

## **NRIs Can Invest In Pooled Vehicles**

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Non-Resident Indians are also allowed to take the benefit of investing their money in the country under the pooled investment vehicle categories, whereby the funds invested by them can be managed by professionals on their behalf. An investment vehicle is basically an Indian entity, regulated by the Securities and Exchange Board of India (Sebi), which invests its funds in shares, securities of portfolio companies, Special Purpose Vehicle (SPVs) in India to generate gains for their investors.

As per Foreign Exchange Management (Non-debt Instruments) Rules, 2019 an "investment vehicle" means an entity registered and regulated under the regulations framed by Sebi

or any other authority designated for that purpose and shall include, namely: (i) Real Estate Investment Trusts (REITs) governed by Sebi (REITs) Regulations, 2014;(ii) Infrastructure Investment Trusts (InvIts) governed by Sebi (InvIts) Regulations, 2014 (iii) Alternative Investment Funds (AIFs) governed by Sebi (AIFs) Regulations, 2012 and (iv) mutual funds which invest more than fifty percent in equity governed by Sebi (Mutual Funds) Regulations, 1996.

**1. Real Estate Investment Trusts (REITs)** – In common parlance REITs are the trusts that are registered with Sebi, listed on stock exchanges, that collect money from several investors and make investments directly in the real estate to generate income for the investors. These are categorically excluded from the definition of real estate in the regulation.

**2. Infrastructure Investment Trusts (InvIts)**- In common parlance REITs are the trusts that are registered with Sebi that enables direct investment of small amounts of money from possible individual/institutional investors in infrastructure to earn a small portion of the income as return.

**3. Alternative Investment Funds (AIFs)**- AIFs are regulated by Sebi and refers to any privately pooled investment fund, (whether from Indian or foreign sources). These may be registered in India as trust or company or LLP and make investments in start-ups, SMEs, private equity funds or debt funds, hedge funds or funds which trade depending upon the category in which they are registered.

**4. Mutual Funds**- It is a Sebi-regulated fund that pools money from various investors and invests it in securities like stocks, bonds, money market instruments and other assets. Mutual funds are divided into several kinds of categories, representing the kinds of securities they invest in, their investment objectives, and the type of returns they seek.

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A Non-resident Indian (NRI) or an Overseas Citizen of India (OCI), including a company, a trust and a partnership firm incorporated outside India and owned and controlled by NRIs or OCIs, may purchase or contribute in the units issued by an investment vehicle without any limit, either on the stock exchange or outside it on non repatriation basis, wherein the money earned by the investment in the investment vehicle will not be allowed to be taken outside India.

The amount of consideration shall be paid as inward remittance from abroad through banking channels or out of funds held in NRE/ FCNR(B)/ NRO account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.

The sale/ maturity proceeds (net of applicable taxes) of equity instruments or units or disinvestment proceeds of a LLP shall be credited to the NRO account of the investor, irrespective of the type of account from which the consideration was paid.

An Investment vehicle may issue its units to a person or resident outside India including NRI on repatriation basis against swap of equity instruments of a Special Purpose Vehicle (SPV) proposed to be acquired by such Investment Vehicle or out of funds held in NRE or FCNR(B) account.

The sale/ maturity proceeds (net of taxes) of the units may be remitted outside India or may be credited to the NRE or FCNR(B) account of the person concerned.

However, it should be noted that this investment needs to be made in accordance with guidelines issued by Sebi and RBI from time to time.

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