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- INCREASE IN THE FOREIGN DIRECT INVESTMENT CEILING FOR THE TELECOM SECTOR TO 74%
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» INCREASE IN THE FOREIGN DIRECT INVESTMENT CEILING FOR THE TELECOM SECTOR TO 74%

The Union Cabinet of the Government of India has today approved the increase of the Foreign Direct Investment (FDI) limit in the Indian Telecom sector from 49% to 74%.

Under today's Cabinet decision, the FDI limited in certain telecom services (eg. Basic, Cellular, Unified Access Services, National/International Long Distance, V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communications Services (GMPCS) and other value added services) has been increased from 49% to 74%. Any FII investments or indirect foreign investment in the licensee company will also be counted towards the sectoral cap of 74%.

While increasing the FDI certain safeguards have been put in place including:

- Management (i.e. the majority of Directors and certain specified key personnel) should be with resident Indian citizens;
- The Managing Director, CEO, CFO and CTO should be Indian resident individuals;
- A single Resident Indian promoter should hold at least 10% equity of the licensee company;
- Restriction on transfer of customer information and user information outside India;

- No traffic between two subscribers in India should be hauled to any place outside India;
- The company has to provide traceable identity of their subscribers.

Through today's Cabinet decision, the Indian Government has also for the first time imposed data privacy requirements and has prohibited the transfer of subscriber/user data outside India.

The conditions are also extended to companies operating telecom service(s) with the existing FDI ceiling of 49%. Failure to adhere to these conditions shall result in the license being cancelled and the licensor having the right to encash the performance bank guarantees, with the licensor not being liable for any loss of any kind.

For further details please contact the TMT Team.

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