

FDI REPORTING REQUIREMENTS SIMPLIFIED BY RBI

The Reserve Bank of India (**RBI**) vide A.P (DIR Series) Circular No. 30 dated June 07, 2018 (**FDI Circular**) simplified the foreign investment reporting by the Indian entities, by consolidating 9 different forms viz., FCGPR Form, FCTRS Form, LLP (I) Form, LLP (II) Form, CN Form, DRR Form, ESOP Form, DI Form and INVI Form, in one master form, namely Single Master Form (**SMF**), through which the Indian entities can do foreign investment reporting, without using the digital signature certificates of the authorised signatories. With the introduction of the SMF, the RBI also dispensed with the requirement of filing the advance reporting form by the Indian companies.

The RBI via FDI Circular also introduced an interface, namely Entity Master Form (**EMF**), to the Indian entities, to input the details of the total foreign investment received by them as on the date of creation of the EMF account.

Pursuant to the introduction of the aforesaid FDI reporting norms, the Indian entities are now required to create an EMF account and SMF account on the Foreign Investment Reporting and Management System (**FIRMS**) portal by following the procedure mentioned therein, which can be accessed at the following link -

<https://firms.rbi.org.in/firms/faces/pages/login.xhtml>.

It is important to note that the creation of EMF account is the first step and it is an entity specific account i.e.



Dipak Rao
Senior Partner
E: dipak@singhania.in



Gunjan Gupta
Associate Partner
E: gunjan@singhania.in

the Indian entity can create only one EMF account on FIRMS portal. After the EMF account is created, the Indian entity can proceed to create the SMF account on FIRMS Portal, which is an Authorised Dealer Bank (**AD Bank**) specific account. An Indian entity can create multiple SMF accounts to report the FDI transactions where the said transactions are carried out through different AD Banks.

The AD Bank with whom the application is filed has a maximum time limit of 5 working days to approve or reject the application or forward the same to the RBI (applicable only in exceptional cases). With the implementation of EMF and SMF, the provision of seeking clarification/resubmission of the application has been done away with. The Indian entity receives the outcome of the application through an e-mail registered on the FIRMS portal. In case of rejection of the application, the reasons for rejection are mentioned in the e-mail, which can be subsequently discussed and ratified by the Indian entity with its AD Bank, prior to the submission of the fresh application for its timely closure.

The Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 (**Regulations**) issued by the RBI on October 17, 2019 provides for the following timelines within which the Indian entities are required to complete the FDI reporting on FIRMS Portal:

- (a) **FCGPR (Foreign Currency-Gross Provisional Return) Form** – An Indian company issuing equity instruments to a person resident outside India should file FCGPR Form, within 30 days from the date of issuance of the equity instruments.

- (b) **FCTRS (Form Foreign Currency-Transfer of Shares) Form** - The resident transferor/transferee or the person resident outside India holding equity instruments on a non-repatriable basis, as the case may be, should file FCTRS Form, within 60 days of transfer of equity instruments or receipt/remittance of funds, whichever is earlier.

- (c) **LLP(I) Form** – A limited liability partnership (**LLP**) receiving the amount of consideration for the capital contribution should file LLP(I) Form, within 30 days from the date of receipt of the amount of consideration.

- (d) **LLP(II) Form** – The resident transferor/transferee, as the case may be, should file LLP(II) Form, within 60 days of the receipt of the amount of consideration, for transfer of capital contribution, from a resident to a non-resident (or vice-versa).

- (e) **CN Form** – The Indian start-up company issuing convertible notes to a person resident outside India should file CN Form, within 30 days from the date of issuance of the convertible notes. Further, the resident transferor/transferee should file CN Form, within 30 days of the transfer of the convertible notes issued by an Indian start-up company, from a resident to a non-resident (or vice-versa).

- (f) **DRR Form** – The domestic custodian issuing/transferring the depository receipts, in accordance with the Depository Receipt Scheme, 2014 should report in DRR Form, within 30 days of issuance/transfer of depository receipts.

- (g) **ESOP Form** – An Indian company issuing employees' stock option to persons resident outside India who are its employees/directors or employees/directors of its holding company/joint venture/wholly owned overseas subsidiary/subsidiaries should file ESOP Form, within 30 days from the date of issuance of employees' stock option.

- (h) **DI Form** - An Indian entity or an investment Vehicle making downstream investment in another Indian entity which is considered as indirect foreign investment for the investee Indian entity should file DI Form, within 30 days from the date of allotment of equity instruments.

- (i) **INVI Form** - An Investment vehicle which has issued its units to a person resident outside India should file INVI Form, within 30 days from the date of issuance of units.

The said Regulations also provides that any delay in reporting would attract late submission fees (**LSF**), which may be decided by the RBI, in consultation with the Central Government. In cases, where the RBI imposes LSF, the application would deem to be approved on payment of the LSF and receipt of the acknowledgment in respect thereof, from the RBI.

Processing of the applications in consolidated SMF form in given timeframe has eased the reporting of FDI transactions. However, there is a practical limitation associated with the filing of the application in SMF account that only one application can be processed at given point of time across all the SMF account(s) of an Indian entity and unless the said application is approved/rejected, the Indian entity cannot file another application on any of its SMF account(s).

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