

The background of the slide is a golden-yellow color with a dense, repeating pattern of various international currency symbols. These symbols, including the Dollar (\$), Euro (€), Pound (£), Yen (¥), and Rupee (₹), are rendered in a 3D, embossed style, creating a textured effect. The symbols are scattered across the entire background, with some appearing larger and more prominent than others.

# Single Master Form (SMF)

Integrated Foreign Investment  
Reporting

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# Introduction

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Foreign Investment in India -  
Reporting in SMF





May 3, 2000

Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 were notified to prohibit, restrict or regulate, transfer or issue security by a person resident outside India

November 7, 2017

New Regulation, i.e. Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations 2017 notified to regulate investment in India by a Person Resident Outside India

April 5, 2018

New System for monitoring of Foreign Investment limits in listed Indian companies has been introduced by SEBI

April 10, 2018

Announced in the First Bi-monthly Monetary Policy, 2018-2019 Review regarding integration of various reporting structures in FEMA

June 7, 2018

Reserve Bank of India (the "**RBI**") issued a circular (the "**Circular**"), introducing a **SMF** to integrate the existing reporting norms for various types of foreign investment in India.

## Introduction of **SMF** to integrate the existing reporting norms for various types of foreign investment in India

- Foreign Investment is defined in the **TISPRO Regulations**, as any investment made by a person resident outside India, on a repatriable basis, in the capital instruments of an Indian company or to the capital of a limited liability partnership (an "**LLP**").
- *Explanation: If a declaration is made by persons as per the provisions of the Companies Act, 2013 about a beneficial interest being held by a person resident outside India, then even though the investment may be made by a resident Indian citizen, the same shall be counted as foreign investment.*
- It includes direct as well as indirect foreign investments as defined under TISPRO Regulations.

SMF would provide an online facility for reporting total foreign investment in an **Indian entity** as also investment by persons resident outside India in an **Investment Vehicle**.

- **Indian entities**- defined in Regulation 2(xxv) of the TISPRO Regulations as an Indian company (including a start-up) or an Indian LLP.
- **Investment Vehicle**- defined in Regulation 2(xxix) of the TISPRO Regulations as an entity registered and regulated under the relevant regulations framed by SEBI or any other authority designated for the purpose, and includes
  - Real Estate Investment Trusts (REITs) governed by SEBI(REITs) Regulations, 2014;
  - Infrastructure Investment Trusts (InvIts) governed by SEBI (InvIts) Regulations, 2014;
  - Alternative Investment Funds (AIFs) governed by SEBI (AIFs) Regulations, 2012

The Indian entities with any existing foreign investment to input the data on total foreign investment in a specified format as a pre-requisite

- Prior to implementing SMF, the RBI will provide an interface to Indian entities to input data, in an **Entity Master Form**, on the total foreign investment received by them. This interface will be available from June 28, 2018 to July 12, 2018 (the "**Interface Window**"), on the website of the RBI.
- The Entity Master Form will provide a portal for Indian entities to report details of their business activities, and the total direct and indirect foreign investment received by them.
- It appears that the Interface Window will be the only period within which Indian entities can enter the data required under the Entity Master Form.

Non-compliance of this pre-requisite

- Restriction on entities to receive foreign investment (including indirect foreign investment) in future; and
- Entities will be non-compliant with Foreign Exchange Management Act, 1999 and regulations made thereunder

# ENTITY MASTER FORM

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Interface for reporting total foreign  
investment





# Timelines & Applicability

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Prior to implementing the SMF, the RBI will provide an interface to Indian entities to input data, in a specified format, on the total foreign investment received by them. This interface will be available from June 28, 2018 to July 12, 2018 (the "**Interface Window**"), on the website of the RBI, [www.rbi.org.in](http://www.rbi.org.in).

Indian entities with any existing foreign investment are required to provide such information to the RBI in an entity master form, which is annexed to the Circular (the "**Entity Master Form**").

