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#### » VCFs will need \$100k capital for India entry (9th June, 2009; Economic Times)

The Securities and Exchange Board of India (SEBI) is considering a proposal, wherein foreign venture capital funds (VCFs) will need to have a minimum capitalisation of \$100,000 to be eligible to invest in India. The rule is being framed in consultation with RBI, an official familiar with the development told ET.

A foreign VCF looking to invest in India usually formed an investment holding firm in Mauritius with rudimentary capital, often not more than a few dollars. The investment company then filed for registration with Indian regulators, and once it got the approval, overseas investors were gradually roped in. Such a practice was followed because several foreign investors were uncomfortable in making commitments unless the offshore fund had obtained necessary approvals from the regulator.

But RBI is not in favour of such a structure. In the past, the central bank cleared proposals of close to 30 foreign VCFs, which were adequately capitalised. At the same time, it sent back around 20 foreign VCF applications to Sebi unapproved, citing "under-capitalisation" as the reason.

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