

Corpsec Hotline

March 20, 2006

INDIA GEARING UP FOR FULL CONVERTIBILITY

The Prime Minister of India, Mr. Manmohan Singh, asked the Finance Minister and the Reserve Bank of India (RBI) to prepare a road map for full capital account convertibility.

Capital account convertibility effectively means full freedom to convert rupee into foreign currencies to buy stocks, properties and other capital assets abroad by resident Indians and vice versa. While India had already moved to full convertibility on current account almost a decade ago, it also undertook partial convertibility on capital account by liberalizing transactions like overseas merger & acquisitions by Indian companies, investment by mutual funds in overseas securities, etc.

Considering the country's robust domestic growth combined with comfortable financial position with foreign exchange reserves of almost USD 140 billion, the Prime Minister has desired a need to move towards full convertibility. To start with, the idea of full convertibility would be tested by first introducing these reforms in the Special Economic Zones (SEZs) and depending on the impact within the SEZs, the same may be implemented all over the country.

India's endeavour to introduce capital account convertibility dates back to 1997 when a committee headed by Mr. S.S. Tarapore at the behest of the RBI had undertaken a detailed study to chart out the road map to full convertibility. However, the immediate melt down in the Asian economy had deferred the implementation of the current account convertibility.

This move by the Prime Minister is likely to bolster the confidence level in the foreign investors towards India. The Prime Minister also believes that besides attracting more capital to the country, such a move would transform cities like Mumbai into a global financial center.

- **Kishore Joshi & Siddharth Shah**

You can direct your queries or comments to the authors

Source: *The Economic Times, March 19, 2006*

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Mergers & Acquisitions

July 11, 2025

New Age of Franchising

June 20, 2025

Life Sciences 2025

June 11, 2025

Research Articles

2025 Watchlist: Life Sciences Sector India

April 04, 2025

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Audio

CCI's Deal Value Test

February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

Reimagining CSR: From Grant Giving to Blended Finance & Outcome Based Funding

June 16, 2025

Courts vs Bankruptcy code: The

