

Capital Account Transactions – Bankers Perspective



Topics



Axis Bank – Capital Account Services

Foreign Investment

Overseas Direct Investment

External Commercial Borrowing

Q & A

Custody and AD Bank services under one roof...

Custodian Services



Services

- Designated Depository Participant (DDP) for FPIs.
- Custodian Services
- Corporate Demat A/Cs

Special Products

- Fund Accounting for Domestic Funds
- ▶ **Focus**
- FPI, AIF, FDI, Family Office, FVCI, PMS, Bank, Mutual Fund, Insurance.

Capital Account



Services

- Foreign Direct Investments (FDI)
- Overseas Investment (ODI)
- External Commercial Borrowing (ECB)

Special Products

- Non-Customer transactions (Inward/Repatriation)
- Hedging Services to Overseas Investors.
- Reporting (Eg. SMF)

Capital Fund



Services

- IPO/QIP/NCD/Rights/Buy-back/Delisting/Open Offer
- Dividend/Interest payouts
- Escrow services

Special Products

- ASBA Fixed Deposit
- Bank Guarantee in Buyback
- Share Application account

Foreign Investments - Regulatory Revisions



Date	Notification Ref.	Particulars
Oct 15, 2019	Gazette Notification no. S.O. 3715(E) – Ministry of Finance (Dept. of Economic Affairs)	<ul style="list-style-type: none"> • Central Govt. frame rules w.r.t. Non-debt instruments. • RBI frame regulations w.r.t. (i) Debt instruments and (ii) Mode of Payment and Reporting of Non-Debt Instruments.
Oct 17, 2019	FEM (Non-debt Instruments) Rules, 2019 – Ministry of Finance	Replacing FEM (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017 (“FEMA 20R”) and FEM (Acquisition and Transfer of Immovable Property in India) Regulations, 2018
Oct 17, 2019	FEMA 395 - Mode of Payment and Reporting of Non-Debt Instruments Regulations, 2019 – (RBI FED)	Regulations relating to mode of payment and reporting requirements.
Oct 17, 2019	FEMA 396 - Foreign Exchange Management (Debt Instruments) Regulations, 2019 (RBI, Financial Markets Reg. Dept.)	Replacing FEM (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017 (“FEMA 20R”)


FDI - Compliance Reckoner Indian Party



PRE

- Prohibited sectors
- Sectoral Caps
- Compliance with pricing guidelines
 - ✦ R – NR :: Price \geq Valuation
 - ✦ NR – R :: Price \leq Valuation
- Rights/Bonus issue - not resulted in breach of sectoral cap.
- Renunciation of rights – NR in fav of NR;
R in fav of R
- Differed /Indemnity value – Should not exceed 25% of total consideration.
- No assured return clauses.
- Repatriation – Records of RBI noting/ approvals.

POST

- Issue – Allotment with 60days & reporting 30days
- Transfer – Reporting 60days
- Refund of excess subscription – without interest within reasonable time.
- Reporting in FIRMs
 - Entity Master updation
 - Business User creation (CIN is Key)
 - Reporting (Check Post share holding pattern before submission)
 - No separate letter/confirmation from RBI
- Various reportings 

Down Stream Investment - Reporting

Transfer from FOCC to....	Reporting	Pricing conditions
NR	FCTRS	No
R	No	Yes
FOCC	No	No

