India

RISK & COMPLIANCE REPORT

DATE: March 2018

KNOWYOURCOUNTRY

Executive Summary - India	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering Assessment Not on EU White list equivalent jurisdictions International Narcotics Control Majors List
Medium Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

rice, wheat, oilseed, cotton, jute, tea, sugarcane, lentils, onions, potatoes; dairy products, sheep, goats, poultry; fish

Industries:

textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, software, pharmaceuticals

Exports - commodities:

petroleum products, precious stones, machinery, iron and steel, chemicals, vehicles, apparel

Exports - partners:

US 12.7%, UAE 12.3%, China 5%, Singapore 5%, Hong Kong 4.1% (2012)

Imports - commodities:

crude oil, precious stones, machinery, fertilizer, iron and steel, chemicals

Imports - partners:

China 11%, UAE 7.7%, Saudi Arabia 6.7%, Switzerland 5.9%, US 4.9% (2012)

Investment Restrictions:

There are two channels for foreign investment: the "automatic route" and the "government route." Investments entering via the "automatic route," are not required to seek an overall approval from the central government.

FDI is allowed under the automatic route in almost all activities/sectors except the following, which require Foreign Investment Promotion Board approval:

- activities/items that require an Industrial Licence (except some cases)
- proposals in which the foreign collaborator has an existing financial/technical collaboration in India in the same field
- all proposals falling outside notified sectoral policy/caps.

In certain cases, such as distillation and brewing of alcohol, industrial explosives and manufacture of hazardous chemicals, FDI is permitted without FIPB approval subject to obtaining an industrial licence from the appropriate authority.

However, FDI is prohibited in the following cases:

- gambling and betting
- lottery business
- atomic energy
- retail trading (except in single brand retail)
- agricultural or plantation activities or agriculture (excluding floriculture, horticulture, development of seeds, animal husbandry, etc. and plantations, other than tea plantations).

The Government of India does not permit investment in real estate by foreign investors, except for company property used to do business and for the development of most types of new commercial and residential properties.

Foreign firms and persons are prohibited from trading in commodities.

Contents

Section 1 - Background

The Indus Valley civilization, one of the world's oldest, flourished during the 3rd and 2nd millennia B.C. and extended into northwestern India. Aryan tribes from the northwest infiltrated the Indian subcontinent about 1500 B.C.; their merger with the earlier Dravidian inhabitants created the classical Indian culture. The Maurya Empire of the 4th and 3rd centuries B.C. - which reached its zenith under ASHOKA - united much of South Asia. The Golden Age ushered in by the Gupta dynasty (4th to 6th centuries A.D.) saw a flowering of Indian science, art, and culture. Islam spread across the subcontinent over a period of 700 years. In the 10th and 11th centuries, Turks and Afghans invaded India and established the Delhi Sultanate. In the early 16th century, the Emperor BABUR established the Mughal Dynasty which ruled India for more than three centuries. European explorers began establishing footholds in India during the 16th century. By the 19th century, Great Britain had become the dominant political power on the subcontinent. The British Indian Army played a vital role in both World Wars. Years of nonviolent resistance to British rule, led by Mohandas GANDHI and Jawaharlal NEHRU, eventually resulted in Indian independence, which was granted in 1947. Large-scale communal violence took place before and after the subcontinent partition into two separate states - India and Pakistan. The neighboring nations have fought three wars since independence, the last of which was in 1971 and resulted in East Pakistan becoming the separate nation of Bangladesh. India's nuclear weapons tests in 1998 emboldened Pakistan to conduct its own tests that same year. In November 2008, terrorists originating from Pakistan conducted a series of coordinated attacks in Mumbai, India's financial capital. Despite pressing problems such as significant overpopulation, environmental degradation, extensive poverty, and widespread corruption, economic growth following the launch of economic reforms in 1991 and a massive youthful population are driving India's emergence as a regional and global power.


1972 Line of Control
Indian claim
Line of Actual Control
0 200 400 km
0 200 400 mi
AFG.
CHINA
Srinagar
Indus
Amritsar
HIMALAYAS
PAKISTAN
Brahmaputra
NEW DELHI
NEPAL
Kānchenjunga
BHUTAN
Āgra
Kānpur
Ganges
Imphāl
Kāndla
Ahmadābād
Bhopāl
BANGLADESH
Kolkata
Nāgpur
BURMA
Mumbai
DECCAN
Arabian Sea
Hyderābād
Vishākhapatnam
Panaji
Marmagao
Bay of Bengal
Bangalore
Chennai
ANDAMAN ISLANDS
Kozhikode
Puducherry
Port Blair
Madurai
Kochi
Laccadive Sea
Tuticorin
SRI LANKA
NICOBAR ISLANDS

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF Status

India is not currently on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in India was undertaken by the Financial Action Task Force (FATF) in 2010. According to that Evaluation, India was deemed Compliant for 4 and Largely Compliant for 25 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 out of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2010):

The AML/CFT regime in India is relatively young. The Prevention of Money Laundering Act, 2002 (PMLA) came into force in 2005 and was amended in 2009. The Unlawful Activities (Prevention) Act, 1967 (UAPA) was amended in 2004 to criminalise, inter alia, terrorist financing. The UAPA was further amended in December 2008 to broaden its scope and to bring the legislation more in line with the requirements of the United Nations Convention for the Suppression of the Financing of Terrorism
(FT Convention).

Money laundering (ML) methods are diverse. India has several mechanisms in place for domestic co-ordination and co-operation at both the policy and operational levels to identify new and emerging trends and to formulate appropriate responses.

India continues to be a significant target for terrorist groups and has been the victim of numerous attacks. There are no published figures of terrorist cells operating in the country.

Since mid-2009, India has increased its focus on money laundering and the use of the ML provisions. However, there are still some important and in some instances, long-standing legal issues, such as the threshold condition for domestic predicate offences, that remain to be resolved. Effectiveness concerns are primarily raised by the absence of any ML convictions.

India's serious commitment to combating terrorism in all its forms must be acknowledged. From a law enforcement perspective, this commitment is reflected in an active pursuit of the financial aspects of terrorism. At the prosecutorial level, an appropriate focus on FT can be observed. However, this effort has not yet been convincingly followed up by convictions and firm case law.

India has progressively expanded and strengthened its preventive measures for the financial sector, which now apply to all but one of the financial activities required to be covered under the FATF standards. However, several preventive provisions need to be brought more closely into line with the FATF standards, and overall, more time is needed before all requirements are substantially implemented.

With the exception of casinos (which operate only in the State of Goa), the Designated Non Financial Businesses and Professions sectors are not subject to the PMLA and are not regulated and supervised for AML/CFT purposes.

Key recommendations made to India include the need to:

- address the technical shortcomings in the criminalisation of both money laundering and terrorist financing and in the domestic framework of confiscation and provisional measures;

- broaden the CDD obligations with clear and specific measures to enhance the current requirements regarding beneficial ownership;

- improve the reliability of identification documents, the use of pooled accounts, PEPs, and non-face-to-face business; ensure that India Post, which recently became subject to the PMLA, effectively implements the AML/CFT requirements;

- enhance the effectiveness of the STR reporting regime; enhance the effectiveness of the financial sector supervisory regime and ensure that India Post is adequately supervised;

- ensure that the competent supervisory authorities make changes to their sanctioning regimes to allow for effective, proportionate and dissuasive sanctions for failures to comply with AML/CFT requirements; and

- extend the PMLA requirements to the full range of DNFBPs, and ensure that they are effectively regulated and supervised.

The investigation of money laundering cases under investigation where proceeds of crime have been attached under AML provisions, it is noticed that proceeds of crime are mostly invested in immovable properties, followed by jewellery, vehicles etc.

Extract from 2014 Asia Pacific Group on Money Laundering Yearly Typologies Report:

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US Department of State Money Laundering assessment (INCSR)

India is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Indian Prime Minister Modi has prioritized curtailing illicit financial activity gains, termed "black money." As his administration carries out efforts to formalize and digitize India's financial system, India faces various money laundering vulnerabilities, including informal financing networks that largely serve illiterate, rural citizens; complex onshore and offshore corporate structures; and enforcement capacity constraints. It remains too early to determine whether the government's "demonetization" of 86 percent of Indian cash ensnared tax-evaders and money launderers or enabled illicit gains to formally enter the system, as investigations are ongoing.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Laundered funds are derived from tax avoidance and economic crimes, corruption, narcotics trafficking, trafficking in persons, and illegal trade. The most common money laundering methods include opening multiple bank accounts to hide funds, intermingling criminal proceeds with licit assets, purchasing bank checks with cash, routing funds through employees' accounts, or using complex legal structures. Illicit funds are laundered through real estate, gold purchases, educational programs, charities, and election campaigns. Transnational criminal organizations use offshore corporations and TBML to disguise the criminal origins of funds, and companies use TBML to evade capital controls. India has licensed seven offshore banking units (OBUs) to operate in Special Economic Zones (SEZs). As of March 2015, there were 202 operating SEZs, and 413 approved, but not yet operational, SEZs. Customs officers control access to the SEZs. OBUs have defined physical boundaries and functional limits, are prohibited from engaging in cash transactions, can only lend to the SEZ wholesale commercial sector, and are subject to the same AML regulations as the domestic sector.

KEY AML LAWS AND REGULATIONS

In November 2016, the Reserve Bank of India (RBI) demonetized INR 500 and INR 1,000 notes to crack down on "black money." An August 31, 2017 RBI report stated 99 percent of demonetized cash was deposited in legitimate bank accounts, leading analysts to question if the exercise enabled criminals to launder money into the banking system. Digital transactions increased due to demonetization, as mobile banking inclusion jumped from 40 percent to 60 percent of the populace. On August 7, 2017, the Securities and Exchange Board of India (SEBI) directed stock exchanges to restrict trading by and audit 331 suspected shell companies following their large cash deposits during demonetization. Investigations continue. The Registrar of Companies also de-registered over 200,000 inactive companies while also barring over 300,000 directors of these companies from being appointed as directors of other companies for five years.

On July 7, 2017, SEBI banned foreign portfolio investors (FPIs) from issuing offshore derivative instruments or participatory notes, except for issuances of derivatives for hedging. The share of participatory notes in FPI assets halved to 4.1 percent in a year, far from their peak of 55.7 percent in 2007.

The government mandated that all bank account holders must link their biometric identifications (Aadhaar) to accounts by March 31, 2018, and that banks check the identifications for those conducting large cash transactions. However, the mandate to link biometric information is being challenged in Indian courts as a violation of individual privacy. India has comprehensive KYC and STR requirements and uses enhanced due diligence for PEPs.

Virtual/digital currencies are not recognized by any authority in India, but the Finance Ministry constituted a committee to establish a virtual currencies regulatory framework.

India is a member of the FATF and two FATF-style regional bodies, the APG and the EAG

AML DEFICIENCIES

India's current safe harbor provision protects principal officers and compliance officers of institutions that file STRs in good faith, but does not protect all employees. The government prioritizes crimes of tax evasion and counterfeit currency, while AML is a lower priority.

India is not subject to U.S. sanctions or penalties, although some banks are currently being penalized for illegal activities of their Indian branches.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

India has taken steps to implement an effective AML regime, but deficiencies remain, including concerns about effective implementation and enforcement of current laws, especially with regard to criminal prosecutions. Authorities believe India has insufficient investigators to analyze the volume of data discovered during demonetization. India is investigating 1.8 million bank accounts and 200 individuals associated with unusual deposits during demonetization, and banks' STRs quadrupled in 2016.

U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with Indian counterparts. A lack of Indian follow-through on investigative leads has prevented a comprehensive offensive against violators and related groups. The United States and India have extradition and mutual legal assistance treaties. India is demonstrating an increasing ability to act on mutual legal assistance requests but continues to struggle with institutional challenges that limit its ability to provide assistance or extradition. India should address noted shortcomings in the criminalization of money laundering and in its domestic framework for confiscation and provisional measures. The government should ensure all relevant DNFBPs comply with AML regulations and should extend its safe harbor provision to cover all employees. The government of India should use data and analytics to systematically detect trade anomalies that could indicate customs fraud, TBML, and counter-valuation in informal financial networks.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, India does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

EU White list of Equivalent Jurisdictions

India is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

India is not considered to be an Offshore Financial Centre

Key Findings from other US State Department Reports:

Narcotics 2017 (introduction):

Introduction

India's geographic location makes it an attractive transshipment area for narcotics bound for Europe, Africa, Southeast Asia, and North America. Cross-border drug trafficking from Pakistan and Burma to India continues to be a major problem due to India's porous borders and low enforcement capacity. There is also evidence that opium poppy is grown illicitly in India, especially in the northeastern region. Given India's size and large population, accurate estimates of the extent, pattern, and nature of illicit drug consumption in India are difficult to determine.

India remains committed to enhancing its law enforcement capacity through increased training for law enforcement officers, and is vigorously pursuing opportunities for international cooperation to improve the effectiveness of both demand and supply control efforts pertaining to illicit drugs.

India is authorized by the international community to produce licit opium for pharmaceutical uses, and is a major producer of precursor chemicals. India also manufactures organic and synthetic licit opiate/psychotropic pharmaceuticals (LOPPS). India's large pharmaceutical and chemical industries are faced with increasing diversion of products for illicit purposes, including of illicit pharmaceuticals to the United States and other countries. Seizures of the prescription opioid tramadol traced to India are on the rise throughout the Middle East and North Africa.

Conclusion

Significant drug-related challenges facing the Indian government include the rise in methamphetamine manufacturing and trafficking, the diversion of controlled substances from licit to illicit channels, the smuggling of pharmaceuticals containing narcotic drugs and psychotropic substances, and capability deficits and poor coordination among India's various drug enforcement agencies.

Global demand for methamphetamine precursors has given rise to precursor chemical entrepreneurs in India who are retooling commercial chemical factories to produce illicit quantities of ephedrine and methamphetamine. These organizations will continue to supply international traffickers who depend on India's precursor chemical supply and porous border crossings. Reforms to enhance the efficiency of the country's court system, legislation to equip law enforcement with greater operational authority, and additional efforts to improve interagency coordination and address capacity deficits would enhance Indian law enforcement efforts to combat drug trafficking organizations operating in the country.

Trafficking in Persons

India is classified a Tier 2 country - A country whose governments does not fully comply with the Trafficking Victims Protection Act's minimum standards, but are making significant efforts to bring themselves into compliance with those standards.

India is a source, destination, and transit country for men, women, and children subjected to forced labor and sex trafficking. Forced labor constitutes India's largest trafficking problem; men, women, and children in debt bondage—sometimes inherited from previous generations—are forced to work in brick kilns, rice mills, agriculture, and embroidery factories. The majority of India's trafficking problem is internal, and those from the most disadvantaged social strata—lowest caste Dalits, members of tribal communities, religious minorities, and women and girls from excluded groups—are most vulnerable. Within India, some are subjected to forced labor in sectors such as construction, steel, and textile industries; wire manufacturing for underground cables; biscuit factories; pickling; floriculture; fish farms; and ship breaking. Thousands of unregulated work placement agencies reportedly lure adults and children under false promises of employment for sex trafficking or forced labor, including domestic servitude.

In addition to bonded labor, some children are subjected to forced labor as factory and agricultural workers, domestic servants, and beggars. Begging ringleaders sometimes maim children to earn more money. Some NGOs and media report girls are sold and forced to conceive and deliver babies for sale. Conditions amounting to forced labor may be present in the "Sumangali scheme" in Tamil Nadu, in which employers pay young women a lump sum, used for a dowry, at the end of multi-year labor contracts. Some children, reportedly as young as 6 years old, are forcibly removed from their families and forced by separatist groups such as the Maoists in Bihar, Chhattisgarh, Jharkhand, Maharashtra, West Bengal, and Odisha to act as spies and couriers, plant improvised explosive devices, and fight against the government.

