

**Exim Bank's Line of Credit of US\$ 5 million to  
Banque Internationale Arabe de Tunisie (BIAT)  
A.P.(DIR Series) Circular No.1**

**Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400 001**

July 14, 2001

A.P.(DIR Series) Circular No.1  
[last circular for the year 2000-01 is  
A.P.(DIR Series) Circular No.36]

To  
All Authorised Dealers in Foreign Exchange

Dear Sirs

**Exim Bank's Line of Credit of US\$ 5 million to  
Banque Internationale Arabe de Tunisie (BIAT)**

Export Import Bank of India (Exim Bank) has concluded an agreement with the Banque Internationale Arabe de Tunisie (BIAT) on October 21, 2000, making available to the latter, a line of credit upto an aggregate amount of US\$ 5 million (U.S. Dollar five million only). The credit has become effective from March 1, 2001 and is available for financing Indian export of eligible goods (listed in the Annexure) and related services to Tunisia. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into Tunisia shall be subject to the laws and regulations in force in both the countries.

2. The broad terms and conditions of the credit are as under:

- (a) Every contract under the credit will require prior approval of Exim Bank.
- (b) The credit shall be available for financing an amount upto 90 per cent of the f.o.b.(free on board)/c.i.f.(cost, insurance & freight)/c&f(cost and freight) contract price of the eligible contract.
- (c) The contract price shall be specified in U.S. Dollar and shall not be less than U.S. Dollar 50,000 (U.S. Dollar fifty thousand only) or such amount as may, from time to time, be agreed upon between Exim Bank and BIAT.
- (d) The contract signed under the credit should also provide for the following:-
  - i The buyer shall make an advance payment of 10 per cent of the f.o.b./c&f/c.i.f. of

the contract value to the seller payable within 10 business days after the date of the approval of the contract by Exim Bank.

- ii The buyer shall make payment to the seller the balance of 90 per cent of f.o.b./c&f/c.i.f. of the contract price, pro-rata against shipments, to be covered under an irrevocable letter of credit in favour of the seller.
- iii The eligible goods shall be inspected before shipment on behalf of the buyer and the documents to be furnished by the seller to the negotiating bank under the letter of credit arrangement shall include an inspection certificate.

3. The letter of credit shall be advised through such offices of the negotiating bank in India as may be designated from time to time by Exim Bank in consultation with BIAT. The letter of credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1994 edition) published by the International Chamber of Commerce (Publication No.500) and shall be irrevocable and if required by a seller, be also divisible and transferable.

4. Upon presentation of documents by the beneficiary to the negotiating bank, the negotiating bank shall pay to the beneficiary an amount being not more than 90 per cent of f.o.b./c&f/c.i.f. contract value, apportionable to the relative shipment, in equivalent Indian Rupees at the spot rate of exchange of the negotiating bank, plus the amount of insurance as applicable in Indian Rupees, provided the documents presented are in order and are in conformity with the relevant letter of credit.

5. Where negotiation has been effected without reserve, Exim Bank shall, upon receipt of the negotiating bank's advice, reimburse the negotiating bank in U.S.Dollars with the amount of the eligible value so paid by the negotiating bank to the beneficiary in equivalent Indian Rupees, to the extent apportionable to the relative shipment by transfer to the credit of the negotiating bank in such account with such bank in New York, USA as may be specified in the negotiating bank's advice to Exim Bank. If the negotiation has been made under reserve, Exim Bank shall make payment to the negotiating bank only after Exim Bank receives an advice from the negotiating bank that the issuing bank, which has opened/issued letters of credit, has lifted the reserve and has accepted the documents, or an advice from the issuing bank through the borrower or the negotiating bank to that effect.

6. Exim Bank shall in no way be liable or responsible for any act or omission of the negotiating bank in handling the letter(s) of credit or negotiation of documents thereunder or for payment to a beneficiary thereof or otherwise, for any interest on the amount to be reimbursed to the negotiating bank.

7. Bank charges, expenses, commission or stamp duty payable in India shall be to the account of the seller/beneficiary and those payable in Tunisia shall be to the account of the buyer.

8. The terminal dates for opening letters of credit and utilisation of credit are February 28, 2002 and August 30, 2002 respectively.