Pledge Creation – NoC from AD Bank

- In favour of ECB lender
- Domestic Lenders
- NBFCs

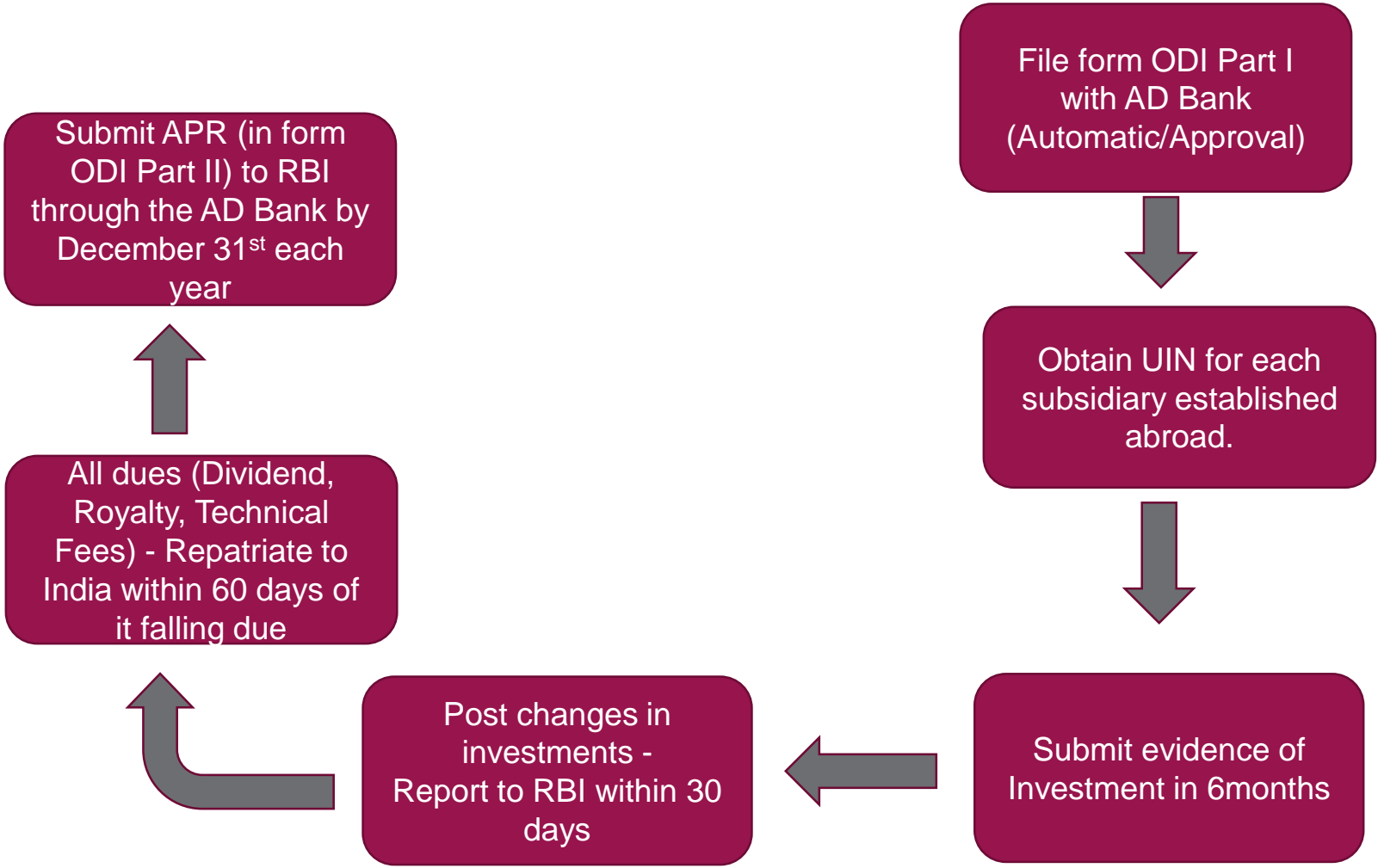
Escrow a/cs & Bid bonds

- Escrow in INR (for Issue & Transfer purpose) for max 180days
- Indemnity/Deferment Escrows 18months
- NR is permitted to open Spl. FCY a/c
- Issuance of BID bonds – Prior approval from RBI

Overseas Direct Investment



Obligations of Indian Party



Note: UIN generation is on real time basis

Disinvestment - repatriate the sale proceeds immediately (**not later than 90 days**)

Bank guarantees and SBLCs are restricted to issue upto JV/WOS level (not SDSs)

Pledge of shares & charge creation on assets



Asset Type	In favour of	For the benefit of
Overseas assets (excluding the shares) of the JV / WOS / SDS	Domestic lender	Indian party or by its group companies / sister concerns / associate concerns or by any of its overseas JV / WOS / SDS (irrespective of the level).
Domestic assets* of an Indian party (or its group companies / sister concerns / associate concerns including the individual promoters / directors)	Overseas lender	JV / WOS / SDS (irrespective of the level) of the Indian party
Shares of overseas JV / WOS / SDS (irrespective of the level) of an Indian party	Domestic lender	the Indian party or by its group companies / sister concerns / associate concerns or by any of its JV / WOS / SDS (irrespective of the level)

- ★ Facility includes fund or non-fund based facilities and the value of the facility is reckoned as financial commitment.
- ★ Though the assets are offered as collateral for facility are at higher value, the financial commitment may restrict only upto the loan value.
- ★ For granting credit facilities to SDSs (any level) by AD Bank in India (as per DBOD guidelines – IP should hold min 51% stake)