Experts estimate millions of women and children are victims of sex trafficking in India. Traffickers use false promises of employment or arrange sham marriages in India or Gulf States, and then subject women and girls to sex trafficking. In addition to traditional red light districts, women and children increasingly endure sex trafficking in small hotels, vehicles, huts, and private residences. Traffickers increasingly use websites, mobile applications, and online money transfers to facilitate commercial sex. Children continue to be subjected to sex trafficking in religious pilgrimage centers and tourist destinations. Many women and girls—predominately from Nepal and Bangladesh, and from Europe, Central Asia, and Asia, including minority populations from Burma—are subjected to sex trafficking in India. Prime destinations for both Indian and foreign female trafficking victims include Kolkata, Mumbai, Delhi, Gujarat, Hyderabad, and along the India-Nepal border; Nepali women and girls are increasingly subjected to sex trafficking in Assam, and other cities such as Nagpur and Pune. Some corrupt law enforcement officers protect suspected traffickers and brothel owners from law enforcement efforts, take bribes from sex trafficking establishments and sexual services from victims, and tip off sex and labor traffickers to impede rescue efforts.

Some Indian migrants who willingly seek employment in construction, domestic service, and other low-skilled sectors in the Middle East and, to a lesser extent, other regions face forced labor, often following recruitment fraud and exorbitant recruitment fees charged by labor brokers. Some Bangladeshi migrants are subjected to forced labor in India through recruitment fraud and debt bondage. Some Nepali, Bangladeshi, and Afghan women and girls are subjected to both labor and sex trafficking in major Indian cities. Following the April 2015 Nepal earthquake, Nepali women who transit through India are increasingly subjected to trafficking in the Middle East and Africa. Some boys from Bihar are subjected to forced labor in embroidery factories in Nepal, while some boys from Nepal and Bangladesh are subjected to forced labor in coal mines in the state of Meghalaya, although reportedly on a smaller scale than in previous years. Burmese Rohingya, Sri Lankan Tamil, and other refugee populations continue to be vulnerable to forced labor in India.

The Government of India does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. For the first time, the National Crime Record Bureau's Crime in India report included data on trafficking investigations, prosecutions, and convictions. The data demonstrated vigorous efforts to combat human trafficking but reflected a relatively low number of law enforcement action for the scale of trafficking in India and a low conviction rate overall. Moreover, the scope of law enforcement action on forced labor and the range of sentences applied to convicted traffickers remained unclear because the data was not comprehensive. The Ministry of Home Affairs (MHA) revised its strategy guiding Anti-Human Trafficking Units (AHTUs), to ensure more effective identification and investigation of trafficking cases and coordination with other agencies to refer victims to rehabilitation services. Several state governments created or re-activated AHTUs, although the majority of districts remained without AHTUs. The government investigated and prosecuted some cases of official complicity, although comprehensive data was unavailable and official complicity remained widespread. The government continued to fund shelter and rehabilitation services for women and children throughout India and issued additional directives to states to find and rescue missing children, some of whom may have been trafficking victims. However, overall victim protection remained inadequate and inconsistent, and the government sometimes penalized victims through arrests for crimes committed as a result of being subjected to human trafficking. The government revised, but did not repeal, its policy restricting travel of some Indians identified as trafficking victims abroad by a foreign government and of their family members.

Terrorist Financing 2016:

Overview: Counterterrorism cooperation between India and the United States continued to increase in 2016, with both sides committing to deepen bilateral engagement against the full spectrum of terrorism threats. Indian leadership expressed resolve to redouble efforts, in cooperation with the United States and with other like-minded countries, to bring to justice the perpetrators of terrorism. India and the United States pledged to strengthen cooperation against terrorist threats from groups including al-Qa'ida (AQ), ISIS, Jaish-e-Mohammad (JeM), Lashkar e-Tayyiba (LeT), and D-Company, including through greater collaboration on designations at the UN.

Indian and U.S. leaders directed officials to identify new areas of collaboration through the July U.S.-India Counterterrorism Joint Working Group, applauded finalization of a bilateral arrangement to facilitate the sharing of terrorism screening information, and called upon Pakistan to bring the perpetrators of terrorist attacks against India to justice.

During 2016, U.S. and Indian officials exchanged terrorist threat information in intelligence and law enforcement channels. U.S. Department of Justice officials worked with Indian interlocutors – including at the National Investigation Agency (NIA) – to enhance capacity for addressing use of the internet for terrorist purposes and to assist Indian investigations in terrorism-related cases. U.S. and Indian officials continued to strengthen cooperation on domestic terrorist designations, including implementation of UN Security Council resolution (UNSCR) 1373 (2001), and on international designations, pursuant to the UN Security Council (UNSC) ISIL (Da'esh) and al-Qa'ida sanctions regime. The United States and India worked together to designate JeM leader Maulana Masood Azhar, although the listing was blocked in the UN 1267 Committee. The U.S. Department of Homeland Security continued to work with Indian counterparts to counter IED threats. The U.S. Department of the Treasury and India's Ministry of Finance continued to combat money laundering and terrorist financing.

While India has not joined the U.S.-led Global Coalition to Defeat ISIS, it has publicly recognized the serious threat ISIS poses to global security and affirmed efforts to degrade and defeat this threat in accordance with UNSCRs 2178 (2014) and 2199 (2015). Indian officials have stated that their government takes threats posed by ISIS seriously and Indian law enforcement agencies arrested at least 68 ISIS supporters in 2016. In some instances, clerics and family members supported government-led de-radicalization efforts. In October, the Ministry of Home Affairs appointed a Senior Advisor to Curb Online Radicalization.

Legislation, Law Enforcement, and Border Security: India made no major changes to its counterterrorism laws in 2016 and continued to address terrorism-related activities through existing statutes, including the Unlawful Activities Prevention Act (UAPA) (1967), the South Asian Association for Regional Cooperation Convention on Suppression of Terrorism Act (1993), and various state-level laws. The UAPA presumes the accused to be guilty if the prosecution can produce incriminating evidence indicating the possession of arms or explosives or the presence of fingerprints at a crime scene, regardless of whether criminal intent is demonstrated. State governments held persons without bail for extended periods before filing formal charges under the UAPA. Other state-level counterterrorism laws reduce evidentiary standards for certain charges and increase police powers to detain an accused and his or her associates without charges and without bail for extended periods, sometimes lasting several years.

During 2016, India undertook measures to address the terrorist threat, including through efforts to improve the exchange of terrorism screening information and through law enforcement cooperation in individual cases. In July, a Mumbai court sentenced Indian Mujahideen/LeT affiliate and accused 2008 Mumbai attack conspirator Zabiuddin Ansari (aka Abu Jundal) to life imprisonment for his involvement in a 2006 criminal case. In July, India and Bangladesh agreed on steps to improve procedures for extraditing suspects involved in terrorism and organized crime. In November, the Ministry of Home Affairs banned radical cleric Zakir Naik's Islamic Research Foundation as "an unlawful organization."

Since the 2008 Mumbai terrorist attack, India has sought to enhance its counterterrorism capabilities. Interagency coordination and information sharing remained a challenge, and local police forces continued to suffer from poor training and equipment. India has launched initiatives to address some of these challenges, including through a Multi-Agency Centre for enhancing intelligence gathering and sharing.

Indian officials participated in U.S.-sponsored law enforcement and security training at the central government and state levels to enhance India's capabilities in critical incident management, infrastructure security, community-oriented policing, crime scene investigations, explosive ordnance detection and countermeasures, forensics, cyber security, mega city policing, and other areas. Indian police and civilian security officials at both the state and federal levels received 12 capacity-building training courses under the Department of State's Antiterrorism Assistance program in technical areas related to counterterrorism and law enforcement. In addition, the Department of Homeland Security, through Immigration and Customs Enforcement, and the U.S. Federal Bureau of Investigation, conducted training programs and exchanges with Indian law enforcement personnel.

Countering the Financing of Terrorism: India is a member of the Financial Action Task Force (FATF) and two FATF-style regional bodies – (1) the Eurasian Group on Combating Money Laundering and Financing of Terrorism and (2) the Asia/Pacific Group on Money Laundering. India's Financial Intelligence Unit-India (FIU-IND) is a member of the Egmont Group of Financial Intelligence Units. The government regulates the money services business (MSB) sector, requiring the collection of data for wire transfers and the filing of suspicious transaction reports (STRs) by non-profit organizations. While the Indian government supervised, regulated, and monitored these entities to prevent misuse and terrorist financing, a large unregulated and unlicensed MSB sector remained vulnerable to exploitation by illicit actors.

In November, Prime Minister Modi announced the de-monetization of 500 and 1,000 rupee currency notes and asserted that one purpose of this initiative was to curb terrorist activity funded by counterfeit notes, black money, and stockpiled cash reserves. Although the Government of India aligned its domestic anti-money laundering/countering the financing of terrorism (AML/CFT) laws with international standards by enacting amendments to the Prevention of Money Laundering Act in 2012, and in 2016 initiated a National Risk Assessment for AML/CFT to assess the country's terrorist financing risk, it has yet to implement the legislation effectively, especially with regard to criminal convictions. Law enforcement agencies typically open criminal investigations reactively and seldom initiate proactive analysis and long-term investigations. While the Indian government has taken action against certain *hawala* financing activities, prosecutions have generally focused on non-financial businesses that conduct *hawala* transactions as a secondary activity. Additionally, the government has not taken adequate steps to ensure all relevant industries are complying with AML/CFT regulations. The reporting of terrorism-related STRs has shown an increasing trend in recent years, with FIU-IND receiving 112,527 STRs between July 2015 and May 2016. The degree of training and expertise in financial investigations involving transnational crime or terrorism-affiliated groups varied widely among the federal, state, and local levels and depended on the financial resources and individual policies of various jurisdictions. U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with Indian counterparts. While, in the past, intelligence and investigative information supplied by U.S. law enforcement authorities led to numerous seizures of terrorism-related funds, a lack of follow-through on investigative leads has prevented a more comprehensive approach. India continues to comply with international sanctions pursuant to the UNSC ISIL (Da'esh) and al-Qa'ida sanctions regime.

International Sanctions

India is not currently subject to any International Sanctions however the UK government has had a stated policy on exports to nuclear and nuclear-related end users in India and Pakistan since March 2002.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	40
World Governance Indicator – Control of Corruption	47

Companies operating or planning to invest in India face high corruption risks. Despite that the government has stepped up its efforts to counter corruption, red tape and bribery continue to be widespread. Corruption is especially prevalent in the judiciary, police, public services and public procurement sectors. Due to varying levels of corruption and quality of government operations across India, local investment conditions vary between and within states. The Prevention of Corruption Act is the principal legal framework that focuses on corruption in the public sector. Both active and passive bribery are covered by legislation, and public officials are only allowed to accept gifts of nominal value. Private sector corruption is addressed by the Companies Act. Due to low levels of enforcement and monitoring, integrity in all state bodies is lacking, and corrupt practices such as facilitation payments and bribes persist. **Information provided by GAN Integrity.**

US State Department

While India's struggle against corruption has had a distinct influence on Parliament, media, and public debate over the last year, little concrete action, apart from the Parliament's passage of the Lokpal (Citizen's Ombudsman) bill, has been undertaken to curb the problem. Anti-corruption activist Arvind Kejriwal launched a series of corruption allegations against some of India's richest and most high-profile individuals, including a senior cabinet minister, family members of the ruling Congress party's leader, and the president of the leading opposition party. Kejriwal successfully launched the Aam Aadmi Party(AAP), whose key plank is anti-corruption. AAP made its spectacular debut during the December 2013 Delhi state assembly elections, receiving the second highest seat share and subsequently forming a short-lived (49 days) Delhi State government with Kejriwal as Chief Minister. U.S. firms continue to point toward corruption as the single greatest disincentive to doing business in India. In private conversations, foreign firms note the lack of transparency in rules of governance, extremely cumbersome official procedures, and excessive and unregulated discretionary powers afforded to politicians and lower-level bureaucrats as major obstacles to investing in India.

India is ranked 94 out of 177 countries surveyed in Transparency International's 2013 Corruption Perception Index, similar to the previous year's rank of 94 of 183. The legal framework for fighting corruption is addressed by the following laws: the Prevention of Corruption Act, 1988; the Code of Criminal Procedures, 1973; the Companies Act, 1956; the Indian Contract Act, 1872; the Prevention of Money Laundering Act, 2002; and the Companies Act, 2013. Anti-corruption laws amended since 2004 have granted additional powers to vigilance departments in government ministries at the central and state levels. The amendments elevated India's Central Vigilance Commission (CVC) to a statutory body. On December 18, 2013, Parliament enacted the Lokpal bill, which will create a national anti-corruption ombudsman that also requires states to create state-level ombudsmen within one year of the law's passage.

Although India is not a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, in May 2011, the government ratified the United Nations Convention against Corruption. Also in 2011, Prime Minister Manmohan Singh set an ambitious legislative agenda to curb corruption, including bills to protect whistleblowers, eliminate graft in government procurement, punish bribery of foreign public officials, address grievances against poor and corrupt delivery of government services, and amend the Prevention of Money Laundering Act to expand definitions of money laundering. Most of these bills stalled in Parliament. While many NGOs and citizens' groups had hoped that the Companies Act, 2013 would contain provisions akin to the U.S. Foreign Corrupt Practices Act, there remains no particular legislation applicable to corrupt corporate practices overseas.

The national Right to Information Act, 2005, and equivalent state acts function similarly to the U.S. Freedom of Information Act, requiring government officials to furnish information requested by citizens or face punitive action. Increased computerization of services, coupled with central and state government efforts to establish vigilance commissions, is in many areas opening up new avenues to seek redress of grievances.

Report from Global Advice Network

Political Climate

India has opened its economy after years of virtual closure and is enjoying a relatively stable political climate and strong economic growth. Significant governance challenges remain, however, as India continues to struggle with substantial social, political, economic, and environmental problems aggravated by corruption as well as communal, caste and regional tensions. India's political system is characterised by deep-rooted patronage systems and by a bureaucracy with an interest in maintaining discretionary policies, as assessed by the Bertelsmann Foundation 2012. Corruption is reportedly spreading to all sectors of Indian society and is entrenched at every level of public administration. A recent survey cited in a March 2012 BBC News article states that corruption in India has already cost USD billions and threatens to derail the country's growth.

While there is no shortage of anti-corruption bodies and legislation, both Global Integrity 2011 and the Bertelsmann Foundation 2012 note that government initiatives to curb corruption at the institutional level face an enormous implementation gap when it comes to their practical effects. Equally, there is a basic lack of respect from political leaders towards legal efforts to end malpractices where politicians in general are some of the most visible perpetrators. According to the Legatum Institute's Prosperity in Depth: India 2012, official corruption is the curse of Indian society and pervades all levels of the government. In recent years, corruption scandals in India have come into the international spotlight. One of the most notorious is the

2G telecoms scandal in 2008, which may have cost the government almost USD 40 billion in lost revenues (See 'Licences, Infrastructure and Public Utilities' in the Corruption Levels section for more information on this). In October 2010, two senior officials were arrested in connection with a corruption scandal linked to the Commonwealth Games. According to a January 2011 article by AFP, up to USD 1.8 billion of the money earmarked for the Games was reportedly misappropriated. Transparency International's Global Corruption Report 2008 states that political corruption is not confined to monetary transactions, but extends to making promises to secure votes, helping colleagues by awarding them with positions of authority, and manipulating the law to help interested parties. Prime Minister Manmohan Singh declared the fight against corruption to be a priority during his first term as prime minister; however, a series of corruption scandals have shown that his anti-corruption efforts have not resulted in systemic changes. Politicians and civil servants are known for accepting bribes or engaging in other corrupt behaviour, but investigations are rare and few have been convicted of corruption. In April 2011, social activist Anna Hazare began his hunger strike demanding a stronger Lokpal Bill (Ombudsman Bill). The strike caused thousands of supporters to join Hazare and sparked protests across the country. After months of protests as well as debates on the content of the bill, the government finally agreed to the three key conditions set by Hazare, which were the creation of a Citizen's Charter, inclusion of lower bureaucracy under the Lokpal through an appropriate mechanism and the creation of Lokayuktas (Ombudsmen at state level). In December 2011, the bill was finally passed in the Lower House of the Parliament; but the office of the Ombudsman will not be given constitutional status since the government failed to get a two-third majority of MPs present, which is needed to make the bill a constitutional amendment, according to a December 2011 BBC News. In May 2012, the bill was re-introduced in the Upper House. At the time of this writing, it remains unknown when the bill will get approved by the Upper House and passed into law.

