Foreign Exchange Management Act issued certain amendments to Foreign Direct Investment (FDI) Policy

The existing Foreign Direct Investment (FDI) policy of India prescribes guidelines in relation to foreign investment in various sectors/activities. In order to give further impetus to the FDI inflows the Union Cabinet has approved certain amendments in FDI Policy in several sectors. The Key highlights of the amendments in FDI Policy are stated below:

Under the Single Brand Retail Trading (SBRT)

- The existing FDI policy provides that in respect of the SBRT entity having more than 51% FDI, the sourcing of 30% of value of goods purchased, must be done from India only. In this regard, SBRT entity is permitted to set off its incremental sourcing of goods (by non-residents undertaking SBRT in India either directly or through their group companies) from India for global operations against the mandatory 30% local sourcing requirement during initial five years only. Subsequent to five years, the SBRT entity is required to meet the 30% sourcing norms directly towards its India's operation, on an annual basis.

The Government has now proposed to relax the following conditions stated as under:

✓ **Local sourcing for domestic as well as export sales by SBRT entity**:

All the procurements made from India by the SBRT entity for that single brand shall be counted towards local sourcing, irrespective of whether the goods procured are sold in India or exported and the same would apply even beyond initial five years.

- **Incremental sourcing vs. Year on year sourcing:**

As per extant policy only that part of the global sourcing is considered for abovementioned set off towards local sourcing requirement which is over and above the previous year's value i.e. only incremental sourcing is considered for set off against local sourcing requirements. The Government has now decided entire (and not the incremental) sourcing from India for global operations shall be considered towards local sourcing requirement.

Direct and Indirect sourcing:

It has also been decided that the global sourcing would cover sourcing of goods from India for global operations not only by non-residents undertaking SBRT in India either directly or through their group companies (resident or non-resident) but also by an unrelated third

party, done at the behest of SBRT entity or its group companies under a legally tenable agreement.

- ✓ **Amendments related to E-commerce under SBRT:**

As per the existing policy, SBRT entity must operate through brick-and-mortar stores before starting retail trading of that brand through e-commerce. However, the Government has now decided to allow retail trading through online trade prior to opening of brick-and-mortar stores, subject to the condition that the SBRT entity opens brick-and-mortar stores within two years from date of start of online retail.

- ✓ **Amendments relating to Contract Manufacturing under SBRT:**

In the existing FDI policy, 100% investment is permitted in the manufacturing sector under the automatic route. The policy also allows manufacturers to sell products manufactured in India through the wholesale and retail channels, including through e-commerce, without the Government's approval. However, in the policy, there is no specific mention of Contract Manufacturing and thus, to provide more clarity to this, the Government has decided to allow 100% FDI under automatic route in "Contract Manufacturing" in India.

- ✓ **Amendments relating to Digital Media under SBRT:**

As per the existing FDI policy, 26% FDI under Government approval route is allowed in the print media sector and 49% FDI under Government approval route is allowed in broadcasting content services sector such as Up-Linking of 'News & Current Affairs' TV Channels. However, the present FDI policy is silent on the digital media segment. Accordingly, the Government has now decided to permit 26% FDI under Government route for uploading/ streaming of News & Current Affairs through Digital Media, on the lines of print media.

IRDAI issued guidelines on operational issues pertaining to the Regulatory Sandbox

As per Regulation 13(3) of the IRDAI (Regulatory Sandbox) Regulations, 2019, the Authority hereby issues the following guidelines on operational issues pertaining to the Regulatory Sandbox.
The following procedure will be followed for the implementation of "innovation in insurance" programme through Regulatory Sandbox.

- ✓ **Application for grant of permission for promoting innovation in insurance in India**

An applicant desiring to promote or implement any innovation in insurance in India shall make an application to the Authority in Form-RG-1 in any one or

more of the categories given in Regulation 4 of the IRDAI (Regulatory Sandbox) Regulations, 2019.

✓ **Innovation in insurance in India**

- Every applicant shall demonstrate to the Authority that the proposal for innovation will help increase insurance penetration or provide enhanced services to the policyholders. The proposal shall not be made merely for the sake of seeking a regulatory relaxation but shall be a genuine innovation. The decision of the Authority on whether the proposal is an innovation or not shall be final.

- The Authority may consider granting limited regulatory relaxation to the proposal that promotes innovation in insurance in India. However, no relaxation shall be offered in respect of compliance with the Insurance Act, 1938 or the IRDA Act, 1999 or any other applicable statutory provisions.

- The proposal shall come to an end if any of the following is achieved within the stipulated time:
  Number of customers - 10,000;
  Premium collected - Rs. 50 lakh;
  Any other parameter(s) decided by the Authority.

- Expenses incurred on the proposal shall be maintained separately and shown as a line item in the Annual Report. In case of insurers such expenses shall be charged to the shareholder's accounts or its equivalent.

Reserve Bank of India (RBI) issued certain amendments to Master Direction on issuance and Operation of Prepaid Payment Instrument Issuers

The Reserve Bank of India (RBI) has extended the timeline for the conversion of minimum detail Prepaid Payment Instruments (PPIs) to KYC-compliant PPIs from 18 months to 24 months.

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