

INDIA JURIS

Issue of Convertible Notes by an Indian Start-up Company

1. The Reserve Bank of India has passed Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017 "Regulations", to regulate investment in India by a Person Resident Outside India. This regulation also provides for issue of Convertible Notes to foreigners by an Indian Start-up as under:
2. A person resident outside India (other than an individual who is citizen of Pakistan or Bangladesh or an entity which is registered/ incorporated in Pakistan or Bangladesh), may purchase convertible notes issued by an Indian startup company for an amount of Rs.25 lakhs (Rs.25,00,000/-) or more in a single tranche.
3. A startup company, engaged in a sector where investment by a person resident outside India requires Government approval, may issue convertible notes to a person resident outside India only with such approval. Further, issue of equity shares against such convertible notes shall be in compliance with the entry route, sectoral caps, pricing guidelines and other attendant conditions for foreign investment.

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Third Amendment in IBBI (Insolvency Resolution Process for Corporate Persons) Regulations 2016

In exercise of the powers conferred by clause (t) of sub-section (1) of section 196 read with section 240 of the Insolvency and Bankruptcy, Code, 2016, the Insolvency and Bankruptcy Board of India "IBBI" has made following amendment on 7th November 2017 in IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 ". "Principal Regulations".

1. In regulation 38, after sub-regulation (2), the following sub-regulation shall be inserted, namely: -

"(3) A resolution plan shall contain details of the resolution applicant and other connected persons to enable the committee to assess the credibility of such applicant and other connected persons to take a prudent decision while

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considering the resolution plan for its approval.

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