On a positive note, the Right to Information Act 2005 has reportedly improved bureaucratic transparency by giving citizens better access to public records. The Supreme Court has also been asserting itself as an upholder of the constitution and has taken significant steps in the fight against corruption, such as challenging a legislative immunity provision and demonstrating its independence by ordering retrials or reviews of previously closed cases deemed to have been politically influenced and biased. However, despite such positive steps, bribery thrives among high-level politicians and bureaucrats, and the majority of citizens agree that the use of bribes cannot be avoided when one interacts with the public administration. According to the BRIBEline 2009, approximately one-third of reported demands for bribes from citizens between 2007 and 2008 were from national-level government officials. This is confirmed by Transparency International's Global Corruption Barometer 2010, according to which, political parties and the Parliament continue to be perceived among the most corrupt entities in India. Moreover, the public perception regarding the government's fight against corruption is quite revealing, with 44% of the respondents considering it to be ineffective and only 25% to be effective.

Business and Corruption

For years, India has enjoyed a strong economic growth rate and a relatively strong financial position with the global financial crisis making it a preferred destination for foreign investment. According to the US Department of State 2012, the country remains among the world's most attractive locations for foreign direct investment. Nevertheless, local investment conditions may vary from state to state and, in some cases, within a state, due to varying levels of corruption and quality of government operations. Recent changes in FDI policy have tended towards greater liberalisation, while industrial policy reforms have substantially reduced industrial licensing requirements.

According to a press release by Value Notes, in January 2011, JPMorgan Asset Management India announced its findings of the Investment Confidence Index (ICI) in India. According to the report, corruption has now emerged as the new confidence killer among retail investors, corporate investors and financial advisors, ranking as the second most negative economic indicator after inflation.

Raghuram Rajan, former director of research at the IMF and current chief economic advisor to the government, contends that India has all the right components to return to a high-growth trajectory—a very strong entrepreneurial class, a reasonably well educated middle-class, and a number of world-class corporations. These are competitive advantages that none of its BRIC (Brazil, Russia, India, China) competitors have. Yet according to the Legatum Institute's Prosperity in Depth: India 2012 report, India's sovereign debt is the worst among the BRIC, because the unpredictability of it policymakers and the low quality of its governing institutions that, along with unrestrained corruption, have seriously undermined business confidence.

Several international surveys have shed light on a worrying level of corruption within the Indian business environment. For example, according to KPMG India Fraud Survey Report 2010, 75% of corporate respondents state that corporate fraud is increasing in India, while 81% of respondents perceive financial statement fraud as a major problem. The same survey also indicates that 38% of respondents perceive that bribery is an integral feature of industry practices, and 37% state that most bribes are paid to obtain routine administrative approvals from the Government. In November 2012, Wal-Mart suspended its chief financial officer legal team after allegations that Indian government officials were bribed to obtain various licences and approvals. For more on the investigation, see this profile's Licences, Infrastructure and Public Utilities section. In March 2011, KPMG released another survey on bribery and corruption in India, where responding business executives point out real estate and construction as the most corrupt sector in India, followed by the telecom sector. The survey also shows that 68% of respondents agree that in many instances corruption stems from the private sector. All respondents in the survey agree that corruption distorts the playing field and tends to attract companies with lesser capability to execute projects, while 99% of respondents agree that corruption creates inefficiency and hence increases costs. Findings from Legatum Institute's Survey of Entrepreneurs 2011 show that 55% of the surveyed entrepreneurs have been pressured to pay a bribe while 9% prefer not to answer. Moreover, 65% cite corruption as a serious problem for business and 80% believe that corruption has become worse compared to previous years. Furthermore, business executives surveyed by the World Economic Forum Global Competitiveness Report 2012-2013 confirm that corruption is a continuing obstacle to private sector development, ranking as the second most problematic factor for doing business in India, after inadequate supply of infrastructure. This perception is also highlighted by the US Department of State 2012, according to which, foreign companies report that corruption is among the obstacles to foreign direct investment, while local businessmen state that red tape and wide-ranging administrative discretion serve as a pretext to extort money. India ranks 19th out of 28 economies in the Transparency International Bribe Payers Index 2011, indicating that the perceived likelihood of Indian companies engaged in bribery abroad is relatively high.

Companies experience corruption in every sector of the Indian economy, but studies show that the experience and perception differs depending on where they operate. India has a decentralised federal government system where regulatory requirements and corruption vary widely from area to area (see this profile's special page on regional differences in corruption and the regulatory environment). According to Transparency International's Global Corruption Barometer 2010, a majority of the surveyed households perceive the business and private sectors as corrupt. The government tried to bring these malpractices to an end by making it compulsory for all companies to have their books and accounts audited annually and for external auditors to report fraud committed by the companies they audit. Notwithstanding government efforts, a huge scandal in late 2008 involving India's fourth largest IT company, Satyam Computers, highlighted serious flaws in this system, which allowed the company to 'cook the books' for USD 1.5 billion, as reported by a 2009 news article by IPS. In addition, Transparency International's Global Corruption Report 2009 states that there have been cases of stock market fraud by brokers in collusion with corporations that aim to cheat investors and circumvent regulations. The Harshad Mehta securities fraud and the Ketan Mehta scam are two well-known scams in this regard. In both instances, brokers pushed up the prices of selected shares through artificial trade to attract retail investors and then suddenly withdrew from the trade, causing huge losses for the investors. In order to mitigate the risks of corruption when operating in India, companies are recommended to develop, implement and strengthen integrity systems and conduct extensive due diligence.

Regulatory Environment

India's regulatory environment has been significantly simplified in most sectors and, according to the Bertelsmann Foundation 2012, its investment regime is now among the most liberal in Asia. However, efforts to further liberalise the economy have reportedly been limited by the pressures of coalition politics. The Legatum Institute's Prosperity in Depth: India 2012 report cites India's bureaucracy as the least effective in Asia. The United Progressive Alliance (UPA) government has struggled to implement some of its economic policies because of tensions among its distinct coalition partners on issues such as the privatisation of public sector assets and labour law reform. Privatisation has significantly slowed since the current government took office in 2004 (see the Ministry of Finance Department of Disinvestment for more information on privatisation tenders). The Bertelsmann Foundation 2010 reports that coalition politics have led to a weakened federal control of states, and several sources indicate that the resulting variance in regional regulatory environments corresponds with varying levels and types of corruption. For more information concerning these regional variations, see this profile's special page on regional differences in corruption and the regulatory environment. According to the World Economic Forum Global Competitiveness Report 2012-2013, the regulatory burden imposed on companies operating in India remains cumbersome, costly and time-consuming. However, major reforms have improved the regulatory environment, such as the computerisation of certain business-relevant administrative procedures. The National Portal includes useful tools for companies seeking information on market entry and necessary licences and permits. Companies should also consult the website of the Investment and Trade Promotion Division of the Ministry of External Affairs for useful information and contacts for foreign investors.

Private local and foreign companies are allowed in nearly every sector of the economy. There are no requirements to employ Indian nationals and restrictions on employing foreign technicians and managers have been removed. However, the economy is still constrained by complex rules and a bureaucracy with broad discretionary powers. According to the Legatum Institute's 2012 report, India does not in essence have the rule of law—it has the rule of babus (the local term for petty officials) as its 'Byzantine legal code and irrational regulations' allow them a great deal of discretion to harass citizens and shake down businesses. Business clearance by the authorities is therefore time-consuming and costly. In a similar vein, a report published by the Political & Economic Risk Consultancy Ltd, cited in a January 2011 The Wall Street Journal article, concluded that India has the worst bureaucracy among 12 Asian countries covered in the report. According to World Bank & IFC's Doing Business 2013, setting up a company in India is more time-consuming and costly compared to the regional average. It requires an entrepreneur to go through an average of 12 administrative steps and 29 days at a cost of 46.8% of GNI per capita.

According to the Bertelsmann Foundation 2012, property rights are adequately defined, although the acquisition of new land for use by companies is reportedly very difficult, costly and heavily contested politically. Companies should also note that dispute settlement in India is time-consuming due to the massively backlogged and understaffed courts. India is ranked 184th out of 185 countries by Doing Business 2013, with respect to the ease and cost of enforcing contracts. Moreover, foreign investors often complain about a lack of sanctity of contracts, as reported by the US Department of State 2012. Business executives surveyed in the World Economic Forum Global Competitiveness Report 2012-2013 report that the judiciary is not fully independent from political influences of members of government, citizens or companies. In an attempt to speed up the settlement of commercial disputes, the Government of India has set up the International Centre for Alternative Dispute Resolution (ICADR) as an autonomous organisation under the Ministry of Law and Justice and Company Affairs. In an effort to unify its adjudication of disputes over commercial contracts with the rest of the world, India enacted the Arbitration and Conciliation Act of 1996, based on the United Nations Commission on International Trade Law (UNCITRAL). India is the only country in the South Asian region that is not a member of the International Centre for the Settlement of Investment Disputes (ICSID), but is a member of the New York Convention of 1958. Companies are recommended to include provisions for international arbitration in their contracts. Access the Lexadin World Law Guide for a collection of legislation in India.

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Section 3 - Economy

India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services. Slightly less than half of the work force is in agriculture, but services are the major source of economic growth, accounting for nearly two-thirds of India's output but employing less than one-third of its labour force. India has capitalized on its large educated English-speaking population to become a major exporter of information technology services, business outsourcing services, and software workers.

India is developing into an open-market economy, yet traces of its past autarkic policies remain. Economic liberalization measures, including industrial deregulation, privatization of state-owned enterprises, and reduced controls on foreign trade and investment, began in the early 1990s and served to accelerate the country's growth, which averaged under 7% per year from 1997 to 2011. India's economic growth began slowing in 2011 because of a decline in investment caused by high interest rates, rising inflation, and investor pessimism about the government's commitment to further economic reforms and about slow world growth. Rising macroeconomic imbalances in India and improving economic conditions in Western countries led investors to shift capital away from India, prompting a sharp depreciation of the rupee.

Growth rebounded in 2014 and 2015, with both years exceeding 7%. Investors' perceptions of India improved in early 2014, due to a reduction of the current account deficit and expectations of post-election economic reform, resulting in a surge of inbound capital flows and stabilization of the rupee. Since the election, economic reforms have focused on administrative and governance changes largely because the ruling party remains a minority in India's upper house of Parliament, which must approve most bills. Despite a high growth rate compared to the rest of the world, in 2015, India's government-owned banks faced mounting bad debt, resulting in low credit growth and restrained economic growth.

The outlook for India's long-term growth is moderately positive due to a young population and corresponding low dependency ratio, healthy savings and investment rates, and increasing integration into the global economy. However, India's discrimination against women and girls, an inefficient power generation and distribution system, ineffective enforcement of intellectual property rights, decades-long civil litigation dockets, inadequate transport and agricultural infrastructure, limited non-agricultural employment opportunities, high spending and poorly targeted subsidies, inadequate availability of quality basic and higher education, and accommodating rural-to-urban migration are significant long-term challenges.

Agriculture - products:

rice, wheat, oilseed, cotton, jute, tea, sugarcane, lentils, onions, potatoes; dairy products, sheep, goats, poultry; fish

Industries:

textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, software, pharmaceuticals

Exports - commodities:

petroleum products, precious stones, vehicles, machinery, iron and steel, chemicals, pharmaceutical products, cereals, apparel

Exports - partners:

US 15.2%, UAE 11.4%, Hong Kong 4.6% (2015)

Imports - commodities:

crude oil, precious stones, machinery, chemicals, fertilizer, plastics, iron and steel

Imports - partners:

China 15.5%, UAE 5.5%, Saudi Arabia 5.4%, Switzerland 5.3%, US 5.2% (2015)

Banking

India has an extensive banking network, in both urban and rural areas. The banking system has three tiers. These are: the scheduled commercial banks; the regional rural banks, which operate in rural areas, not covered by the scheduled banks; and the cooperative and special purpose rural banks. Timely availability of adequate credit is of utmost importance for the development of the Indian rural economy and agriculture. At present Regional Rural Banks, commercial banks and credit cooperatives, encouraged mainly by the Government, undertake this function. The Government of India, during the recent budget, announced that it would encourage private banks to open branches in rural areas, to service both farm and non-farm sectors.

There are approximately 80 scheduled commercial banks, Indian and foreign; almost 200 regional rural banks; more than 350 central cooperative banks, 20 land development banks; and a number of primary agricultural credit societies. Large Indian banks, and most Indian financial institutions are in the public sector. Though public sector banks (27 of them) currently dominate the banking industry, numerous private and foreign banks exist. Several public sector banks are being restructured, and in some cases the government either has already reduced, or is in the process of reducing its ownership. In terms of business, the state-owned banks account for more than 70 percent of deposits and loans. Private banks handle 17 percent of the market, and foreign banks located in metropolitan area account for approximately 13 percent of the market.

The Reserve Bank of India (RBI) is the central banking institution. It is the sole authority for issuing bank notes and the supervisory body for banking operations in India. It supervises and administers exchange control and banking regulations, and administers the government's monetary policy. It is also responsible for granting licenses for new bank branches. The Deposit Insurance and Credit Guarantee Corporation, an organization promoted and fully funded by the RBI, offers deposit insurance facilities. The RBI directs banks to meet Bureau of Indian Standards guidelines. Indian banks must also adhere to the prudential norms laid down by the Basel Group.

The Reserve Bank of India (RBI) also sets India’s exchange-control policy and administers foreign exchange regulations in consultation with the GOI. India's foreign exchange control regime is governed by the FEMA (Foreign Exchange Management Act), enacted with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India, and to give effect to the liberalization announced in the economic policies.

Stock Exchange

The Indian capital market has grown rapidly in recent years, with market capitalization on the Bombay Stock Exchange hitting new highs before the 2008 financial crisis battered stock markets around the world. Spot prices for index stocks are usually market-driven and settlement mechanisms are close to international standards. India's debt and currency markets lag behind its equity markets. Although private placements of corporate debt have been increasing, the daily trading volume remains low. The Indian stock markets lack broad liquidity, although high transaction costs and systemic risk have come down with recent regulatory and administrative improvements. Institutional improvements and better regulations have helped to reduce episodes of market manipulation, which had caused a lack of confidence by retail investors who invested primarily in public sector debt instruments and debt-oriented mutual funds. SEBI has initiated further policy changes such as allowing all investors to short sell, introducing borrowing and lending of shares, and introducing Real Estate Investment Trusts that would be listed in the market. These measures add depth and breadth to the market making it more liquid than before.

The Indian financial markets can be broadly categorised into the money market, the foreign exchange market, the government securities market, the equity market, the corporate bond market and the credit market. While foreign exchange, government securities, equity and money markets along with their corresponding derivatives segments have developed into reasonably deep and liquid markets, credit derivatives markets are yet to take off in any significant manner.

The securities sector in India comprises various Intermediaries as registered under section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act).

