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CASE STUDY

FOREIGN DIRECT INVESTMENT COMPLIANCE

BACKGROUND OF THE CASE

Our client is a European entity who had incorporated a private limited company in India. To fulfil the statutory criteria of minimum shareholders, they had appointed one of their European subsidiaries as a nominee shareholder in the Indian entity. Between the investment time and reporting of the investment to RBI, the documentation guidelines regarding reporting were modified with retrospective effect. Our Client did not have required documents and sought Octagona India's assistance.

HOW DID OCTAGONA INDIA HELP?

As a part of preliminary research, apart from studying legal regulations, our team visited the RBI to understand the exact documentation required for proper compliance of foreign direct investment reporting. Further, we undertook the following actions:

- It was now mandatory to submit Know Your Customer (KYC) details issued by the bank in which nominee shareholder holds an account. In this case, the nominee did not have a bank account and hence had to open one. Once the account was opened, our team coordinated with the Client's bank in India and the nominee's bank in Europe to have the KYC issued in the required format.
- There was no real investment from nominee, but the reporting form now mandated submission of details of investment. As a solution, we sought permission from the Indian entity's bank to split the amount of investment between our Client and its nominee. The permission was granted, and reporting was completed accordingly.
- As last precautionary step, our team coordinated with the Client's bank had a pre-scrutiny of the documents done prior to their final submission to RBI. Our team then, with Client's permission submitted the documents to RBI, which were approved.

FINAL OUTCOME

We hand-held our Client through the entire process of reporting of foreign direct investment. Our team ensured that our Client and their Indian entity were able to comply with all laws and guidelines pertaining to reporting of foreign direct investment.





OCTAGONA[®]
WIDEN YOUR HORIZONS

ADDRESS

411, DLF Tower B, Jasola District Centre,
New Delhi - 110076, India

TELEPHONE

(+91) 11 4152 5077

EMAIL

octagona.india@octagona.com

WEBSITE

octagona.co

SKYPE

live:b.joshi_5