The Entity Master Form will provide a portal for Indian entities to report details of their business activities, and the total direct and indirect foreign investment received by them.

It appears that the Interface Window will be the *only* period within which Indian entities can enter the data required under the Entity Master Form.



# Guidelines for calculating total foreign investment in Indian Companies

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- Any equity holding by a person resident outside India resulting from conversion of any debt instrument under any arrangement shall be reckoned for total foreign investment;
- FCCBs and DRs having underlying of instruments in the nature of debt, shall not be reckoned for total foreign investment;
- The methodology for calculating total foreign investment would apply at every stage of investment in Indian companies and thus in each and every Indian company;
- For the purpose of downstream investment, the portfolio investment held as on March 31 of the previous financial year in the Indian company making the downstream investment shall be considered for computing its total foreign investment;
- The indirect foreign investment received by a wholly owned subsidiary of an Indian company will be limited to the total foreign investment received by the company making the downstream investment;

# Important Definitions

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S. No.	Heading	Detail
1	Total Foreign investment	'Total Foreign Investment' means the total of foreign investment and indirect foreign investment and the same will be reckoned on a fully diluted basis
2	Indirect foreign investment	It means downstream investment received by an Indian entity from: another Indian entity (IE) which has received foreign investment or an investment vehicle whose sponsor or manager or investment manager (i) is not owned and not controlled by resident Indian citizens or (ii) is owned or controlled by persons resident outside India
3	SMF Circular	Circular no. RBI/2017-18/194 A.P. (DIR Series) Circular No. 30 dated June 7, 2018 available at <a href="https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11297">https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11297</a>
4	TISPRO Regulations	Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations 2017 and available at <a href="https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11161&amp;Mode=0">https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11161&amp;Mode=0</a>

# REPORTING UNDER SMF

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Integrated reporting for foreign  
investments




# Applicability & inclusions

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- In order to integrate the extant reporting structures of various types of foreign investment in India, the RBI vide its **SMF Circular** introduced a system of Single Master Form (“**SMF**”).
- Regulation 13 of the TISPRO Regulations currently prescribes twelve (12) different types of forms for FDI reporting including Advance Remittance Form, Form FC-GPR, Form FCTRS, Annual Return on Foreign Liabilities and Assets, Form ESOP, Form DRR, Form LLP (I), Form LLP (II), Form Convertible Notes, Downstream Investment Form, Form LEC (FII) and Form LEC (NRI).
- The final form, when hosted, will be available as part of the Master Direction – Reporting under Foreign Exchange Management Act, 1999.



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- The SMF is proposed to be an online form that would subsume eight (8) of the above twelve (12) reporting requirements, along with an additional obligation as mentioned below:
    1. **Form FC-GPR:** Issue of capital instruments by an Indian company to a person resident outside India;
    2. **Form FC-TRS:** Transfer of capital instruments between a person resident outside India and a person resident in India;
    3. **Form LLP-I:** Foreign direct investment in an LLP through capital contribution and profit shares;
    4. **Form LLP-II:** Disinvestment or transfer of capital contribution and profit shares in an LLP;
    5. **Form ESOP:** Issue of employee stock options, sweat equity shares or shares against the exercise of employee stock options by an Indian company to an employee resident outside India;
    6. **Form CN:** Issue or transfer of convertible notes;
    7. **Form DRR:** Issue or transfer of depository receipts;
    8. **Form DI:** Reporting of downstream investment or indirect foreign investment in a company or an LLP; and
    9. **Form InVi:** Reporting of investment by a person resident outside India in an investment vehicle.
  - Three (3) forms that may remain outside the framework of SMF, and may likely continue to be filed in the manner they are currently filed with the RBI, are:
    1. **Annual Return on Foreign Liabilities and Assets (FLA)**- annual reporting done by Indian entities having foreign investment,
    1. **Form LEC (FII)** - filed with the RBI by the custodian of an FPI, in respect of portfolio investment and
    2. **Form LEC (NRI)**- filed with the RBI by the AD Bank of an NRI, in respect of portfolio investment .