In India , Securitiesǁ include shares, stocks, debentures, bonds, Pass-Through Certificates (PTCs), and government securities and mutual fund units. India has adopted the ―depository systemǁ, in which depositories function as the central accounting and record-keeping office in respect of the securities admitted by issuer companies. Companies which issue any kind of securities are known as 'Issuer' in the depository system. Both listed and unlisted securities can be admitted into the depository system. Only these securities admitted into the depository system are available for dematerialisation to the holders of such securities or can be allotted in electronic record form by the issuers. A depository is thus a "service centre" for the investor and the depositories system is based on centralised database architecture with on-line connectivity for depository participants.

Although there are 19 exchanges across the country, only two of these have any significant volume of activity. There are two stock exchanges that account for nearly all the transactions in the equity and derivative segments, the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

Both exchanges are using computer based anonymous trading platforms for over a decade. The stock exchanges have powers to ensure that their members adhere to prescribed regulations and instructions. The use of cash for payments has been removed and all payments now take place either through cheques or through electronic payments. Apart from investments by natural and legal persons based in the country, money from abroad enters the capital markets through the vehicle of Foreign Institutional Investors (FII) that are registered by SEBI prior to their entry.

Section 4 - Investment Climate

Executive Summary

In May 2014, the Narendra Modi-led Bharatiya Janata Party (BJP) won the world's largest democratic election, defeating a Congress Party-led coalition that been in power for the past decade. At the time, the 2014 election marked a turning point in investor sentiment, as a fractured minority government, seemingly unable to advance essential economic reforms, was displaced in favor of a government that had won on a platform of economic growth. Additionally, the monetary stewardship of Raghuram Rajan, the respected Governor General of the Reserve Bank of India, further boosted investor sentiment.

The Modi government has prioritized economic growth to fulfill its electoral promises and to address the Indian electorate's high expectations. Initially, the government focused on streamlining bureaucratic decision making and raising FDI limits in certain sectors—including defense and railway infrastructure. Modi also called for foreign and domestic companies to support his signature initiative, "Make in India"—a branded campaign to attract international capital to the country's struggling manufacturing sector. He also set a goal for India to rise rapidly in the World Bank's Ease of Doing Business rankings. The government has continued to relax FDI restrictions in a wide variety of sectors as part of the government's efforts to further open the economy. Most recently, the government approved up to 100 percent foreign investment in civil aviation, defense, certain sectors of e-commerce, and the pharmaceutical sector. Additionally, the government eased requirements for some retailers to source "state-of-art" technology in India could be particularly beneficial to high-tech companies such as Apple, although underlying supply chain constraints remain.

However, the government has been slow to propose other economic reforms that would match its rhetoric, and many of the reforms it did propose have struggled to pass through Parliament. This has resulted in many investors retreating slightly from their once forward-leaning support of the BJP-led government. For example, the government failed to muster sufficient political support on a land acquisition bill in Parliament—all but ending its chance of passage in the near term—and is still negotiating with opposition parties the details of a Goods and Services Tax Bill, which if not watered down in negotiations, could streamline India's convoluted tax structure and provide an immediate boost to GDP.

Ostensibly, India is one of the fastest growing countries in the world, but this depressed investor sentiment suggests the approximately 7.5% growth rate may be overstated. There are few quick fixes to the structural impediments, poor regulatory environment, tax and policy uncertainty, infrastructure bottlenecks, localization requirements, restrictions in many services sectors, and massive shortages of electricity that hinder India's economic growth potential. Recognizing that the gains from a massive, positive terms-of-trade shock due to lower oil prices that India has benefitted from may not be repeated in the current global economic environment, the Finance Ministry has slightly reduced the official growth outlook for next year.

India's political system is highly decentralized. Investors must be prepared to face varied political and economic conditions across India's twenty-nine states and seven union territories, including differences in the quality of governance, regulation, taxation, labor relations, and education levels. Although India prides itself on its rule of law, the country ranks

178 out of 189 in the World Bank's Ease of Doing Business Report in the category of Enforcing Contracts. Its courts have cases backlogged for years, and by some accounts more than 30 million cases could be pending at various levels of the judiciary.

Despite the challenges, the opportunities are immense for foreign companies operating in India, although many highlight that success requires a long-term planning horizon and a state-by-state strategy to adapt to the complexity and diversity of India's markets. India's infrastructure needs are estimated at $1.5 - $2 trillion over the next 5-7 years, offering excellent opportunities for U.S. companies to participate in India's development, provided appropriate mechanisms for financing are developed. For example, in June 2015, PM Modi launched a program to build 100 Smart Cities. Indian conglomerates and high technology companies are generally equal in sophistication and capability to their international counterparts, while certain industrial sectors, such as information technology, telecommunications, and engineering are globally recognized for their innovation and competitiveness.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	76 of 168	http://www.transparency.org/cpi2015
World Bank's Doing Business Report "Ease of Doing Business"	2015	130 of 189	http//doingbusiness.org/rankings
Global Innovation Index	2015	81 of 141	https://www.globalinnovationindex.org/content/page/gii-full-report-2015/
U.S. FDI in partner country ($M USD, stock positions)	2014	$28 billion	http://www.bea.gov/international/factsheet/factsheet.cfm
World Bank GNI per capita	2014	$5630	data.worldbank.org/indicator/NY.GNP.PCAP.CD data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) or $4,125 or less (2015). A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the

MCC's indicators are available here: https://www.mcc.gov/resources/doc/guide-to-the-indicators-fy-2016.

Measure	Year	Index/Ranking
MCC Gov't Effectiveness	2016	96%
MCC Rule of Law	2016	96%
MCC Control of Corruption	2016	40%
MCC Fiscal Policy	2016	8%
MCC Trade Policy	2016	60%
MCC Regulatory Quality	2016	77%
MCC Land Rights Access	2016	64%
MCC Natural Resource Mgmt	2016	29%

Source: https://assets.mcc.gov/documents/score-fy16-english-in-india.pdf

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Since coming to power, the BJP-led government took a number of steps to ease FDI restrictions in sectors including insurance, defense, railways, construction, civil aviation, certain sectors of e-commerce, pharmaceuticals, and medical devices. While the government appears generally friendly to FDI, many sectors of the economy retain equity limits for foreign capital, which has proven to be a deterrent to investment. The long-awaited Insurance Act, which raises caps on FDI from 26% to 49%, also mandates that insurance companies retain "Indian management and control." Many sectors also require multi-step processes for central and state government approval. While India has progressively opened up to FDI, the overall attitude remains mixed. Outside of pensions, insurance, and defense, the government is empowered to raise FDI limits up to 100% without Parliamentary approval, yet in sectors such as multi-brand retail, the government has taken an anti-FDI stance. While considered pro-business, much of the BJP party's constituency is comprised of shop-owners and other small business owners who could potentially suffer losses under a liberalized multi-brand retail regime.

Other Investment Policy Reviews

2014 OECD review: http://www.oecd.org/eco/surveys/economic-survey-india.htm

2015 WTO Trade Policy Review: http://www.wto.org/english/tratop_e/tpr_e/tp349_e.htm

2015-2020 Government of India Foreign Trade Policy: http://dgft.gov.in/exim/2000/ftp2015-20E.pdf

2015 Government of India FDI policy circular:
http://dipp.nic.in/English/Policies/FDI_Circular_2015.pdf

Laws/Regulations on Foreign Direct Investment

There are two channels for foreign investment entering India: the automatic route and the government route. Investments entering via the automatic route are not required to seek overall approval from the central government. The investor is expected to notify India's Central Bank- the Reserve Bank of India (RBI) - of its investment using the Foreign Collaboration - General Permission Route (FC-GPR) form within 30 days of inward receipts and issuance of shares: https://www.rbi.org.in/scripts/FAQView.aspx?Id=26. The title "automatic route" is a misnomer since investments in most sectors require some amount of interaction with the government at both the state and national levels.

Investments that take the government route are subject to authorization from the principal ministry involved and potentially the Foreign Investment Promotion Board (FIPB - http://fipb.gov.in/). The rules regulating government approval for investments vary from industry to industry, and the approving government entity varies depending on the applicant and the product. For example, the Ministry of Commerce and Industry's (MOCI) Department of Industrial Policy and Promotion (DIPP) oversees single-brand product retailing investment proposals, as well as proposals made by Non-Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs). An NRI is an Indian citizen who has resided overseas for six months or more for any purpose. An OCB is a company, partnership, firm, or other corporate entity that is at least 60% owned, directly or indirectly, by NRIs, including overseas trusts. MOCI's Department of Commerce approves investment proposals from export-oriented units (i.e., industrial companies that intend to export their entire production of goods and services). The FIBP, led by the Ministry of Finance (MOF) and MOCI, approves most other investment applications.

Business Registration

Businesses can be registered online through the Ministry of Corporate Affairs website - http://www.mca.gov.in/MCA21/RegisterNewComp.html. After the registration, all new investments require a number of industrial approvals and clearances from different authorities such as the Pollution Control Board, Chief Inspector of Factories, Electricity Board, and Municipal Corporation (locally elected entities). To fast track the approval process for investments greater than USD 200 million, the previous government established a Cabinet Committee on Investment (CCI) in December 2012, chaired by the Prime Minister. The CCI approved over 100 projects worth more than USD 60 billion, but foreign investors and many economists complained that these projects nonetheless stalled in central and state-level bureaucracies. In December 2014, the new government approved the formation of an Inter-Ministerial Committee led by the DIPP to fast track investment proposals from the United States. Business Chamber and sources within the government have reported that the Inter-Ministerial Committee has been meeting informally and on an ad-hoc basis as they receive reports from business chambers and affected companies of stalled projects.

The Department of Industrial Policy and Promotion (DIPP) under the Ministry of Commerce and Industry is the investment promotion agency that helps facilitate foreign investments. The DIPP caters to all investors, including foreign investors.

Industrial Promotion

Banking: Aggregate foreign investment from all sources in all private banks is capped at 74%. For state-owned banks, the foreign ownership limit is 20%. According to the 2011 road map for foreign bank entry, there are three distinct methods for entering the Indian banking sector. First, one may establish a branch in India. The second method is to establish a wholly-owned subsidiary (foreign banks can have either branches or subsidiaries). The third is to establish a subsidiary with total foreign investment of up to 74%. Foreign investors are legally permitted to acquire an ailing bank, though to date, the RBI has not authorized this type of transaction. Foreign institutional investment (FII) is limited to 10% of the total paid-up capital and 5% in cases where the investment is from a foreign bank/bank group. In December 2012, Parliament passed the Banking Regulation (Amendment) Act. The Act increased the cap on voting rights for investors from 10 to 26% in private sector banks, and from one to 10% for public sector banks (PSBs), to make voting rights commensurate with economic ownership. The government recently signaled its intent to divest PSBs, i.e. to partially privatize PSBs to help in their re-capitalization efforts, particularly in light of new Basel 3 capitalization requirements. For the time being, however, divestment plans remain at the discussion stage.

Non-Banking Financial Companies (NBFC): 100% FDI is allowed via the automatic route. NBFCs can participate in the following activities: merchant banking, underwriting, portfolio management, financial consulting, stock-broking, asset management, venture capital, credit rating, housing finance, leasing and finance, credit card businesses, foreign exchange brokerages, money changing, factoring and custodial services, investment advisory services, and micro and rural credit. All investments are subject to the following minimum capitalization norms: USD 500,000 upfront for investments with up to 51% foreign ownership; USD 5 million upfront for investments with 51% to 74.9% ownership; USD 50 million total, with USD 7.5 million required up-front and the remaining balance within 24 months for investments with greater than 75% ownership. Wholly foreign-owned NBFCs with a minimum capitalization of USD 50 million are allowed to set up unlimited numbers of subsidiaries for specific NBFC activities, and are not required to enlist additional capital. RBI regulates and supervises the NBFCs.

Manufacturing: 100% FDI is allowed in most categories of manufacturing; however, the government maintains set-asides for micro and small enterprises (MSEs), defined as companies with less than USD 1 million in plant and machinery assets. Any investment in manufacturing that qualifies as MSE must enter via the government route for FDI greater than 24%. Since 1997, the government has steadily decreased the number of sectors it protects under the national small-scale industry (SSI) policy. At its peak in the late 1990s, more than 800 categories were protected. The most current list is publicly available at http://www.dcmsme.gov.in/publications/reserveditems/reserved2010.pdf. The 2011 National Manufacturing Policy (NMP) provides the framework for India's local manufacturing requirements in the Information and Communications Technology (ICT) and clean energy sectors. http://commerce.nic.in/whatsnew/National_Manfacruring_Policy2011.pdf.

Limits on Foreign Control and Right to Private Ownership and Establishment

Limits on foreign ownership and control vary by sector and industry. Embassy New Delhi can provide on request a detailed table on FDI limits by sector.

Privatization Program

The Government of India has not generally privatized its assets to the extent of allowing changes in management. Instead, the government has adopted a gradual disinvestment policy that dilutes government stakes in public enterprises without sacrificing control. Such disinvestment has been undertaken both as fiscal support and as a means of improving public sector undertaking (PSU) efficiency. Despite the financial upside to disinvestment in loss-making PSUs, the government has generally shied away from these efforts, as they have led to job losses and therefore engender political risks.

In recent years, the government has begun to look to disinvestment proceeds as a major source of revenue to finance its fiscal deficit. The government has budgeted $8.5 billion in disinvestment for its fiscal year that runs April 2016-March 2017, but has also missed its disinvestment targets each of the past four years. Foreign institutional investors (FIIs) can participate in these disinvestment programs subject to the limits set-24% of the paid up capital of the Indian company and 10% for NRIs/PIOs. The limit is 20% of the paid up capital in the case of public sector banks. There is no bidding process. The shares of the PSUs being disinvested are sold in the open market.

Screening of FDI

Foreign Direct Investment (FDI) screening is undertaken by the Foreign Investment Promotion Board (FIPB), a Government of India entity that purportedly provides single window clearance for FDI proposals. The FIPB board consists of a chairman—normally Secretary in the MOF Department of Economic Affairs—and members from the MOCI Department of Industrial Policy & Promotion, the MOCI Department of Commerce, and the Ministry of External Affairs' Economic Relations Division. The Board is empowered to co-opt Secretary-level government functionaries and other top officials of financial institutions, banks, and professional experts, as required. The Minister of Finance approves FIPB decisions on investments up to USD 750 million (INR5000 crores), while larger investments require approval from the Cabinet Committee on Economic Affairs (CCEA).

Competition Law

The Competition Commission of India (CCI) is a statutory body responsible for enforcing the Competition Act of 2002. The CCI, first established in 2003, began functioning in May 2009. The Act is in consonance with international standards, prohibiting anti-competitive agreements and abuse of dominant position by enterprises. The Act regulates combinations (acquisition, acquiring of control, and mergers and acquisition) that cause or are likely to cause an appreciable adverse effect on competition. The CCI has also taken on the charge of protecting consumer interests, and it has come out with a number of orders that creatively interpret definitions of dominant position and cartel formation to protect consumer interests. In 2014, the CCI imposed a USD 400 million penalty on 14 auto companies that had been found guilty of indulging in anti-competitive practices in the sale spare parts.

2. Conversion and Transfer Policies

Foreign Exchange

The Indian rupee (INR) extended its losses from 2014 by falling about 4.75% against the dollar in 2015. According to market experts, factors such as U.S. Federal Reserve rate hike worries, the Chinese yuan devaluation in August, and foreign funds outflows dampened sentiment towards the currency, resulted in a two-year low.

The RBI, under the Liberalized Remittance Scheme, allows individuals to remit up to USD 250,000 per fiscal year (April-March) out of the country for permitted current account transactions (private visit, gift/donation, going abroad on employment, emigration, maintenance of close relatives abroad, business trip, medical treatment abroad, studies abroad) and certain capital account transactions (opening of foreign currency account abroad with a bank, purchase of property abroad, making investments abroad, setting up Wholly Owned Subsidiaries and Joint Ventures outside of India, extending loans). The INR is fully convertible only in current account transactions, as regulated under the Foreign Exchange Management Act regulations of 2000 (https://www.rbi.org.in/Scripts/Fema.aspx.