* NOC from domestic lenders must be obtained before issuing AD NoC. Loan proceeds should be used for reinvestment into India

Disinvestment

Prerequisites

- JV/WOS operating for at least 1 full year & no receivable outstanding.
- Indian Party is not under investigation
- Other financial commitments are closed
- Sale price is at a price not less than the value certified by a CA/ CPA
- Sale proceeds repatriation – 90days (Individuals – 60days)

Write-off

(Disinvestment amount repatriated is less than the original amount invested)

- Under automatic route:
 - JV / WOS is listed on a overseas stock exchange (or)
 - IP is a listed company and networth => Rs 100Cr (or)
 - IP is a listed company and networth < Rs 100Cr and Investment value <= USD 10mio (or)
 - IP is a unlisted company and Investment value <= USD 10mio

Write-off of ODI without disinvestment
(upto 25%)

- Listed IP - Automatic
- Unlisted IP –Approval

Note: Resident Individuals are not permitted to write-off ODIs under Automatic Route.

ODI by Resident Individuals (under LRS)



- ❖ ODI permitted only under Equity and Compulsorily Convertible Preference shares route.
- ❖ No **loan or guarantees** are permitted.
- ❖ JV / WOS to be engaged in bona fide business activities except real estate / banking / financial services.
- ❖ Resident individual not to be on RBI caution / defaulters list
- ❖ JV / WOS to be operating entity only.
- ❖ No step down subsidiary to be acquired or set up by JV / WOS
- ❖ Valuation /Reporting and Post investment obligations same as applicable to ODI by Indian Companies

External Commercial Borrowings



Recent Liberalisation



Recognised Lender	Eligible Borrower	Eligible End use	MAMP
Foreign Equity Holder	All entities eligible to receive FDI (except LLP)	<ul style="list-style-type: none"> Working Capital purposes General Corporate Purposes Repayment of Rupee Loans 	5 years
All (except foreign branches / subsidiaries of Indian banks)	All non NBFC entities eligible to receive FDI (except LLP)	<ul style="list-style-type: none"> Working Capital purposes General Corporate Purposes Repayment of Rupee Loans availed domestically for purpose other than capex 	10 years
		<ul style="list-style-type: none"> For capex rupee loans repayment 	7 years
All (except foreign branches / subsidiaries of Indian banks)	All NBFC entities eligible to receive FDI (except LLP)	<ul style="list-style-type: none"> Working Capital purposes General Corporate Purposes Repayment of Rupee Loans availed domestically for purpose other than capex 	10 years
		<ul style="list-style-type: none"> For capex rupee loans repayment 	7 years

Q & A

THANK YOU



Various Reporting Forms



FORM	PURPOSE	RESPONSIBILITY FOR FILING	TIMEFRAME
Form Foreign Currency-Gross Provisional Return (FC-GPR)	<ul style="list-style-type: none"> Reporting of capital instruments issued to a person resident outside India and where such issue is reckoned as Foreign Direct Investment. Reporting of conversion of ECB into Equity 	Investee Entity	Within 30 days from date of issue of capital instruments
Annual Return on Foreign Liabilities and Assets (FLA)	Annual reporting by Indian company which has received FDI or LLP which has received capital contribution in the previous year(s) including the current year.	Investee Entity	On or before the 15th day of July
Form Foreign Currency-Transfer of Shares (FC-TRS)	<p>Transfer between Resident to NR</p> <p>Participating interest/ rights' in oil fields</p>	Resident transferor/ transferee or the person resident outside	<p>Within sixty days of transfer of capital instruments or receipt / remittance of funds whichever is earlier.</p> <p>In case of transfer as per Regulation 10 (9) i.e. deferred payment transfer, reporting to be done on receipt of every tranche of payment.</p>
Form Employees' Stock Option (ESOP)	Stock option to persons resident outside India.	Issuing Indian Company	Within 30 days from the date of issue

