

Government to review FCCB, depository receipt rules

By [Reena Zachariah](#), ET Bureau | 24 Sep, 2013, 05.49AM IST

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MUMBAI: The government is carrying out a comprehensive review of rules governing foreign currency convertible bonds (FCCBs) and depository receipts in order to align the rules with the [New Companies Act](#) and to cater to the needs of Indian companies and foreign investors.

The first such exercise in almost two decades, the rewriting of the rules on FCCBs and depository receipts will involve regulatory officials from [RBI](#), [Sebi](#) and professionals from foreign bank who will be part of a committee that will be headed by [MS Sahoo](#), former member of Sebi and now secretary of ICSI.

The [finance ministry](#) on Monday said: "It has been decided to constitute a committee to review the scheme comprehensively keeping in view the new company law and the recent legislations in the [financial markets](#), the current state of the macro [economy](#) and the financial markets, the needs of the Indian companies and foreign investors and the need for simplification and legal clarity of the scheme." Apart from Sahoo, the other members of the committee are G Padmanabhan, executive director, RBI, [S Ravindran](#), executive director, Sebi, Ajay Shah, NIPFP and PR Suresh, consultant, PMEAC, among others.



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The [FCCB](#) and depository receipts rules are administered by the government. The Issue Of Foreign Currency Convertible Bonds and Ordinary Shares (through the depository receipt mechanism) Scheme, 1993, has undergone several piecemeal amendments to meet the emerging needs of the economy.

FCCBs are one of the instruments through which companies raise money in foreign currencies. A quasi-debt instrument, FCCBs are traded on the stock exchange and can be redeemed at maturity or at a price set by the issuer.

They can also be converted into equity after the specified period. In contrast, depository receipts are securities issued to overseas investors by Indian companies. The committee will finalise a draft scheme within three weeks. "One of the aspects that need consideration is direct listing by unlisted Indian companies in overseas markets. This could help companies in sectors like technology, internet and healthcare to raise funds at good valuations at a time when the local IPO market is practically shut while the US markets are near all-time highs," said Mehul Savla, director, Ripple-Wave Equity Advisors.

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