Foreign exchange withdrawal is prohibited for remittance of lottery winnings; income from racing, riding or any other hobby; purchase of lottery tickets, banned or proscribed magazines; football pools and sweepstakes; payment of commission on exports made towards equity investment in Joint Ventures or Wholly Owned Subsidiaries of Indian companies abroad; and remittance of interest income on funds held in a Non-Resident Special Rupee Scheme Account (https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10193#sdi). Furthermore, the following transactions require the approval of the Central Government: cultural tours; remittance of hiring charges for transponders for television channels under the Ministry of Information and Broadcasting, and Internet Service Providers under the Ministry of Communication and Information Technology; remittance of prize money and sponsorship of sports activity abroad if the amount involved exceeds USD 100,000; advertisement in foreign print media for purposes other than promotion of tourism, foreign investments and international bidding (in excess USD 10,000) by a state government and its PSUs; and multi-modal transport operators paying remittances to their agents abroad. RBI approval is required for acquiring foreign currency above certain limits for specific purposes including remittances for: maintenance of close relatives abroad; any consultancy services; funds exceeding 5% of investment brought into India or USD 100,000, whichever is higher, by an entity in India by way of reimbursement of pre-incorporation expenses.

Capital account transactions are open to foreign investors though subject to various clearances. NRI investment in real estate, remittance of proceeds from the sale of assets, and remittance of proceeds from the sale of shares may be subject to approval by the RBI or FIPB.

Foreign institutional investors (FIIs) may transfer funds from INR to foreign currency accounts and back at market exchange rates. They may also repatriate capital, capital gains, dividends, interest income, and compensation from the sale of rights offerings without RBI approval. The RBI also authorizes automatic approval to Indian industry for payments associated with foreign collaboration agreements, royalties, and lump sum fees for technology transfer, and payments for the use of trademarks and brand names. Royalties and lump sum payments are taxed at 10%.

The RBI has periodically released guidelines to all banks, financial institutions, NBFCs, payment system providers regarding Know Your Customer (KYC) and reporting requirements under Foreign Account Tax Compliance Act (FATCA)/ Common Reporting Standards (CRS). The government as per notification dated July 7, 2015 (https://rbidocs.rbi.org.in/rdocs/content/pdfs/CKYCR2611215_AN.pdf) amended the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, (Rules), for setting up of the Central KYC Records Registry (CKYCR)—a registry to receive, store, safeguard and retrieve the KYC records in digital form of clients.

Remittance Policies

Remittances are permitted on all investments and profits earned by foreign companies in India once taxes have been paid. Nonetheless, certain sectors are subject to special conditions, including construction, development projects, and defense, wherein the foreign investment is subject to a lock-in period. Profits and dividend remittances as current account transactions are permitted without RBI approval following payment of a dividend distribution tax. The RBI has usually approved such transactions without delay.

Foreign banks may remit profits and surpluses to their headquarters, subject to compliance with the Banking Regulation Act, 1949. Banks are permitted to offer foreign currency-INR swaps without limits for the purpose of hedging customers' foreign currency liabilities. They may also offer forward coverage to non-resident entities on FDI deployed since 1993.

3. Expropriation and Compensation

India's image as an investment destination was tarnished in 2010 and 2011 by high-profile graft cases in the construction and telecom sectors, exacerbating existing private sector concerns about the government's uneven application of its policies. In 2014, the Supreme Court of India cancelled 214 out of 218 coal blocks allocated since 1993. Apart from the cancellations, the Supreme Court ordered that operational mines pay a penalty of INR 295 (USD 5) for every ton of coal previously extracted. In October 2012, India's Supreme Court cancelled 122 telecom licenses and the authorized spectrum held by eight operators under what came to be known as the 2G scandal.

There is now more clarity on the regulatory front. The government is auctioning spectrum licenses and has clearly stated its intent to eliminate retrospective taxation proposals. India also has transfer pricing rules that apply to related party transactions. On the indirect taxation front, a comprehensive Goods and Services Tax (GST), that could reduce complexity and eliminate multiple taxation policies, could eventually be introduced in India if it can clear Parliamentary hurdles. The Land Acquisition bill has since been withdrawn from Parliament. Acquiring land in India continues to be complicated process and businesses feel that the lack of a proper legal framework to determine adequate compensation for acquired land and the lack of the legal stipulation to take care of rehabilitation and resettlement of displaced citizens will create hurdles, especially when businesses have to get approvals from 70% of the landowners.

The Government has introduced a "Make in India" program and investment policies designed to attract foreign investment, while 'Digital India' has opened up new avenues for the growth of the IT sector. Incentives being given to startups are intended to enable them to commercialize and grow. The 100 Smart Cities project has also opened up new avenues for a large number of industries and investment opportunities. The U.S. Government continues to urge the Government of India to foster an attractive and reliable investment climate by reducing barriers to investment and minimizing bureaucratic hurdles for businesses. India would benefit from providing a secure legal and regulatory framework for the private sector, as well as institutionalized dispute resolution mechanisms that expedite resolution of commercial disagreements.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Foreign investors frequently complain about the overall lack of contract sanctity. According to the World Bank's Ease of Doing Business Report, it takes nearly four years on average to resolve a commercial dispute in India, the third longest average rate in the world. Indian courts are understaffed and lack the technology necessary to resolve an enormous backlog of pending cases—estimated by the UN at 30-40 million cases nationwide (http://www.refworld.org/docid/51ab45674.html).

In an attempt to align its adjudication of commercial contract disputes with the rest of the world, India enacted the Arbitration and Conciliation Act, based on the United Nations Commission on International Trade Law model in 1996. Judgments of foreign courts are enforceable under multilateral conventions like the Geneva Convention. The government established the International Center for Alternative Dispute Resolution (ICADR) as an autonomous organization under the Ministry of Law and Justice to promote the settlement of domestic and international disputes through alternate dispute resolution. The World Bank has also funded ICADR to conduct training for mediators in commercial disputes settlement.

India is a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention). It is not unusual for Indian firms to file lawsuits in domestic courts in order to delay paying the arbitral award. Seven cases are currently pending, the oldest of which dates to 1983. India is not a member state to the International Centre for the Settlement of Investment Disputes (ICSID).

The Permanent Court of Arbitration (PCA, The Hague), and the Indian Law Ministry agreed in 2007 to establish a regional PCA office in New Delhi to provide an arbitration forum to match the facilities offered at the Hague, but at a lower cost. Since that time, no progress has been made in establishing the office.

In November 2009, the Department of Revenue's Central Board of Direct Taxes established eight dispute resolution panels across the country to settle the transfer-pricing tax disputes of domestic and foreign companies. In his budget speech in February 2015, the Finance Minister announced the government's intention to propose a Public Contract Bill, aimed at streamlining the resolution of public contract disputes. Another proposal aims to establish specialized commercial divisions within domestic courts to settle long-pending commercial disputes. The government expects to introduce legislation following consultation with stakeholders.

Bankruptcy

According to the World Bank, it takes an average of 4.3 years to recover funds from an insolvent company in India, compared to 2.6 years in South Asia and 1.7 years in OECD countries. The Companies Act adopted by the UPA government in 2013 introduced major changes to bankruptcy law, in both the procedures and the institutions involved. Under the law, the revival or liquidation of “sick companies” will be undertaken by a National Company Law Tribunal (NCLT) composed of legal and technical experts and presided over by a High Court judge. The new law does not, however, provide for U.S. style Chapter 11 bankruptcy provisions. The current Finance Minister announced a proposal to introduce Chapter 11-type bankruptcy mechanisms during his budget speech in February 2015. Further, in December 2015 during the parliament’s winter session, the government introduced the Insolvency and Bankruptcy Code legislation in the parliament. The bill seeks to provide a framework for time bound resolution of corporate bankruptcy and ensure that stakeholder interest is protected and the assets are put to use quickly. It also seeks to consolidate and amend the laws relating to reorganization and insolvency resolution and will also apply to partnership firms and individuals.

Investment Disputes

India has received 17 notices under its Bilateral Investment Treaties (BIT). In 2011, White Industries of Australia won an award of 4.08 million Australian dollars in foreign arbitration against Coal India under the auspices of the Indo-Australian Bilateral Investment Protection Treaty. Most recently, the British oil company Cairn has invoked the India-UK Bilateral Investment Treaty to contest a retroactive taxation reassessment of USD 1.6 billion plus interest and penalties. Discussions are also underway in the dispute initiated by Vodafone against retrospective capital gains taxation, and firms including IBM and Royal Dutch Shell have been involved in similar disputes over retroactive taxation of transfer pricing.

International Arbitration

The Government of India circulated a new model BIT in April 2015 for two weeks of public comment and in January 2016 the Ministry of Finance put out is Model BIT Text in the public domain. The Ministry of Finance said that the revised model BIT will be used for re-negotiation of existing BITs and negotiation of future BITs and investment chapters in Comprehensive Economic Cooperation Agreements (CECAs)/ Comprehensive Economic Partnership Agreements (CEPAs) / Free Trade Agreements (FTAs). A number of provisions have been introduced to protect the sovereign from investment disputes. Foreign investors will not have access to BIT arbitration, if the contracts they have entered into with local investors or the government provide exclusively for legal recourse in India. As many as 17 companies or individuals – including Vodafone International Holdings BV, Deutsche Telekom, Sistema, Children's Investment Fund, and TCI Cyprus Holdings – have served arbitration notices on India under BITs after their investments faced adverse policy action. Several investors have also challenged the legality of a Supreme Court decision to cancel telecom licenses.

ICSID Convention and New York Convention

Though India is not a signatory to the International Centre for Settlement of Investment Disputes (ICSID Convention), current claims by foreign investors against India can be pursued through the ICSID Additional Facility Rules, the UN Commission on International Trade Law (UNCITRAL Model Law) rules, or through the use of ad hoc proceedings.

Duration of Dispute Resolution – Local Courts

According to the World Bank's Ease of Doing Business Report, enforcement of contracts takes an average of 1,420 days in India. This includes an average of 20 days for filing the dispute, 1,095 days for trial, and 305 days for enforcement of judgments. As a percentage of the total claim, dispute resolution will cost the litigant an average of 39.6%.

Under Indian law, the following types of disputes cannot be settled by arbitration, but must be settled through civil suits: matters of public rights; proceedings under the Foreign Exchange Management Act that are quasi-criminal in nature; validity of IPR granted by statutory authorities; taxation matters beyond the will of the parties; and disputes involving insolvency proceedings.

Arbitration is the preferred mode of commercial dispute resolution in India. In April 2009 the London Court of International Arbitration (LCIA), launched its first independent subsidiary in India.

Alternate Dispute Resolution (ADR)

Since formal dispute resolution is expensive and time consuming, many businesses are resorting to methods including ADR for resolving disputes. The most commonly used ADRs are arbitration and mediation. India has enacted the Arbitration and Conciliation Act (based on the UNCITRAL Model Laws of Arbitration). Experts agree that the ADRM techniques are extra-judicial in character and emphasize that ADRM cannot displace litigation. In cases that involve Constitutional or criminal law, traditional litigation remains necessary.

Dispute Resolutions Pending

India has seen a significant number of disputes in the recent past, many of which have made headline news globally. Finance Minister Arun Jaitley in his FY2014-15 budget speech announced that tax demands of USD 65 billion are under dispute and litigation, before various courts and appellate authorities. An increasing backlog of cases at all levels reflects the current state of India's legal apparatus, and the need for reform in dispute resolution. The dispute resolution infrastructure is characterized by an inadequate number of courts, benches and judges; inordinate delays in filling judicial vacancies; and only 14 judges per million people in India. Almost 25% of judicial vacancies can be attributed to procedural delays.

5. Performance Requirements and Investment Incentives

Performance Requirements

New guidelines were released to revise the policy on Preferential Market Access (PMA) through a notification dated Dec 23, 2014. Major differences between the latest PMA guidelines versus the one which was released in the initial PMA policy dated Dec 10, 2012 are as follows:

1. Current guidelines are emphasizing PMA implementation with an objective to promote domestic manufacturing whereas the older guidelines supported the PMA implementation on the premise of national security aspects linked with the procurement of equipment.
2.. Current guidelines on PMA implementation are applicable to just hardware procurement;

services are beyond its purview, whereas Older guidelines were applicable to both products and services
3. Older guidelines pertaining to PMA allowed only OEMs to bid, whereas the new guidelines also allow authorized distributors, sole selling agents, authorized dealers or authorized supply houses of the domestic manufacturers of electronic products to bid for government orders provided:

a. The bidder shall furnish the authorization certificate by the domestic manufacturer for selling domestically manufactured electronic products.
b. The bidder shall furnish the Affidavit of self-certification issued by the domestic manufacturer to the procuring agency declaring that the electronic product is domestically manufactured in terms of the domestic value addition prescribed
c. It shall be the responsibility of the bidder to furnish other requisite documents required to be issued by the domestic manufacturer to the procuring agency as per the policy.

4. In the new guidelines, there is a maximum ceiling on fees linked with the complaint procedure. There would be a complaint fee of INR 200,000 ($3000 approx.) or 1% of the value of the Domestically Manufactured Electronic Product (DMEP) being procured (subject to a maximum of Indian Rupees 500,000 ($7500 approx.)), whichever is higher.

To make India a global player in the field of Electronics Manufacturing and to offset disabilities faced by industries for reliable infrastructure, an Electronics Manufacturing Clusters (EMC) scheme was notified via notification no. 252 dated October 22, 2012, to provide support for the creation of world-class infrastructure for attracting investments in the Electronics Systems Design and Manufacturing (ESDM) Sector. For effective functioning of the scheme, a set of guidelines for operationalization of the EMC scheme were issued on April 15, 2013. The guidelines for EMC contains the requisite project parameters, detailed terms and conditions of the scheme along with applications forms for making preliminary and final applications. The EMCs scheme provides grant assistance for setting up both Greenfield and Brownfield EMCs across the country. The financial assistance under the scheme is in the form of grant-in-aid only. The Scheme is open for 5 years for receiving applications from the date of notification. http://deity.gov.in/content/electronic-manufacturing-clusters-emc-scheme.

Investment Incentives

India deferred a controversial General Anti Avoidance Rule (GAAR) by two years. Initially set to come into effect this year, the change tightens rules for foreign investors who are registered in countries with double taxation exemption agreements with India. India also extended a concessionary rate of 5% for so-called withholding taxes on debt investments by foreign investors by two years, until July 1, 2017. India had cut the tax on income from debt investments to 5% from 20% in 2013.

Research and Development

The GOI allows for 100% FDI in research and development through the automatic route.

Data Storage

The GOI does not require IT providers to turn over source code or provide access to surveillance. The Draft National Telecom M2M Roadmap, which has not been implemented and is currently undergoing a public comment period, states that "all M2M gateways and application servers serving customers in India, needs to be located in India only. The draft policy also proposes that foreign SIM cards should not be permitted in devices to be used in India.

6. Protection of Property Rights

Real Property

Several cities, including the metropolitan cities of Delhi, Calcutta, Mumbai, and Chennai have grown according to a master plan registered with the central government's Ministry of Urban Development. Property rights are generally well-enforced in such places, and district magistrates—normally senior local government officials—notify land and property registrations. Banks and financial institutions will provide mortgages and liens against such registered property.

In other urban areas, and in areas where illegal settlements have been built up, titling remains unclear. As per the GOI Department of Land Resources, the Indian government has launched a National Land Records Modernization Program (NLRMP) to clarify land records and provide landholders with legal title. The program requires the government to survey an area of approximately 2.16 million square miles, including over 430 million rural households, 55 million urban households, and 430 million land records. The government acknowledges the enormity of the task and has not yet provided an estimate as to when the work will be completed.

