



N. A. SHAH ADVISORY SERVICES LLP

BULLETIN

FOREIGN EXCHANGE LAWS BULLETIN
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EXECUTIVE SUMMARY

- ◆ The Government has made radical changes in the foreign investment regime which include:
 - Extension of period of conversion for convertible notes issued by a Startup.
 - Introduction of share based employee benefits (in addition of ESOPs) and
 - Clarification on amount to be paid up on issue of compulsory convertible instruments and validity of valuation certificate.

CHANGES IN FDI NORMS

With the ever-developing investment environment, the Government has introduced various changes to the foreign investment regime.

- ◆ A startup can now issue convertible notes which can be converted into the equity shares of the company within a period of 10 years instead of earlier limit of 5 years.
- ◆ A clarification has been added to provide that that compulsory convertible debentures and compulsory convertible preference shares issued by an Indian Company must be fully paid up.
- ◆ Share based employee benefits (SBEs) have been specifically defined to provide that the Indian companies can now provide equity instruments against any employee benefits schemes in addition to Employee stock option plans and sweat equity shares.
 - In reference to SBEs, it is further provided that:
 - Equity instruments to be issued under the SBEB plan shall be within the applicable sectoral cap.
 - Equity instruments to be issued by a company where foreign investment is permitted under approval route, prior government approval would be required.
- ◆ It is clarified that the valuation certificate issued by a Chartered Accountant / Cost Accountant / Merchant Banker shall not be dated earlier than 90 days from the date of transfer.



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B 21-25 & B41-45, Paragon Centre,
Pandurang Budhkar Marg, Mumbai – 400013
Tel: 91-022-4073 3014
E-mail Id: info@nashahadvisors.com