

De Jure

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SETTING UP AN OFFICE IN INDIA

Branch
Offices



The Reserve Bank of India (the "**RBI**"), on March 31, 2016, has notified the Foreign Exchange Management (Establishment of a Branch office or a liaison office or a Project office or any other place of business) Regulations, 2016 (the "**New Regulations**") in India which replace the existing Foreign Exchange Management (Establishment of a Branch office or a liaison office or a Project office or any other place of business) Regulations, 2000 (the "**Old Regulations**").

A comparative analysis of the Old Regulations *vis-a-vis* the New Regulations have been highlighted below:

Particulars	Old Regulations	New Regulations
Establishment of branch / liaison/ project office	The Old Regulations were silent on the time period within which the branch / liaison/ project office needs to be established.	The New Regulations stipulate a time period of 6 months within which the branch / liaison/ project office is to be established. This time period can be extended further by 6 months subject to the Authorised Dealer discretion An application will be required to be made to the Reserve Bank of India for extension thereafter. In the event such extension is not granted the license shall stand cancelled.
Validity period for Liaison Office	The Old Regulations were silent on the validity of the liaison office approval granted to companies engaged in construction and development sectors and non- banking financial companies.	The New Regulations have specified the validity period for a liaison office set up by entities engaged in construction and development sectors (other than infrastructure activities) and non- banking financial companies to be 2 years.

Particulars	Old Regulations	New Regulations
Setting up Additional Office	In terms of the Old Regulations read with the Master Circular No. 7 dated July 01, 2015 on Establishment of Liaison / Branch/ Project Office in India by Foreign Entity, while application was required to be made for setting up additional office, justification for setting up such additional office was required to be provided only if the number of branch office(s)/liaison office(s) exceeded 4 (i.e. one branch office/ Liaison Office in each zone viz. East, West, North, & South Zone).	The New Regulations however states that a fresh application for setting up an each additional branch office or liaison office will be required to be made to the Authorised Dealer along with justification for setting such each additional office.
Registration with State Police Authorities	The Old Regulations were silent in this regard	The New Regulations contain an additional requirement for persons from Bangladesh, Sri Lanka, Afghanistan, Iran, China, Hong Kong or Macau to register a branch / liaison/ project office established by them, with the State Police Authority. A copy of such registration is required to be submitted to the Authorised Dealer who in turn shall be required to submit such registration with the Ministry of Home Affairs, Internal Security Division – I, Government of India, New Delhi.

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