Traditional land use rights, including communal rights to forests, pastures, and agricultural land, are sanctioned according to various laws, depending on the land category and community residing on it. Relevant legislation includes the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act 2006, the Tribal Rights Act, and the Tribal Land Act.

Foreign and domestic private entities are permitted to establish and own businesses in trading companies, subsidiaries, joint ventures, branch offices, project offices, and liaison offices, subject to certain sector-specific restrictions. The government does not permit foreign investment in real estate, other than company property used to conduct business and for the development of most types of new commercial and residential properties. FIIs can now invest in initial public offerings (IPOs) of companies engaged in real estate. They can also participate in pre-IPO placements undertaken by such real estate companies without regard to FDI stipulations.

To establish a business, various government approvals and clearances are required including incorporation of the company and registration under the State Sales Tax Act and Central and State Excise Acts. Businesses that intend to build facilities on land they own are also required to take the following steps: register the land; seek land use permission if the industry is located outside an industrially zoned area; obtain environmental site approval; seek authorization for electricity and financing; and obtain appropriate approvals for construction plans from the respective state and municipal authorities. Promoters also need to obtain industry-specific environmental approvals in compliance with the Water and Air Pollution Control Acts. Petrochemical complexes, petroleum refineries, thermal power plants, bulk drug makers, and manufacturers of fertilizers, dyes, and paper, among others, must obtain clearance from the Ministry of Environment and Forests.

The Foreign Exchange Management Regulations and the Foreign Exchange Management Act set forth the rules that allow foreign entities to own immoveable property in India and convert foreign currencies for the purposes of investing in India. These regulations can be found at https://www.rbi.org.in/scripts/Fema.aspx. Foreign investors operating under the automatic route are allowed the same rights as a citizen for the purchase of immovable property in India in connection with an approved business activity. India ranks 138 out of 189 for ease of registering property in the World Bank's Doing Business Report (http://www.doingbusiness.org/rankings).

In India, a registered sale deed does not confer title ownership and is merely a record of the sales transaction. It only confers presumptive ownership, which can still be disputed. Actual title is established through a chain of historical transfer documents that originate from the land's original established owner. Accordingly, before purchasing land, buyers should examine all the link documents that establish title from the original owner. Many owners, particularly in urban areas, do not have access to the necessary chain of documents. This increases uncertainty and risks in land transactions.

Beginning December 31, 2014, the government passed a Land Acquisition Amendment ordinance intended to meet the objectives of farmer welfare and meet the strategic and developmental needs of the country. However, the government has faced stiff resistance from opposition parties on legitimating the ordinance, as it negates the previous Land Acquisition law's social impact assessment and consent requirements (i.e. necessitating the consent of specified shares of landowners prior to the invocation of eminent domain). The government is currently not pursuing the bill in Parliament, but will ask state governments to push through amendments to their own laws to simplify land acquisition procedures.

Intellectual Property Rights

Engagement with India on Intellectual Property Rights (IPR) continues, primarily through the Trade Policy Forum's Working Group on Intellectual Property. Overall preexisting weaknesses in India's IP regime include lack of enforcement, weak judicial processes, and continued delays in the release of India's National IPR Policy. While the U.S. Government is encouraged by enhanced engagement with the Government of India, that engagement has not yet translated into significant, sustainable progress and/or actions on IPR that were anticipated earlier in the current administration. India has adequate copyright laws, but enforcement is weak and piracy of copyrighted materials is widespread. India was listed on the Priority Watch List in USTR's Special 301 report for 2015. The country is home to several "Notorious Markets" across the breadth of the country, according to USTR's latest report in February 2015.

The current government has made some progress in fulfilling its mandate to build a cleaner, more market-oriented, and more competitive India. The government has made changes to some of its policies, including on Foreign Direct Investment, tariffs, and customs procedures, and improving access for U.S. trade and investment to the Indian market. Prime Minister Modi's courtship of multinationals to invest and "Make in India" has not yet addressed longstanding hesitations over India's lack of effective IPR enforcement. The USG met repeatedly with Government of India (GOI) officials and industry stakeholders on IPR in 2015, including visits to India by officials from USTR, and the Departments of State, Commerce, and Agriculture. The Modi government has been very willing to engage in discussions with the U.S. government and U.S. industry on IPR in 2015. India has made efforts to streamline its IP framework through administrative actions and capacity building.

Parliament recently passed the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill, which enables the creation of Commercial Courts and Commercial Divisions and Commercial Appellate Divisions within India's High Courts. These measures are aimed at improving the ease of doing business in India and facilitating smooth and prompt resolution of commercial disputes, including IPR. The U.S. government has advocated for the creation of anti-camcording legislation, which would have a significant impact on stopping digital piracy in India. This legislation would also improve India's ease of doing business rankings, as well as send a signal to investors and entrepreneurs that the government values transparency, predictability, and the rule of law. As of early 2016, Indian government interlocutors said that an anti-camcording bill is currently being circulated for inter-ministerial discussions and could be introduced in the next session of Parliament.

Pharmaceutical and agro-chemical products can be patented in India. Plant varieties are protected by the Plant Varieties and Farmers' Rights Act. Software embedded in hardware may also be patented. However, the interpretation and application of the patent law lacks clarity, especially with regard to several important areas such as compulsory licenses, pre-grant opposition provisions, and the scope of patentable inventions (e.g., whether patents are limited to new chemical entities rather than incremental innovation). In 2012, India issued its first compulsory license for a patented pharmaceutical product. In the case of Natco vs. Bayer, an Indian generics company sought and was granted a compulsory license under India's laws to make a generic version of Bayer's liver and kidney cancer drug, Nexavar. However, India has not issued a single compulsory license since. Indian law does not protect against the unfair commercial use of test data or other data submitted to the government during the application for market approval of pharmaceutical or agro-chemical products. The Pesticides Management Bill (2008), which would allow data protection of agricultural chemical provisions, stalled in the previous Parliament.

Indian law provides no statutory protection of trade secrets. The Designs Act allows for the registration of industrial designs. The Designs Rules, which detail classification of design, conform to the international system and are intended to take care of the proliferation of design-related activities in various fields. India's Semiconductor Integrated Circuits Layout Designs Act is based on standards developed by WIPO; however, this law remains inactive due to the lack of implementing regulations.

Customs officers have ex-officio authority to seize and destroy counterfeit goods, though rights holders must pay for storage and destruction of counterfeit materials. India offers all types of counterfeit goods for sale; the seven most vulnerable sectors for IPR crime include automotive parts, alcohol, computer hardware, fast-moving commercial goods (FMCG) for personal use, FMCG packaged foods, mobile phones, and tobacco products. India is slowly experiencing a marginal improvement in its IP protections, both in the ease of registering IP and in the ease of enforcement.

In multilateral negotiations and the WTO TRIPS Council, India, together with other countries, presses demands for unlimited technology transfer that could lead to coercion of private rights holders, weakening their property rights. These outcomes could undermine innovation, trade, and investment in IP-intensive products and services that are critical parts of the response to climate change, sustainable economic development, and other challenges. By advancing such positions, the Indian government is creating uncertainty with respect to its commitment to create a domestic environment that will encourage innovation and investment in high technology industries.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Contact at U.S. Embassy
U.S. Patent & Trademark Office, Foreign Commercial Service
+91-11-2347-2000

Country/Economy resources:

Madhvi Kataria
American Chamber of Commerce in India (AMCHAM)
Associate Director
madhvi.kataria@amchamindia.com
2652 5201 / 02; 2652 5203; 98102-02213

You can find a list of lawyers at the U.S. Embassy website:
http://newdelhi.usembassy.gov/mobile//service/other-citizen-services/judicial-assistance.html

7. Transparency of the Regulatory System

Despite progress, the Indian economy is still constrained by conflicting rules and a complex bureaucratic system that has broad discretionary powers. India has a decentralized federal system of government in which states possess extensive regulatory powers. Regulatory decisions governing important issues such as zoning, land-use, and the environment vary between states. Opposition from labor unions and political constituencies slows the pace of land acquisition, environmental clearances, and investment policy.

The central government has been successful in establishing independent and effective regulators in telecommunications, securities, insurance, and pensions. The Competition Commission of India (CCI), India's antitrust body, has taken up its enforcement powers and is now taking cases against cartelization and abuse of dominance, as well as conducting capacity-building programs for bureaucrats and company officials. Currently the commission's investigations wing is required to seek the approval of the local chief metropolitan magistrate for a search and seizure operation. In June 2011, the government enacted rules governing mergers and acquisitions. The Securities and Exchange Bureau of India (SEBI) enforces corporate governance and is well regarded by foreign institutional investors. The RBI, which regulates the Indian banking sector, is also held in high regard. Some

Indian regulators, including SEBI and the RBI, engage with industry stakeholders through periods of public comment, but the practice is not consistent across the government.

The Companies Act adopted in 2013 brings India's corporate governance rules in line with international standards with regards to transparency and audit procedures. The new government made several amendments to the act in 2014 to make it more investor friendly.

8. Efficient Capital Markets and Portfolio Investment

The S&P BSE SENSEX index – India's benchmark 30-share index – ended the year about 5% lower at 26,117. The Sensex hit a record high of 30,024 on March 4 bolstered by a surprise interest rate cut by RBI, the second inter-meeting interest rate cut in less than two months. However, on September 8 on back of concerns of a China slowdown and domestic monsoon worries, the Sensex hit a low of 24,833. Market capitalization of the BSE was at USD 1.5 trillion on December 31, 2015. The Securities and Exchange Board of India (SEBI) is considered one of the most progressive and well-run of India's regulatory bodies. According to the World Bank Ease of Doing Business Report, India has climbed from number 49 in 2012 to being number eight this year on the parameter of shareholder protection. SEBI regulates India's securities markets, including enforcement activities, and is India's direct counterpart to the U.S. Securities and Exchange Commission (SEC). SEBI oversees three national exchanges: the National Stock Exchange, BSE Ltd., and Metropolitan Stock Exchange. On September 28, 2015, the Forwards Market Commission, the commodities market regulator, was merged with SEBI. The move was directed towards infusing confidence in the commodity market, which had collapsed after the $900 million National Spot Exchange scam broke out in 2013. With the merger, SEBI is tasked to deal with three more national commodity exchanges: the Multi Commodity Exchange, National Commodity & Derivatives Exchange Limited, and the National Multi-Commodity Exchange.

Unlike Indian equity markets, local debt and currency markets remain relatively underdeveloped, with limited participation from foreign investors. Indian businesses receive the majority of their finance through the banking system, not through capital markets. Although private placements of corporate debt have increased, India's corporate bond market is around 14% of GDP as compared to bank assets (89% of GDP) and equity markets (80% of GDP).

Foreign investment in India can be made through various routes, including: FDI, Foreign Portfolio Investor (FPI), and venture capital investment. The FPI route provides access to a wide range of foreign portfolio investors, including foreign institutional investors (FIIs), FII sub-accounts, Qualified Foreign Investors (QFIs), and Non-resident Indians (NRIs). FIIs are divided into two categories: regular FIIs, which invest in both equity and debt; and 100% debt-fund FIIs. Eligible FIIs include the following: overseas pension funds, mutual funds, banks, foreign central banks, sovereign wealth funds, endowment and university funds, foundations, charitable trusts and societies, insurance companies, re-insurance companies, foreign government agencies, international and multilateral organizations, broad-based funds, asset management companies, investment managers, and hedge funds. FIIs must be registered and regulated by a recognized authority in their home country; as a result, many U.S.-based hedge funds cannot register as FIIs. "Sub-account" refers to any person residing outside of India on whose behalf investments are made within India by an FII. These include foreign individuals and corporations, broad-based funds, proprietary funds under the name of a registered FII, endowment and university funds, and charitable trusts and societies. NRIs are not eligible to apply as sub-accounts. The revised FPI regulations (that combine existing FIIs, FII sub-accounts, and QFIs into a new class termed as FPI) issued in January 2014 by SEBI have made registration of foreign investors much simpler and require foreign investors registered to register with designated depository participants like NSDL and CDSL.

In 2015, foreign fund flows into Indian stocks have been the lowest in the past four years. FIIs invested nearly USD 9.56 billion in the Indian debt market in 2015. Keeping in line with the 2014 trend, FII investment in debt outpaced that in the equity market, as most debt inflows have gone to government securities. FIIs invested USD 6.89 billion in Indian debt as against USD 2.67 billion in equities in 2015.

Indian equity markets have few restrictions on capital flows, but do limit foreign ownership stakes. FIIs and sub-accounts can own up to 10% and 5% respectively of the paid-up equity capital of any Indian company. Aggregate FPI investment in an Indian company is capped at 24%, unless specifically authorized by that company's board of directors. All investor classes are permitted to sell short, except for NRIs. Investors must, however, maintain a minimum margin requirement.

In 2014, the RBI allowed FPIs to access the currency futures or exchange traded currency options market to hedge onshore currency risks in India, a move that was touted as a significant initiative in attracting Dollar inflows into the country. Further in December 2015, the RBI allowed FPI's to take positions in the cross-currency futures and exchange traded cross-currency option contracts without having to establish underlying exposure subject to the position limits as prescribed by the exchanges. While the NSE recorded a 49% increase in the value of currency futures and options traded in 2015, the BSE logged a 111% jump. Analysts have explained that high volatility in currency markets could also have resulted in higher interest in this segment last year. India's growing importance in the global economy has led to increased interest in the Indian Rupee (INR). Yet, the persistence of capital controls in the onshore market has led to the development of an offshore INR market called Non Deliverable Forward (NDF), particularly in Singapore, Dubai, London, and New York. The RBI has taken a number of steps in the recent past to bring these offshore activities onshore, in order to deepen the domestic markets, enhance downstream benefits, and generally obviate the need for an NDF market.

SEBI has allowed trading in commodity derivatives at stock exchanges operating in International Financial Services Centre (IFSC). Under the IFSC regime, any recognized domestic or foreign stock exchange can set up a subsidiary, in the financial services center, provided they hold at least 51% stake in the venture. These norms are aimed at easing the setting up of stock exchanges and capital market infrastructure in such centers. SEBI has announced that they would introduce new products and allow more participants to deepen the commodity derivatives market.

SEBI allows foreign brokers to work on behalf of registered FIIs, but these FIIs can also bypass brokers and deal directly with companies in open offers. FII bank deposits are fully convertible, and their capital, capital gains, dividends, interest income, and any compensation from the sale of rights offerings post tax, may be repatriated without prior approval. NRIs are subject to separate investment limitations. They can repatriate dividends, rents, and interest earned in India, and specially designated NRI bank deposits are fully convertible.

Foreign venture capital investors (FVCIs) must register with SEBI to invest in Indian firms. They can also set up domestic asset management companies to manage funds. All such investments are allowed under the automatic route, subject to SEBI and RBI regulations, and to FDI policy. FVCIs can invest in many sectors including software business, information technology, pharmaceuticals and drugs, biotechnology, nanotechnology, biofuels, agriculture, and infrastructure. Companies incorporated outside India can raise capital in India's capital markets through the issuance of Indian Depository Receipts (IDRs). In 2015, SEBI clarified that Foreign Venture Capital Investors (FVCIs) can be granted registration as a foreign portfolio investor if they meet certain guidelines.

Companies are required to maintain pre-issued, paid-up capital, and free reserves of at least USD 100 million, as well as an average turnover of USD 500 million during the three financial years preceding issuance. The company must be profitable for at least five years preceding the issuance, declaring dividends of no less than 10% each year and maintaining a pre-issue debt-equity ratio of no more than 2:1. Standard Chartered Bank, a British bank which was the first foreign entity to list in India in June 2010, remains the only foreign firm to have issued IDRs.

