Foreign individuals can now invest in Indian listed securities

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FEMA Non-Debt Instruments framework has moved beyond a route primarily focused on NRIs and OCIs.

Key question: liberalisation measure, or a fresh monitoring trigger for companies, AD banks and depositories?

What has changed?

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The investor category has been widened under Schedule III.

Earlier	Now
NRI / OCI	**Individual person resident outside India, including NRI / OCI**

The amendment substitutes the earlier narrower reference with a wider class of eligible individual investors.

Result: Foreign individual resident outside India may access the Schedule III listed securities route, subject to the prescribed FEMA conditions.

The change widens access, but does not remove regulatory thresholds or approval filters.

What is permitted?

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The route is portfolio investment in listed Indian securities.

Eligible individual persons resident outside India may:

1. Purchase / sell equity instruments of listed Indian companies
2. Invest through recognised stock exchanges in India
3. Invest on repatriation basis, subject to FEMA conditions
4. Transfer eligible holdings by sale or gift to another person resident outside India, subject to applicable conditions

The framework is inclusive, but still route specific:- Portfolio investment cannot silently become control investment.

The guardrails remain

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The amendment liberalises eligibility, not the compliance discipline.

< 10%

Individual holding limit on fully diluted paid-up equity capital / each series of eligible instruments.

Upto 24%

Aggregate Schedule III holding of all eligible individuals together.

Government approval continues where investment results in ownership / control linked to land-border countries or involves beneficial owner restrictions.

Sectoral approval conditions continue to apply where the Indian company operates in a government approval sector.

The intent is to widen capital market participation while preserving the line between portfolio investment and FDI.

What if the 10% limit is crossed?

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The amended framework gives a cure route, but with clear consequences.

Trigger	Holding reaches or exceeds the prescribed individual portfolio limit.
Option 1	Divest within five trading days from the settlement date of the transaction causing the breach.
Option 2	If not divested, the entire investment in that company is treated as FDI.

Temporary breach during the permitted divestment / reclassification window is not treated as FEMA contravention.

Compliance lens for India Inc.

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The real work begins after the liberalisation.

Companies

Track threshold movements, route classification and possible FDI conversion.

AD Banks

Monitor payment, remittance and transaction-level reporting obligations.

Depositories

Support identification and reporting of Schedule III holdings.

Investors

Check beneficial ownership, land-border filters and sectoral restrictions.

Reporting update

AD Category-I banks to report purchases and transfers through Form LEC (Individual Foreign Investor – IFI).