9. Shipments under the credit will have to be declared on GR/SDF forms as usual. All copies of GR/SDF forms should bear a prominent superscription reading 'Export under Exim Bank line of credit dated October 21, 2000 extended to Banque Internationale Arabe de Tunisie'. The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, authorised dealer should certify the duplicate copy/ies of the relative GR/SDF form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

10. No agency commission shall be payable in respect of exports financed under the above line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b./c.i.f./c&f value in respect of goods specified in the Annexure which require after sales service. In such cases, commission will have to be paid in Tunisia only by deduction from the invoice of the relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 per cent of the f.o.b./c.i.f./c & f value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

11. Authorised dealers may bring the contents of this circular to the notice of their exporter constituents.

12. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully  
**K.J. UDESHI**  
Chief General Manager

#### **ANNEXURE**

##### **List of Eligible Goods for finance out of the Credit**

##### **PART A**

1. Air compressors.
2. Air conditioning, heating, cooling, fume extraction, dust collection, humidification and ventilation equipment for industrial use including blowers and exhaust fans.
3. Alcohol and brewery plant.
4. Aluminium plant and equipment.
5. Asbestos cement machinery.
6. Cement machinery.
7. Cinematographic equipment for motion picture and television studios.
8. Chemical and pharmaceutical plant and machinery.
9. Cigarette making machinery.
10. Coffee processing machinery.
11. Coke oven plant and equipment.
12. Coke oven refractories.
13. Control and Process Instruments including X-Ray equipment for Industrial Applications.

14. Copper Ore concentration machinery.
15. Dairy equipment and animal feed plant.
16. Earth moving equipment like crawler tractors, shovels, excavators, loaders, dumpers etc.
17. Edible Oil Mill machinery and oil expellers.
18. Electric motors and pumps.
19. Electronic Data Processing equipment.
20. Fertilizer plant and equipment.
21. Flour, rice and dal mill machinery.
22. Food processing plant.
23. Foundry equipment including mould making machinery, Sand and Shot blasting equipment.
24. Freight containers.
25. Garage equipment.
26. Gas and air separation plants.
27. Glass and Ceramic machinery.
28. Heat Exchangers.
29. Integrated Steel Plants (complete or in parts), mini steel plants (electric arc and reduction furnaces). Re-heating and heat treatment furnaces, Rolling Mills and other finishing lines for ferrous and non-ferrous metals.
30. Ice-making machinery.
31. Industrial boilers.
32. Industrial furnaces.
33. Industrial switchboards, Control panels, circuit breakers, air break switches.
34. Jute machinery.
35. Leather tanning and processing machinery.
36. Machine tools.
37. Machinery for manufacturing air conditioners, bicycles, corks, electrical goods, enamel-ware, hard board, metal containers, radios, razor blades, refractories and bricks, sewing machines, shoes, steel furniture, wire-ropes and cables etc.
38. Machinery for manufacturing any product figuring in Part B of this List, not specified separately in this Part.
39. Material handling equipment like fork lifts, electric lifts, cranes, hoists etc. and conveyor systems.
40. Metal working machinery.
41. Mining machinery.
42. Motor vehicles and chassis, including three-wheelers.
43. Oil drilling rigs.
44. Oil refinery equipment.
45. Packaging and weighing machinery.
46. Pile foundation machinery.
47. Plastic machinery.
48. Power generation, transmission and distribution equipment including, boilers, generators, transformers, switchgears, transmission line towers, conductors, cables, sub-station equipment and protective equipment.
49. Power line carrier communication equipment.
50. Power station structures, hydraulic structures like penstocks, gates and gearings, sub-

- station structures.
- 51. Pressure vessels.
- 52. Printing and book-binding machinery.
- 53. Pulp and Paper Mill machinery.
- 54. Railway electrification equipment and structures and railway signalling equipment.
- 55. Railway rolling stock including locomotives, wagons, coaches and trolleys.
- 56. Rubber machinery.
- 57. Road and construction equipment including road rollers, tar boilers, continuous batch plants, stone crushers, asphalt mixers, concrete mixers and vibrators.
- 58. Ships, boats, trawlers, steamers, launches, barges.
- 59. Solvent extraction machinery.
- 60. Spraying equipment.
- 61. Stream, diesel and petrol engines.
- 62. Steel fabrication for bridges, factories etc.
- 63. Steel rails and railway track equipment including sleepers, fishplates, points and crossings.
- 64. Steel shuttering and scaffolding materials.
- 65. Steel tanks.
- 66. Sugar (including Khandsari) machinery.
- 67. Telecommunication and signalling equipment.
- 68. Textile machinery.
- 69. Tractors and Trailers.
- 70. Vending machines.
- 71. Water supply equipment including pumping plant, large diameter fabricated steel pipes, C.I. spun pipes and storage tanks, water treatment and sewage treatment plant.
- 72. Weigh bridges.
- 73. Welding machinery.
- 74. Wood working machinery.