External commercial borrowing (ECB), or direct lending to Indian entities by foreign institutions, is allowed if funds are used for outward FDI, or for domestic investment in industry, infrastructure, hotels, hospitals, software, self-help groups or microfinance activities, or to buy shares in the disinvestment of public sector entities. ECBs cannot be used for on-lending, investments in financial assets, acquisition of real estate or a domestic firm, meeting of working capital requirements or repayment of existing INR loans. An ECB can raise a maximum of USD 750 million in a financial year, unless it is in the hotel, hospital, software, or miscellaneous services sectors. NGOs engaged in micro-finance activities and Micro Finance Institutions can raise ECB up to USD 100 million in a financial year, and must hedge 100% of their currency risk exposure. A Non-bank Finance Company – Infrastructure Finance Companies (NBFC-IFCs) can raise ECB up to 75% of its owned funds and must hedge 75% of its currency risk exposure. The all-in cost ceilings for ECBs with an average maturity period of three-to-five years is capped at 300 basis points over the six-month LIBOR, and 450 points for loans maturing after five years. Indian companies borrowed close to USD 28.39 billion through ECBs in 2014-15.

Money and Banking System, Hostile Takeovers

The banking sector in the country remained predominantly in the public sector with the public sector banks (PSBs) accounting for 72% of total banking sector assets, notwithstanding a gradual decline in their share in recent years. PSBs are not technically subject to any excess regulations over commercial banks, neither in terms of lending practice nor deposits. They do, however, have their CEOs, upper management, and a number of their board of directors appointed by the government, meaning that the government can become quite influential in credit decisions.

According to data from Capitaline, banks in India added nearly $14.63 billion (Rs.1 trillion) in bad loans in the quarter that ended December 31, 2015. In December 2015, RBI Governor Rajan set a March 2017 deadline for banks to clean up their balance sheets and nudged them to treat some troubled loan accounts as bad loans and make provisions for them by the end of March 2016. Banks have since seen sharp erosion in profits, and some started reporting losses as they set aside capital buffers to cushion the bad loans. Indian public sector banks need an estimated $27 billion in capital over the next four years, according to Indian government estimates, to comply with new Basel III norms for higher capital requirements. The IMF, in the India 2015 Article IV consultation, reports that if the government were to provide the full amount of required capital injection, the estimate rises to between 1.2 to 1.7% of 2018/19 GDP. In August 2015, the Finance Ministry declared its plan to infuse $11 billion in the next four years, less than half the total capital requirement, hoping that improving the banks' balance sheets would allow them to raise the remainder from the market. Additionally, RBI's loosening tier one or core capital requirements at the beginning of March 2015 would help public sector banks shore up capital.

As on December 9, 2015, 195.2 million accounts have been opened and 166.7 million RuPay debit cards have been issued under Pradhan Mantri Jan Dhan Yojana (PMJDY). The scheme was launched on August 28, 2014 with the objectives of providing universal access to banking facilities, providing basic banking accounts with overdraft facility and RuPay Debit card to all households, conducting financial literacy programs, creation of credit guarantee fund, micro-insurance and unorganized sector pension schemes. The objectives are expected to be achieved in two phases over a period of four years up to August 2018. Though the number of accounts opened is immense, some of these still maintain a zero-balance, and six months of "satisfactory transactions" are necessary before the account-holder qualifies for benefits including overdraft and life insurance. It is likely the number of transactions will rise once the government expands its initiative for providing subsidies and benefits through direct bank transfers.

Takeover regulation in India applies equally to domestic and foreign companies. The regulations do not recognize, however, any distinct category of hostile takeovers. RBI and FIPB clearances are required to acquire a controlling stake in Indian companies. Takeover regulations require disclosure on acquisition of shares exceeding 5% of total capitalization. As per SEBI's Substantial Acquisition of Shares and Takeovers (Amendment) Regulations, released in 2013, acquisition of 25% or more of the voting rights in a listed company triggers a public offering of an additional 26% stake at least. Under the creeping acquisition limit, the acquirer holding 25% or more voting rights in the target company can acquire additional shares or voting rights up to 5% of the total voting rights in any financial year, up to a maximum permissible non-public shareholding limit of 75% generally. Acquisition of control over the target company, irrespective of shares or voting rights held by the acquirer, will trigger a mandatory open offer.

9. Competition from State-Owned Enterprises

In India, the government owns or controls interests in key sectors with significant economic impact, including infrastructure, oil, gas, mining, and manufacturing. Over the decades, the Indian government has taken a number of steps to improve the performance of SOEs, also called the Central Public Sector Enterprises (CPSEs), including improvements to corporate governance. Reforms carried out in the 1990s focused on liberalization and deregulation of most sectors and disinvestment of government shares. These and other steps to strengthen CPSE boards and enhance transparency evolved into a more comprehensive governance approach, culminating in the Guidelines on Corporate Governance of State-Owned Enterprises issued in 2007 and their mandatory implementation from 2010. Governance reforms gained prominence for several reasons: the important role that CPSEs continue to play in the Indian economy; increased pressure on CPSEs to improve their competitiveness as a result of exposure to competition and hard budget constraints; and new listings of CPSEs on capital markets. The Department of Public Enterprises (http://dpe.nic.in) under the Ministry of Heavy Industries manages the CPSEs. As of March 2014, there were 290 Central Public Sector Enterprises (CPSEs), of which 234 were in operation and 56 CPSEs are yet to commence business. 202 of the 290 CPSEs showed profit during 2013-14 and did not require government support. The loss making entities (e.g. Air India) and the state-run telecom company Bharat Sanchar Nigam limited were supported by the government through allocations in the general budget. The manufacturing sector constitutes the largest component of investment in CPSEs (45%) followed by services (35%), energy (12%), and mining (8%). Foreign investments are allowed in the CPSEs in all sectors. Full list can be accessed at http://dpe.nic.in/publications/list_of_maharatna_navratna-and_miniratna. While the CPSEs face the same tax burden as the private sector, on issues like procurement of land, the CPSEs do not face the hassles that the private sector enterprises face as the government procures the necessary land.

OECD Guidelines on Corporate Governance of SOEs

In India, the government owns or controls interests in key sectors with significant economic impact, including infrastructure, oil, gas, mining, and manufacturing. Over the decades, the Indian government has taken a number of steps to improve the performance of SOEs (also called Central Public Sector Enterprises (CPSEs)), including improvements to corporate governance. Reforms carried out in the 1990s focused on liberalization and deregulation of most sectors and disinvestment of government shares. These and other steps to strengthen CPSE boards and enhance transparency evolved into a more comprehensive governance approach, culminating in the Guidelines on Corporate Governance of State-Owned Enterprises issued in 2007 and their mandatory implementation from 2010. Governance reforms gained prominence for several reasons: the important role that CPSEs continue to play in the Indian economy; increased pressure on CPSEs to improve their competitiveness as a result of exposure to competition and hard budget constraints; and new listings of CPSEs on capital markets. The Department of Public Enterprises (http://dpe.nic.in) under the Ministry of Heavy Industries manages the CPSEs. As of March 2014, there were 290 Central Public Sector Enterprises (CPSEs) in India, of which 234 were in operation and 56 CPSEs are yet to commence business. 202 of the 290 CPSEs showed profit during 2013-14 and therefore so did not require direct financial support from the government. The loss-making entities (such as Air India and the state run telecom company Bharat Sanchar Nigam limited) were supported by the government through allocations in the general budget. The manufacturing sector constitutes the largest component of investment in CPSEs (45%) followed by services (35%), energy (12%), and mining (8%). Foreign investments are allowed in the CPSEs in all sectors. The full list can be accessed at http://dpe.nic.in/publications/list_of_maharatna_navratna-and_miniratna. CPSEs face the same tax burden as the private sector, but avoid many hassles in procuring land and other regulatory issues, compared to private sector enterprises.

The government is the major equity stakeholder in all SOEs. The nodal agency that controls and formulates all the policies pertaining to SOEs is the Department of Public Enterprises (http://dpe.nic.in), which is headed by a minister to whom the senior management reports. The GOI's Comptroller and Auditor General (CAG) audits the SOE's.

Per the Company's Act, independent directors should form 40% of the board with the remaining members made up of government representatives and functional directors, some of whom are CEO's in other SOE's.

Currently India attends the Government on Procurement Agreement (GPA) meetings as an observer and is not a full member.

Sovereign Wealth Funds

India does not have a sovereign wealth fund. Under the previous government, the Prime Minister's Council on Trade and Industry had suggested setting up a sovereign fund with an initial corpus of USD 5 billion to help fund acquisition of companies abroad; however, the idea has not found much traction under the current government. Looking to attract larger inflows from sovereign wealth funds and foreign pension funds, government and financial sector regulators have renewed their efforts to make Indian markets, especially government bonds, much more appealing to such investors. The policymakers view the overseas investments by sovereign wealth funds, multilateral agencies, endowment funds, pension funds, insurers, and foreign central banks as much more stable in nature, as compared to institutional investors and hedge funds. The world's largest sovereign wealth fund, Norway's Government Pension Fund Global (GPFG) announced its intent to increase its holdings in India, citing the BJP-led government has shifted toward more market-based energy pricing, allowed more foreign investment in the defense industry, and pushed to revive the manufacturing.

10. Responsible Business Conduct

The Companies Act of 2013 introduced a number of new parts to India's corporate social responsibility (CSR) policy and clarified some old ones. The law mandates a minimum level of CSR spending at 2% of a company's net after-tax profits averaged over the preceding three years. The law also specifies the point at which companies are bound by the regulations as determined by their valuation, profits and/or revenue. Furthermore, each company must form a CSR committee staffed by the company's boards of directors. The law applies both to domestic enterprises and subsidiaries of multinational companies with offices in India. Companies must issue a public report of their CSR spending, or provide an explanation of why they failed to meet the minimums. The directors of companies that fail to report are held personally accountable under the law and can face fines or imprisonment. The combination of regulation, a tradition of corporate philanthropy and publicity, has led many companies to pursue their CSR obligations actively, and many widely publicize their efforts. The Indian Institute of Corporate Affairs (under the Ministry of Corporate Affairs) estimates that at least 6,000 Indian companies (many of them small and medium enterprises) will have been required to fund CSR projects in 2015.

A CSR support industry exists to coordinate giving, vet recipients, and match donors with worthy causes. For example, the Bombay Stock Exchange (BSE) maintains a "CSR Exchange" called Sammaan (http://www.bsesammaan.com/). There are NGOs which specialize in CSR management and a number of nation-wide newspapers track CSR efforts throughout the year as well.

GOI does not adhere to the OECD Guidelines for Multinational Enterprises.

11. Political Violence

There have been no significant incidents involving political violence. However, outbursts of violence related to insurgent movements continued in Jammu and Kashmir and some northeastern states. Maoist/Naxalite insurgent groups also remain active in some eastern and central Indian states, including the rural areas of southern Bihar, Jharkhand, Chhattisgarh, and Orissa. From July to September 2015, approximately 10 people were killed in the violence following protests of the Patidar community, who were seeking Other Backward Class (OBC) status in Gujarat state. This agitation subsequently spoiled the overall investment climate in the western parts of India. In October, the desecration of the Sikh holy book led to violence in Faridkot, Ferozepur, Ludhiana and Tarn Taran districts of Punjab, resulting in the killing of two Sikhs and dozens injured. The incident followed by the Pathankot terrorist attack dampened the investment prospects in a relatively prosperous North Indian state of Punjab.

Travelers to India are invited to visit the U.S. Department of State travel advisory website at: https://travel.state.gov/content/passports/en/country/india.html for the latest information and travel resources.

12. Corruption

India is a signatory to the United Nations Conventions against Corruption and is a member of the G20 Working Group against Corruption. India is ranked 76 out of 168 countries surveyed in Transparency International's 2015 Corruption Perception Index, which is a slight improvement over last year's ranking of 85 out of 175. The legal framework for fighting corruption in India is addressed by the following laws: the Prevention of Corruption Act, 1988; the Code of Criminal Procedures, 1973; the Indian Contract Act, 1872; the Prevention of Money Laundering Act, 2002; and the Companies Act, 2013. Anti-corruption laws amended since 2004 have granted additional powers to vigilance departments in government ministries at the central and state levels. The amendments also elevated India's Central Vigilance Commission (CVC) to a statutory body. India's Parliament enacted the Lokpal bill in 2013, which created a national anti-corruption ombudsman and requires states to create state-level ombudsmen within one year of the law's passage. The government has yet to implement the law, however, and as yet, no ombudsmen have been appointed.

In February 2014, the government enacted the Whistleblower Act, intended to protect anti-corruption activists, but has yet to be implemented. Experts believe that the prosecution of corruption has proven effective only among the lower levels of India's bureaucracy; senior bureaucrats have generally been spared. Businesses consistently cite corruption as a significant obstacle to FDI in India and identify government procurement as a process particularly vulnerable to corruption. To make the Whistle Blowers Protection Act, 2014 more effective, the Government of India proposed an amendment bill in 2015. The bill, however, is still pending in the Indian Parliament because a number of anti-corruption activists have expressed concern that the bill will lead to creating exemptions for state authorities to stay out of reach from whistleblowers.

The Companies Act, 2013, established rules related to corruption in the private sector by mandating mechanisms for the protection of whistle blowers, industry codes of conduct, and the appointment of independent directors to company boards. As yet, the government has established no monitoring mechanism, and it is unclear the extent to which these protections have been instituted. No legislation focuses particularly on the protection of NGOs working on corruption issues, though the Whistleblowers Protection Act, 2011, may afford some protection once it has been fully implemented.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

India is a signatory to the United Nations Conventions against Corruption and is a member of the G20 Working Group against Corruption.

India is not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

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13. Bilateral Investment Agreements

As of December 2013, India had concluded 83 bilateral investment treaties, including with the United Kingdom, France, Germany, Switzerland, Malaysia, and Mauritius. Of these, 72 agreements are currently in force. The complete list of agreements can be found at: http://finmin.nic.in/bipa/bipa_index.asp?pageid=1

In early 2012, local media reported that Coal India lost in international arbitration against an Australian firm. The Australian firm reportedly won its case based on more favorable treaty language from a third country investment treaty, leading the Government of India to temporarily suspend all BIT negotiations until it had drafted a new model agreement.

The Government of India circulated a new model BIT in April 2015 for two weeks of public comment and in January 2016 the Ministry of Finance put out is Model Bit Text in the public domain. The Ministry of Finance said that the revised model BIT will be used for re-negotiation of existing BITs and negotiation of future BITs and investment chapters in Comprehensive Economic Cooperation Agreements (CECAs)/ Comprehensive Economic Partnership Agreements (CEPAs) / Free Trade Agreements (FTAs). A number of provisions have been introduced to protect the sovereign from investment disputes. Foreign investors will not have access to BITs, if the contracts they have entered into with local investors or the government provide exclusively for legal recourse in India.

In 2009, India concluded a Comprehensive Economic Cooperation Agreement (CEPA) with ASEAN and a free trade agreement (FTA) in goods, services, and investment with South Korea. In February 2011, India signed CEPAs with Japan and Malaysia. FTA negotiations with the EU, Canada, and Australia are still under way, and India is negotiating a CEPA with Thailand.

The President and the Prime Minister affirmed their shared commitment to facilitating increased bilateral investment flows and fostering an open and predictable climate for investment. To this end, the Leaders instructed their officials to assess the prospects for moving forward with high-standard bilateral investment treaty discussions given their respective approaches. The U.S. Department of Commerce's International Trade Administration's Invest in America program (SelectUSA), and Invest India, a joint venture between DIPP and the Federation of Indian Chambers of Commerce and Industry (FICCI), signed a Memorandum of Intent in November 2009, to facilitate FDI in both countries.