Various Reporting Forms

FORM	PURPOSE	RESPONSIBILITY FOR FILING	TIMEFRAME
Form LLP (I)	LLP receiving amount of consideration for capital contribution and acquisition of profit shares	Investee Indian LLP	Within 30 days from the date of receipt of the amount of consideration
Form LLP (II)	Disinvestment/ transfer of capital contribution or profit share between a resident and a non-resident (or vice versa)	Investee Indian LLP	Within 60 days from the date of receipt of funds
Form Depository Receipt Return (DRR)	Reporting of issue/ transfer of depository receipts issued in accordance with the Depository Receipt Scheme, 2014 by the Domestic Custodian.	Domestic Custodian	Within 30 days of close of the issue/program
Downstream Investment (Form DI)	An Indian company making downstream investment in another Indian company which is considered as indirect foreign investment for the investee company.	Indian Entity or Investment Vehicle making DI	Within 30 days of such investment
Form InVi	An Investment vehicle which has issued its units to a person resident outside India	Indian Investment Vehicle	Within 30 days of issuance of units in Investment Vehicle
Form Convertible Notes (CN)	Issue & Transfer of CNs by Indian startup company	Issuing company/Transferor/Transferee	Within 30 days of issuance/transfer







About Axis Bank







3rd Largest Private Sector Bank in India

 <p>Best in class Retail Banking franchise</p>	 <p>Partner of choice in Corporate Banking</p>
 <p>Full-service solutions provider to SME Businesses</p>	 <p>State of the art products aided by cutting-edge technology to innovative Digital Payments</p>

Our Strengths Across the Financial Spectrum

 <p>Axis Mutual Fund is among the fastest growing AMC since the launch</p>	 <p>Fastest growing NBFC, enjoys highest credit rating: AAA from Crisil</p>	 <p>Leadership position maintained in volatile capital market over the last decade</p>
 <p>India's premier retail broking outfit, offering a range of investment options backed best in class research.</p>	 <p>India's leading and most preferred Trades Platform, with largest customer base in the Industry</p>	 <p>Connects customers to numerous service providers, allowing prepaid, postpaid, DTH, metro recharge & utility payment</p>

Best in Class Offline & Digital experience

<p>Over 4,050 Branches and 14,000 ATMs (largest amongst private banks)</p>	<p>120 dedicated SME centers that offer best-in-class lending and other Banking services</p>	<p>Dedicated team for servicing trade, Forex and CMS clients</p>
<ul style="list-style-type: none">  Most awarded Mobile Banking app has made us feature amongst top 10 innovations  Best Digital Bank, at Financial India's Best Bank Awards  Best Contactless Payments Project at the Payments & Cards Awards  Axis AHA!, an artificial intelligence Banking assistance on Axis Mobile 		

Trusted by the Country's Most Respected Institutions

<p>Renowned MNC's</p> 	<p>Government Departments, PSU's, The armed forces, Police and Paramilitary forces</p> 
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Capital Account & Custodial Services



Awards and Recognition

Major awards won by the Bank and its subsidiaries



Most Innovative Emerging Technologies Project, India - Ripple Blockchain project



THE ASIAN BANKER
The Regulatory Technology Implementation of the Year
Risk Management Awards 2019

Anti-Money Laundering Technology Implementation



Best Digital Bank for the third consecutive year



Financial Inclusion Initiative Of The Year



Best use of Data & Analytics for Business Outcome amongst Large Banks

Endorsed and Valued by Millions of Indians

Featured amongst Top 20 most valuable brands in India



Axis Bank Mobile App



People's Choice



Among 42 leading banks worldwide

Comprehensive suite of services



FPIs

- DDP
- Custodian
- AD services
- Fx Hedging
- PCM for derivatives
- CSGL for G-Sec Investment
- Broking/Trading
- Debenture Trustee

AIF / PMS

- Custodian, PCM & Fund accounting
- AD services (Inflow & onward investments)
- Trusteeship
- Escrow services
- Wealth client Distribution
- Investment into AIF /Bridge finance

FDI/ FVCI/ InvIT

- AD services (FEMA reporting)
- Fx Hedging
- Custodian
- Escrow services

AD services for PE's

- Custodian (FPI, FDI , FVCI& AIF structures)
- Fx Hedging
- FEMA reporting
- Escrow
- Financing for target companies
- Banker to the Issue

Offerings for Foreign Investors



Transaction processing

- Transactions for non-customers (Inward / Outward)
- Share & Cash Escrow facilities (Indemnity or retention related escrows)
- Trusteeship services
- Pledge creations
- Custody / Corp. Demat a/cs

Risk management

- Facilities to the overseas Investors (Limits setup)
- Deliverable contracts (Forwards/Options) for different maturities (as permitted under regulations)
- Covers both proposed investments or repatriation deals.

Regulatory compliance

- Guidance/Assist in various reporting (FCGPR/FCTRS/DI/ InvIT etc)
- nsures timely reporting & instant approvals
- Coordinate with regulatory for resolving any issues/approvals, if any
- Reporting by custodian on behalf of overseas Investor