## **PART B**

- 1. Agricultural implements.
- 2. Auto parts.
- 3. Bicycles, motorcycles, scooters, mopeds and parts.
- 4. Construction materials including sanitaryware, tiles and precast cement products, false ceiling, flooring materials, pipes, decorative laminates, fittings, electricals and steel/aluminium doors and windows, provided they are exported as separate items and not as items forming part of civil construction/turnkey projects.
- 5. Agricultural chemicals and industrial chemicals.
- 6. Pressure cookers, watches and clocks, knittings/sewing machines, vacuum flasks, cutlery, plastic moulded luggage.
- 7. Domestic electric appliances.
- 8. Drugs and Pharmaceuticals.
- 9. Electrical equipment including low tension insulators, batteries and accumulators, parts of electrical machinery and lamps, fuses and electrodes for industrial application.
- 10. Electronic components.

11. Electronic goods including radios, TV, public address systems, record players, tape recorders.
12. Fibreglass, PVC & plastics based products including pipes and tubes, tyre cord.
13. Ferrous/non ferrous castings, forgings, stampings, extrusions and rolled products.
14. Ferrous/non-ferrous pipes, tubes, sheets, strips, foils, rods, wires, wire ropes.
15. Heating and cooling equipment including air conditioners, refrigerators, water coolers.
16. Industrial rubber products including tyres and tubes, cots and aprons, conveyor belts, rubber rollers, hose pipes.
17. Instruments for measurement, scientific survey and for surgical applications.
18. Industrial fasteners, bearings, valves, gears and gaskets.
19. X-ray and other electro-medical and other hospital equipments.
20. Office-equipments including typewriters, calculators, duplicators, teleprinters.
21. Metal and plastic furniture.
22. Hand tools, cutting tools, grinding wheels, moulds dies.
23. Gas cylinders, fire fighting equipment, photographic equipment, helmets, including fibreglass helmets.
24. Any item not included in Part “B” above that might be agreed upon between Exim Bank and Borrower.

**Remittance for participation in lottery etc.  
schemes  
A.P.(DIR Series) Circular No.2 (July 27, 2001)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001

A.P.(DIR Series) Circular No.2

July 27, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs

**Remittance for participation in lottery etc. schemes**

It has come to the notice of the Reserve Bank that certain overseas organisations have been advising individuals in India that they have won prizes in lotteries etc. and that they should arrange to remit some amount in US Dollars, as fees.

2. Attention of the authorised dealers is drawn to Item 3 of Schedule I to the Government of India Notification G.S.R. 381(E) dated May 3, 2000, which prohibits, inter alia, remittances for the purchase of lottery tickets. **Authorised dealers are, therefore, advised to suitably inform the members of public that remittance in any form towards participation in lottery schemes are prohibited under Foreign Exchange Management Act, 1999. Further, these restrictions are also applicable to remittances for participation in lottery like schemes functioning under different names like money circulation scheme, or remittances for the purpose of securing prize money/awards etc.**

3. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully  
K.J. UDESHI  
Chief General Manager

**Indo-Mauritius Credit Agreement dated  
May 4, 2001, for US\$ 100 million  
A.P.(DIR Series) Circular No.3 (July 30, 2001)**

**RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI - 400 001**

A.P.(DIR Series) Circular No.3

July 30, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs

**Indo-Mauritius Credit Agreement dated  
May 4, 2001, for US\$ 100 million**

The Government of India have extended a line of credit of an amount of US\$ 100 million (U.S. Dollar one hundred million only) to the Government of the Republic of Mauritius under a credit agreement entered into between the two Governments on May 4, 2001. The credit of US\$ 100 million shall be available to the Government of Mauritius for importing from India computer equipment, software, resource persons and related infrastructure equipment, broadly categorised as capital goods, consumer durables and consultancy as mentioned in the Annexure, for Cyber City and IT Education projects in Mauritius. The contents of the Annexure may be modified by way of additions, deletions or substitutions, from time to time, as may be mutually agreed upon between the two Governments. The credit will not cover third country imports. The export of goods and services from India and their import into Mauritius under the line of credit shall take place through normal commercial channels and will be subject to the laws and regulations in force in both the countries.

