

Business Standard

Cabinet raises FDI limit threefold to 15% in stock exchanges

A depository, a banking or insurance entity or a commodity derivative exchange will be among those allowed to raise stake

Ashley Coutinho | Mumbai July 28, 2016 Last Updated at 00:27 IST



The Union Cabinet on Wednesday approved raising of the foreign shareholding limit to 15 per cent from the existing five per cent in Indian stock exchanges.

A depository, a banking or insurance entity or a commodity derivative exchange will be among those allowed to raise stake.

The Cabinet has also approved the proposal to allow foreign portfolio investors to acquire shares through initial allotment, besides the secondary market, in stock exchanges.

The approval follows the Budget announcement by the finance minister earlier this year, concerning reforms in foreign direct investment policy with respect to enhancement of the limit in bourses.

“The move will help in enhancing global competitiveness of Indian stock exchanges, by accelerating/facilitating the adoption of latest technology and global best practices,” the government stated on Wednesday evening.

The change in norms is likely to encourage more foreign exchanges to increase their stake in Indian exchanges.

Top foreign shareholders in the National Stock Exchange are GS Strategic Investments, SAIF II SE Investments

Mauritius, Gagil FDI Ltd (Cyprus) and Aranda Investments (Mauritius) Pte. Each of these holds five 5 per cent. The BSE exchange's top foreign shareholders are Singapore Exchange and Deutsche Boerse AG, with 4.7 per cent each.

The composite cap for foreign investment in stock exchanges is 49 per cent and any of these investors may now individually raise their stake to 15 per cent.

“NSE has always aligned itself with global best practices. The exchange believes the government's decision is in sync with the spirit of globalisation,” said Chitra Ramkrishna, managing director.

“We welcome the move. It will bring best exchanges in the world to acquire significant minority stake in Indian exchanges, which will connect these exchanges to savings pools across the world and bring best-in-class practices here,” added a BSE spokesperson.

The FDI rise was first proposed by the Securities and Exchange Board of India in 2012. This was turned down by the Bimal Jalan committee but the regulator again sent its proposal in June 2014 to the finance ministry. The ministry subsequently wrote to the market regulator for its feedback in November last year.