A vertical decorative bar on the left side of the slide, featuring a golden-yellow background with various 3D-rendered financial symbols such as the dollar sign (\$), the yen sign (¥), the euro sign (€), and the pound sign (£).

# Implication of non-compliance

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The Circular is especially crucial, given that Indian entities not complying with the prerequisite of entering data within the Interface Window will not be able to receive foreign investment, including indirect foreign investment, and will be considered non-compliant with FEMA and regulations made there under.

# Sections of SMF

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The SMF has been divided into three sections based on the type of details to be submitted:

- **Section I:**
  - Common for all reporting
  - Selection of type of reporting
  - Basic details of entity
- **Section II:**
  - specific information pertaining to the mode or instrument through which the foreign investment is made
  - Entry Route and applicable sectoral cap
  - To fill relevant form as per the mode of investment
- **Section III:**
  - Common for all reporting
  - Necessary details like pre & post shareholding, declaration by the AR
  - Necessary attachments like Certificate from PCS/PCA, declaration by NR Investor

# Frequently Asked Questions

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# FAQs

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1. What will be the cut-off date for calculating total foreign investment for reporting?

As per initial understanding, it would be prepared as on the date of submission of the entity master form

2. Whether Entity Master includes reporting of indirect foreign investment?

Yes, as per SMF Circular, total foreign investment is required to be reported in Entity Master Form and as per 14(1)(j) of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 'Total Foreign Investment' means the total of foreign investment and indirect foreign investment and the same will be reckoned on a fully diluted basis

3. On which entities, entity master form is applicable?

Company, Limited Liability Partnership and Startup

4. What are foreign portfolio investment?

Refer SEBI (Foreign Portfolio Investors) Regulations, 2014

# FAQs

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## 5. How to check whether a investment is domestic or foreign in terms of foreign investment?

If the Indian entity is owned and controlled by persons resident outside India, it is a foreign investor.

‘Company owned by persons resident outside India’ shall mean an Indian company that is owned by persons resident outside India. An ‘LLP owned by persons resident outside India’ shall mean an LLP that is owned by persons resident outside India.

‘Ownership of an Indian company’ shall mean beneficial holding of more than 50 percent of the capital instruments of such company. ‘Ownership of an LLP’ shall mean contribution of more than 50 percent in its capital and having majority profit share.

‘Company controlled by persons resident outside India’ shall mean an Indian company that is controlled by persons resident outside India. An ‘LLP controlled by persons resident outside India’ shall mean an LLP that is controlled by persons resident outside India.

‘Control’ shall mean the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreement or voting agreement. For the purpose of LLP, ‘Control’ shall mean the right to appoint majority of the designated partners, where such designated partners, with specific exclusion to others, have control over all the policies of an LLP.

# FAQs

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6. How to calculate the indirect foreign investment in Indian Company?

Refer Regulation 14(4) of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 dated November 7, 2017

7. What are foreign investments?

Any investment made by person resident outside India on repatriable- basis in capital instruments of the Indian Company or to the capital of LLP

# Illustration

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- Where Company Y has foreign investment less than 50%- Company X would not be taken as having any indirect foreign investment through Company Y.
- Where Company Y has foreign investment of say 75% and:
  - i. invests 26% in Company X, the entire 26% investment by Company Y would be treated as indirect foreign investment in Company X;
  - ii. Invests 80% in Company X, the indirect foreign investment in Company X would be taken as 80%
  - iii. where Company X is a wholly owned subsidiary of Company Y (i.e. Company Y owns 100% shares of Company X), then only 75% would be treated as indirect foreign equity and the balance 25% would be treated as resident held equity. The indirect foreign equity in Company X would be computed in the ratio of 75: 25 in the total investment of Company Y in Company X.





Thank  
you!