



Amendment in the definitions/ explanations

- **Convertible Note** [Rule 2(e)] – Period of conversion of convertible note into equity has been increased from 5 years to 10 years. The same is in line with clause (xvii) of Rule 2(1)(c) of the Companies (Acceptance of Deposits) Rules, 2019.
- **Equity instruments** [Explanation (i) to Rule 2(k)] –
 - Equity shares (incl. partly paid up) issued under ‘other applicable laws’ will also be included in the meaning of equity instruments.
 - Only fully paid up compulsorily convertible debentures and preference shares to be considered as equity instruments.
 - *What if they are partly paid? Will they be considered as equity instruments only after conversion and debt instruments until then?*
- **Foreign Investment** [Explanation to Rule 2(s)] – Beneficial ownership held in terms of ‘other applicable laws’ by PROI will also be regarded as foreign investment.
- **Indian Company** [Rule 2(y)] – The definition now includes body corporates incorporated under any Central or State Act.
 - Indian company does not include society, trust or any entity, which is excluded as an eligible investee entity under FDI Policy
- **Share Based Employee Benefits** [Rule 2(ama)] – newly inserted to cover different forms of employee benefit.
- **Subsidiary** [Rule 2(ana)] – definition aligned to Companies Act.
- **Real estate business** [Explanation to para 2(f) of Schedule I – Only dealing in land and immovable property with profit motive will be covered. More elaborate exclusion list provided,



Applicability of NDI Rules on all types of SBEBs

Rule 8 of NDI Rules which deals with issue of employee stock options or sweat equity to PROI will now also apply to issuance of other types of SBEBs such as ESPS, SAR, RSU, etc.



Applicability of NDI Rules on all schemes of arrangement

Rule 19 of NDI Rules which deals with merger, amalgamation, demerger of two Indian companies will apply to other types of schemes of arrangement as well.

- Govt. approval not required in case of breach of sectoral cap if the scheme of arrangement is taking place in sectors under automatic route.



Sectoral cap for LIC

New sectoral cap for LIC has been inserted where foreign investment upto 20% is allowed under automatic route.

- Foreign investment will be subject to the provisions of LIC Act, 1956 and Insurance Act, 1938