



26% FDI under approval route applicable to digital media, news aggregators, news agencies | Given 1 year to comply with the cap & other requirements

INSIGHTS

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The Government has clarified the entities which get covered under the news digital media sector, wherein 26% foreign direct investment (FDI) is permitted under the Government route under the head: “*Uploading/Streaming of News and Current Affairs through Digital Media*”, and has given them a timeline of one (1) year to comply with the applicable requirements. The clarification will impact the market players such as those engaged in digital media, news aggregators which use software or web application to aggregate the news, who may need to revisit their existing foreign investment.

Vide [Press Note No.4 of 2019](#) dated September 18, 2019, the Government had liberalised the FDI for the entities engaged in news digital media sector and accordingly, entities engaged in uploading / streaming of news and current affairs through digital media were permitted FDI up to 26% through Government approval route. The Government has now clarified that following Indian entities (**Applicable Entities**), registered or located in India, will need to comply with 26% FDI through Government approval route within one (1) year from October 16, 2020:

- Digital media entity streaming / uploading news and current affairs on websites, apps or other platforms;
- News agency which gathers, writes and distributes / transmits news, directly or indirectly, to digital media entities and/ or news aggregators; and
- News aggregator, being an entity, which using software or web application, aggregates news content from various sources, such as news websites, blogs, podcasts, video blogs, user submitted links, etc. in one location.

Additionally, the Applicable Entities will need to comply with following:

- **Foreign exchange laws:** FDI policy and applicable notifications issued under the Foreign Exchange Management Act, 1999;
- **Indian management:**
 - majority of the directors on the board of the company shall be Indian citizens;
 - chief executive officer shall be an Indian citizen;
- **Security clearance:** Applicable Entities shall be required to obtain security clearance of all personnel likely to be deployed for more than 60 days in a year by way of appointment, contract or consultancy or in any other capacity for functioning of the entity prior to their deployment. If security clearance of any of the foreign personnel being denied or withdrawn for any reasons whatsoever, Applicable Entities will ensure that the concerned person resigns, or his/ her services are terminated forthwith after receiving such directives from the Government.

Aforementioned has been clarified by the Department for Promotion of Industry & Internal Trade, Ministry of Commerce and Industry, Government of India, vide its clarification dated October 16, 2020 ([available here](#)).

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com

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