DEPARTMENT OF ECONOMIC AFFAIRS NOTIFIES AMENDMENT TO FOREIGN EXCHANGE MANAGEMENT(NON DEBT INSTRUMENTS) RULES, 2019

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DEA amends FEM(NDI) Rules, 2019 aligning the Rules to

- DPIIT Press Note 1(2026) dated 9th Feb 2026 and
- DPIIT Press Note 2(2026) series dated 15th March 2026

Objective/ Aim for the modification:

- To encourage FDI and boost Insurance sector
- To unlock greater FDI inflows for startups and deep techs while accelerating economic growth.
- Allow Import dependent companies with limited LBC* exposure to devise strategic ventures

***LBC- Land Border sharing countries.**

What is Changing?

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- **100% FDI:** Insurance sector now allowed 100% FDI under automatic route
- **Definition of 'Beneficial Owner' (BO):** Criteria will now align with the Prevention of Money Laundering Rules, 2005.
- **The 10% Rule:** non-controlling LBC Beneficial Ownership of up to 10% now permitted under **Automatic Route subject to** sectoral caps, entry routes and attendant conditions.
- **Omission of term Situated:** Providing clarity and paving way for esop's to employees situated in LBC
- **Reporting:** These investments remain subject to reporting details to the DPIIT/ RBI by the investee entity.

What has not Changed?

Government approval still mandatory for Investment from:

- Entity or citizen of LBC
- Beneficial Owner of Investment is citizen of LBC
- Beneficial Ownership is vested in LBC.

Beneficial Ownership when construed to be vested with LBC?

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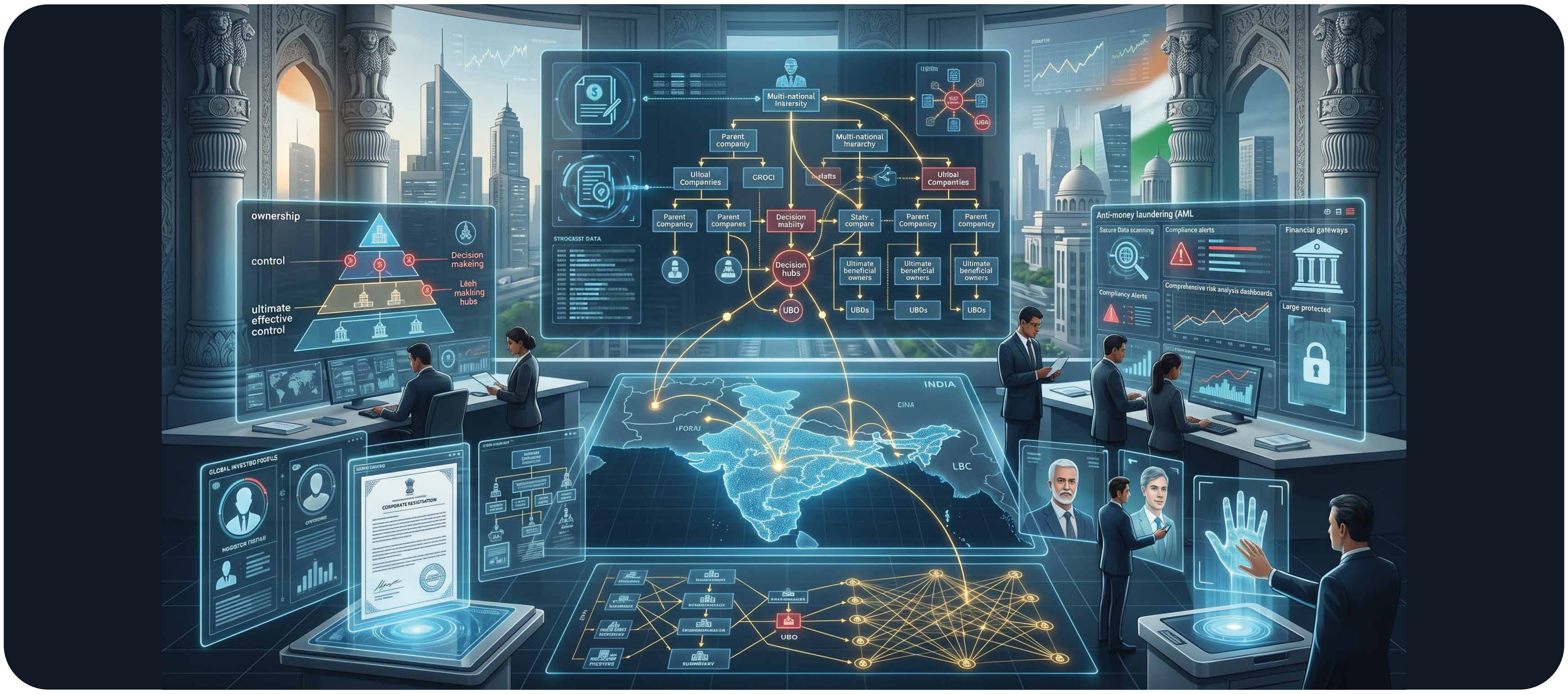

- Investor citizen of country sharing LBC
- Entity registered/ incorporated in LBC
- PMLA criteria for controlling ownership hits- Ownership, Control, ultimate effective control.

Who can benefit?

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- Global investment funds
- Private equity players
- Venture capital investors having limited exposure to LBC without control
- Listed / Unlisted Foreign Investors having less than 10% LBC Investors without control.