Bilateral Taxation Treaties

India has a bilateral taxation treaty with the United States.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

The government established several foreign trade zone schemes to encourage export-oriented production. These include Special Economic Zones (SEZ), Export Processing Zones (EPZ), Software Technology Parks (STP), and Export Oriented Units (EOU). The newest category is the National Industrial and Manufacturing Zones (NIMZ), of which 14 are being established across India. These schemes are governed by separate rules and granted different benefits, details of which can be found at: http://www.sezindia.nic.in; https://www.stpi.in/ and www.eouindia.gov.in/handbook_procedures.htm.

SEZs are treated as foreign territory; therefore businesses operating within SEZs are not subject to customs regulations, nor FDI equity caps. They also receive exemptions from industrial licensing requirements, and they enjoy tax holidays and other tax breaks. EPZs are industrial parks with incentives for foreign investors in export-oriented businesses. STPs are special zones with similar incentives for software exports. EOUs are industrial companies established anywhere in India that export their entire production and are granted the following: duty-free import of intermediate goods; income tax holidays; exemption from excise tax on capital goods, components, and raw materials; and a waiver on sales taxes.

As part of its new industrial policy, the government has now begun the establishment of NIMZs. Fourteen NIMZs have been approved to date, of which eight are planned on the Delhi-Mumbai Industrial Corridor route. NIMZs have been envisioned as green-field integrated industrial townships with a minimum area of 5000 hectares and managed by a special purpose vehicle, headed by a government official. Publicly available information suggests that foreign and domestic companies will be able to seek all state and central government authorizations for operating with NIMZs via single window.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2014	$2.1 trillion	2013	$1.87 trillion	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2014	$27.963 billion	2014	$27.963 billion	http://www.bea.gov/international/factsheet/factsheet.cfm
Host country's FDI in the United States ($M USD, stock positions)	2013	$7.823 billion	2013	$7.823 billion	http://www.bea.gov/international/factsheet/factsheet.cfm
Total inbound stock of FDI as % host GDP	2014	1.8%	2013	1.3%	N/A

*GOI Gross Domestic Product at http://indiabudget.nic.in/es2014-15/estat1.pdf. Inward FDI data available at http://dipp.nic.in. Outward FDI data available at https://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/OV27022012.pdf. Note that DIPP figures include equity inflows, reinvested earnings and "other capital," and therefore are not directly comparable with the international data.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	277,954	100%	Total Outward	29,294	100%

Mauritius	96,660	34%	Netherlands	8,427	29%
Singapore	43,172	16%	Singapore	4,454	15%
United Kingdom	22,714	8%	British Virgin Islands	3,687	13%
Japan	19,434	7%	Mauritius	3,029	10%
United States	17,236	7%	United States	2,052	7%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: Department of Industrial Policy and Promotion, Government of India and Reserve Bank of India

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	1,499	100%	All Countries	1,480	100%	All Countries	9	100%
United States	644	43%	United States	642	43%	Singapore	6	65%
Luxembourg	314	21%	Luxembourg	314	21%	United States	2	21%
Bermuda	218	15%	Bermuda	218	15%	United Kingdom	1	11%
Mauritius	74	5%	Mauritius	74	5%	Philippines	0.04	4%
Cayman Islands	30	2%	Indonesia	44	3%			

Source: IMF Coordinated Portfolio Investment Survey

Section 5 - Government

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments]

Legal system:

Common law system based on the English model; separate personal law codes apply to Muslims, Christians, and Hindus; judicial review of legislative acts

International organization participation:

ABEDA, ADB, AfDB (nonregional member), ARF, ASEAN (dialogue partner), BIMSTEC, BIS, BRICS, C, CD, CERN (observer), CICA, CP, EAS, FAO, FATF, G-15, G-20, G-24, G-77, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAS (observer), MIGA, MONUSCO, NAM, OAS (observer), OECD, OPCW, PCA, PIF (partner), SAARC, SACEP, SCO (observer), UN, UNCTAD, UNDOF, UNESCO, UNHCR, UNIDO, UNIFIL, UNISFA, UNITAR, UNMISS, UNOCI, UNSC (temporary), UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Exchange control

The foreign exchange regulations have been substantially liberalised in India, whereby no licence is required for setting up an industry except in a few cases such as electronic aerospace and defence equipment, industrial explosives, hazardous chemicals, distillation and brewing of alcoholic drinks, cigars and cigarettes, items reserved for small-scale sector and industries/sectors reserved for the public sector.
India has one of the most liberal and transparent policies on Foreign Direct Investment (FDI) among the emerging economies. The FDI policy has been rationalised on an ongoing basis to avoid multiple layers of regulatory approvals to facilitate foreign investment. FDI can be divided into two broad categories:

(1) FDI under Automatic Approval route
(2) FDI with prior approval of the Government.

Under the automatic approval route, no government approval is required if the FDI is within the notified sectoral caps. In such situations, only intimation needs to be given to the Reserve Bank of India within 30 days of making the investment. However, if the FDI is above the prescribed sectoral cap, the approval of government through the Foreign Investment Promotion Board (FIPB) is required.

FDI is allowed under the automatic route in almost all activities/sectors except the following, which require FIPB approval:

- activities/items that require an Industrial Licence (except some cases)
- proposals in which the foreign collaborator has an existing financial/technical collaboration in India in the same field
- all proposals falling outside notified sectoral policy/caps.

In certain cases, such as distillation and brewing of alcohol, industrial explosives and manufacture of hazardous chemicals, FDI is permitted without FIPB approval subject to obtaining an industrial licence from the appropriate authority.

However, FDI is prohibited in the following cases:

- gambling and betting
- lottery business
- atomic energy
- retail trading (except in single brand retail)
- agricultural or plantation activities or agriculture (excluding floriculture, horticulture, development of seeds, animal husbandry, etc. and plantations, other than tea plantations).

Treaty and non-treaty withholding tax rates

India has signed **111 agreements** (**97 DTC** and **14 TIEA** agreements) providing for the exchange of information.

About this list of agreements »

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Afghanistan	DTC	13 Nov 2005	19 May 2010	Unreviewed	No
Argentina	TIEA	21 Nov 2011	28 Jan 2013	Yes	Yes
Armenia	DTC	31 Oct 2003	9 Sep 2004	Unreviewed	No
Australia	DTC	25 Jul 1991	30 Dec 1991	Yes	Yes
Austria	DTC	8 Nov 1999	5 Sep 2001	No	No
Bahamas, The	TIEA	11 Feb 2011	1 Mar 2011	Yes	Yes
Bahrain	TIEA	31 May 2012	11 Apr 2013	Yes	Yes
Bangladesh	DTC	27 Aug 1991	27 May 1992	Unreviewed	No
Bangladesh	DTC	13 Nov 2005	19 May 2010	Unreviewed	No
Belarus	DTC	27 Sep 1997	17 Jul 1998	Unreviewed	No
Belgium	DTC	26 Apr 1993	1 Oct 1997	Yes	No
Bermuda	TIEA	7 Oct 2010	3 Nov 2010	Yes	Yes
Bhutan	DTC	13 Nov 2005	19 May 2010	Unreviewed	No
Botswana	DTC	8 Dec 2006	30 Jan 2008	No	No
Brazil	DTC	26 Apr 1988	11 Mar 1992	Yes	No
Bulgaria	DTC	26 May 1994	23 Jun 1995	Unreviewed	No
Canada	DTC	11 Jan 1996	6 May 1997	Yes	No
Cayman Islands	TIEA	21 Mar 2011	8 Nov 2011	Yes	Yes
China	DTC	18 Jul 1994	21 Nov 1994	Yes	No
Chinese Taipei	DTC	12 Jul 2011	12 Aug 2011	Unreviewed	Yes
Colombia	DTC	13 May 2011	not yet in force	Unreviewed	Yes
Cyprus	DTC	13 Jun 1994	21 Dec 1994	Yes	No
Czech Republic	DTC	1 Oct 1998	27 Sep 1999	Yes	No
Denmark	DTC	8 Mar 1989	13 Jun 1989	Yes	No
Egypt	DTC	20 Feb 1969	30 Sep 1969	Unreviewed	No
Estonia	DTC	19 Sep 2011	20 Jul 2012	Yes	Yes
Ethiopia	DTC	25 May 2011	15 Oct 2012	Unreviewed	Yes
Faroe Islands	DTC	8 Mar 1989	13 Jun 1989	Unreviewed	No
Finland	DTC	15 Jan 2010	19 Apr 2010	Yes	No
France	DTC	29 Sep 1992	1 Aug 1994	Yes	No
Georgia	DTC	24 Aug 2011	8 Dec 2011	Unreviewed	Yes
Germany	DTC	19 Jun 1995	26 Oct 1996	No	No
Gibraltar	TIEA	1 Feb 2013	11 Mar 2013	Yes	Yes
Greece	DTC	11 Feb 1965	17 Mar 1967	No	No
Guernsey	TIEA	20 Dec 2011	11 Jun 2012	Yes	Yes
Hungary	DTC	3 Nov 2003	4 Mar 2005	Yes	No
Iceland	DTC	23 Nov 2007	21 Dec 2007	Yes	No
Indonesia	DTC	7 Aug 1987	19 Dec 1987	Yes	No
Indonesia	DTC	27 Jul 2012	not yet in force	Yes	Yes

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Ireland	DTC	6 Nov 2000	26 Dec 2001	Yes	No
Isle of Man	TIEA	4 Feb 2011	17 Mar 2011	Yes	Yes
Israel	DTC	29 Jan 1996	15 May 1996	Yes	No
Italy	DTC	19 Feb 1993	23 Nov 1995	Yes	No
Japan	DTC	7 Mar 1989	29 Dec 1989	Yes	No
Jersey	TIEA	3 Nov 2011	8 May 2012	Yes	Yes
Jordan	DTC	20 Apr 1999	16 Oct 1999	Unreviewed	No
Kazakhstan	DTC	9 Dec 1996	2 Oct 1997	Unreviewed	No
Kenya	DTC	12 Apr 1985	20 Aug 1985	Unreviewed	No
Korea, Republic of	DTC	19 Jul 1985	1 Aug 1986	Yes	No
Kuwait	DTC	15 Jun 2006	17 Oct 2007	Unreviewed	No
Kyrgyzstan	DTC	13 Apr 1999	10 Jan 2001	Unreviewed	No
Liberia	TIEA	10 Mar 2011	30 Mar 2012	Yes	Yes
Libya	DTC	2 Mar 1981	1 Jul 1982	Unreviewed	No
Liechtenstein	TIEA	28 Mar 2013	not yet in force	Yes	Yes
Lithuania	DTC	26 Jul 2011	10 Jul 2012	Yes	Yes
Luxembourg	DTC	2 Jun 2008	9 Jul 2009	Yes	No
Macao, China	TIEA	3 Jan 2012	16 Apr 2012	Yes	Yes
Malaysia	DTC	9 May 2012	26 Dec 2012	Yes	Yes
Maldives	DTC	13 Nov 2005	19 May 2010	Unreviewed	No
Malta	DTC	8 Apr 2013	not yet in force	Yes	Yes
Malta	DTC	28 Sep 1994	8 Feb 1995	Yes	No
Mauritius	DTC	24 Aug 1982	11 Jun 1985	Yes	No
Mexico	DTC	10 Sep 2007	1 Feb 2010	Yes	Yes
Monaco	TIEA	31 Jul 2012	3 Apr 2013	Yes	Yes
Mongolia	DTC	22 Feb 1994	29 Mar 1996	Unreviewed	No
Montenegro	DTC	8 Feb 2006	23 Sep 2008	Unreviewed	No
Morocco	DTC	30 Oct 1998	20 Feb 2000	Unreviewed	No
Mozambique	DTC	30 Sep 2010	28 Feb 2011	Unreviewed	Yes
Myanmar	DTC	2 Apr 2008	30 Jan 2009	Unreviewed	Yes
Namibia	DTC	15 Feb 1997	22 Jan 1999	Unreviewed	No
Nepal	DTC	13 Nov 2005	19 May 2010	Unreviewed	No
Nepal	DTC	27 Nov 2011	16 Mar 2012	Unreviewed	Yes
Netherlands	DTC	30 Jul 1988	21 Jan 1989	Yes	Yes
New Zealand	DTC	17 Oct 1986	3 Dec 1986	Yes	No
Norway	DTC	2 Feb 2011	20 Dec 2011	Yes	Yes
Oman	DTC	2 Apr 1997	3 Jun 1997	Unreviewed	No
Philippines	DTC	12 Feb 1990	21 Mar 1994	Yes	No
Poland	DTC	21 Jun 1989	26 Oct 1989	Yes	No
Poland	DTC Protocol	29 Jan 2013	not yet in force	Yes	Yes
Portugal	DTC	11 Sep 1998	30 Apr 2000	Yes	No
Qatar	DTC	7 Apr 1999	15 Jan 2000	Yes	No
Romania	DTC	10 Mar 1987	14 Nov 1987	Unreviewed	No
Russian Federation	DTC	25 Mar 1997	11 Apr 1998	No	No
Saudi Arabia	DTC	25 Jan 2006	1 Nov 2006	Yes	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Serbia	DTC	8 Feb 2006	23 Sep 2008	Unreviewed	No
Singapore	DTC	24 Jan 1994	27 May 1994	Yes	Yes
Slovakia	DTC	27 Jan 1986	13 Mar 1987	Yes	No
Slovenia	DTC	13 Jan 2003	17 Feb 2005	Yes	No
South Africa	DTC	4 Dec 1996	28 Nov 1997	No	No
Spain	DTC	8 Feb 1993	12 Jan 1995	Yes	No
Spain	DTC Protocol	26 Oct 2012	not yet in force	Yes	Yes
Sri Lanka	DTC	13 Nov 2005	19 May 2010	Unreviewed	No
Sri Lanka	DTC	27 Jan 1982	24 Mar 1983	Unreviewed	No
Sudan	DTC	22 Oct 2003	15 Apr 2004	Unreviewed	No
Sweden	DTC	24 Jun 1997	25 Dec 1997	Yes	Yes
Switzerland	DTC	2 Nov 1994	29 Dec 1994	Yes	Yes
Syrian Arab Republic	DTC	10 Nov 2008	18 Jun 2008	Unreviewed	No
Tajikistan	DTC	20 Nov 2008	10 Apr 2009	Unreviewed	Yes
Tanzania	DTC	27 May 2011	12 Dec 2011	Unreviewed	Yes
Thailand	DTC	22 Mar 1985	13 Mar 1986	Unreviewed	No
Trinidad and Tobago	DTC	8 Feb 1999	13 Oct 1999	No	No
Turkey	DTC	31 Jan 1995	1 Feb 1997	Yes	No
Turkmenistan	DTC	25 Feb 1997	7 Jul 1997	Unreviewed	No
Uganda	DTC	30 Apr 2004	27 Aug 2004	Unreviewed	No
Ukraine	DTC	7 Apr 1999	31 Oct 2001	Unreviewed	No
United Arab Emirates	DTC	29 Apr 1992	22 Sep 1993	Yes	Yes
United Kingdom	DTC	25 Jan 1993	26 Oct 1993	Yes	No
United Kingdom	DTC Protocol	30 Oct 2012	not yet in force	Yes	Yes
United States	DTC	12 Sep 1989	1 Jan 1991	Yes	No
Uruguay	DTC	8 Sep 2011	21 Jun 2013	Yes	Yes
Uzbekistan	DTC	29 Jul 1993	25 Jan 1994	Unreviewed	Yes
Uzbekistan	DTC Protocol	11 Apr 2012	20 Jul 2012	Unreviewed	Yes
Viet nam	DTC	7 Sep 1994	2 Feb 1995	Unreviewed	No
Virgin Islands, British	TIEA	9 Feb 2011	22 Aug 2011	Yes	Yes
Zambia	DTC	5 Jun 1981	18 Jan 1984	Unreviewed	No

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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