus of compliance on the recipient of investments. The government had in 2020 made all FDI from border countries under the approval route to curb opportunistic takeovers during the pandemic.

As per the Companies (Prospectus and Allotment of Securities) Amendment Rules, 2022 issued by the ministry on Thursday, no offer of any securities is to be made to an entity or a national of a country that shares land border with India unless prior approval has been obtained from the Indian government as per the Foreign Exchange Management (Non-debt Instruments) Rules and is submitted along with the private placement offer cum application letter.

The government had in 2020 made all FDI from border countries subject to prior government approval through the Foreign Exchange Management (Non-Debt Instruments) Amendment Rules. The latest amendments by the corporate affairs ministry align the rules under the Companies Act with the FDI norms and make it the obligation of the receiving entity to specify whether any investment sought is from a border country or not. The receiving entity also has to specify in its applications whether the proposed share allotment requires approval under foreign exchange management rules and if needed, whether it has been enclosed. The move fine-tunes the investment approval mechanism.

Security concerns have in the recent past shaped some of the economic policies. The government had so far blocked about 320 mobile applications under provisions of the Information Technology (IT) Act, 2000 to ensure safe internet use. These mobile applications were blocked in the interest of sovereignty, integrity, defence and security of the state.