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TOPICS

- FIPB Lifeline for Foreign Companies' Downstream Investments;
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» FOREIGN INVESTMENT PROMOTION BOARD (FIPB) LIFELINE FOR FOREIGN COMPANIES' DOWNSTREAM INVESTMENTS (Economic Times 30th December,2008)

- The FIPB has proposed to give a three months breather time to foreign companies that have made downstream investments without its approval. Press Note (PN) 9 of 1999 makes it mandatory for companies with foreign investments to obtain FIPB's approval for investing in other companies.
- The grace period will benefit companies which did not obtain FIPB clearance for their downstream investments. According to the proposal, the companies can pay a penalty to the Reserve Bank of India within three months and get their investments regularized.
- The government will soon issue a press note to clarify the policy modifications for holding companies.
- The recent proposal provides that the foreign company would be allowed to make downstream investments, provided the compounding happens within three months
- Compounding refers to the penalty payment by the party concerned for investing in an Indian company without obtaining permission to act as an operating-cum-holding company. The FIPB recommends compounding by the RBI when violations come to light.

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