2. The broad terms and conditions of the line of credit are as under :

- (a) All contracts will be subject to the approval of the Government of India and the Government of Mauritius and shall contain a clause to that effect. The contracts should be forwarded to the Ministry of Finance, Department of Economic Affairs, Government of India, New Delhi, for approval. The Government of Mauritius and the State Bank of India, New Delhi, will be informed in respect of each approved contract by the Ministry of Finance, Government of India.



- (b) The credit of US \$ 100 million will cover 90 per cent of f.o.b. value of the eligible goods and services to be exported from India. The 10 per cent of the f.o.b. value shall be paid by the importer in U.S. Dollars at the time of opening of the letter of credit. Accordingly, letters of credit should specify that 10 per cent value shall be met out of the remittances from Mauritius while the balance 90 per cent shall be financed from the credit. The value of the contract should be expressed in U.S. Dollars.
- (c) All disbursements under the credit should be made under letters of credit opened by banks in Mauritius only. All letters of credit shall be advised by banks in Mauritius to the State Bank of India, New Delhi, for onward transmission to the exporter/s either direct or through another bank in India, if any, nominated by the exporter/s. Normal commercial practices followed in respect of advising payments under letters of credit will be applicable. All claims to the State Bank of India for payment of 90 per cent of the f.o.b. value will need to be supported by a certificate of the negotiating bank that the 10 per cent amount directly payable has been received. The letters of credit should be supported by a copy of the contract and should contain the following reimbursement clause :

“Reimbursement for 90 per cent of the f.o.b. value of the contract shall be provided by the State Bank of India, New Delhi from US\$ 100 million credit extended by the Government of the Republic of India to the Government of the Republic of Mauritius. The letter of credit is negotiable after the State Bank of India has issued an advice that it is operative. All claims to the State Bank of India for payment of 90 per cent of the f.o.b. value will need to be supported by a certificate of the negotiating bank to the effect that the 10 per cent directly payable has been received”.

3. The contracts to be financed under the credit agreement for items specified in paragraph 1 of the Annexure should be signed and relative letters of credit established by May 31, 2002 and the full amount be drawn under the credit by May 31, 2003. In the case of items specified in paragraph 2 of the Annexure, contracts should be signed, letters of credit opened and the full amount drawn on or before May 31, 2002. If the full amount is not drawn by the aforesaid dates, the balance will be cancelled and the final instalment of the repayment to be made by the Government of Mauritius shall be reduced accordingly, except as may otherwise be agreed to by the Government of India.

4. Shipments under the credit agreement should be declared on GR/SDF/SOFTEX Forms with prominent superscription reading “Exports to Mauritius under Credit Agreement dated May 4, 2001, between the Government of India and the Government of the Republic of Mauritius”. The number and date of this circular should be recorded on the GR/SDF/SOFTEX Forms in the space provided therefor. On receipt of the full payment of bills in the manner indicated above, authorised dealers should certify duplicate copies of the relative GR/SDF/SOFTEX Forms and forward the same to the concerned office/s of Reserve Bank in the usual manner.

5. Ordinarily, no agency commission shall be payable in respect of exports financed under the line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b. value in respect of capital goods which require after sales service. In such cases, commission will have to be paid in Mauritius by deduction from the invoice value of the relevant shipment and the reimbursable amount will be 90 per cent of the f.o.b. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

6. Authorised dealers may bring the contents of this circular to the notice of their constituents engaged in exports to Mauritius.

7. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully

**K. J. UDESHI**

Chief General Manager

**ANNEXURE**

**Indo-Mauritius Credit Agreement of 2001**

1. Capital goods (along with original spare parts and accessories purchased with the capital goods and included in the original contract).
  2. Items eligible for coverage under this credit also include consultancy and consumer durables.
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**Counter-Trade Arrangements with Romania**  
**A.P.(DIR.Series) Circular No. 4 (August 27, 2001)**

**RESERVE BANK OF INDIA**  
**EXCHANGE CONTROL DEPARTMENT**  
**CENTRAL OFFICE**  
**MUMBAI - 400 001**

A.P.(DIR.Series) Circular No. 4

August 27, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Counter-Trade Arrangements with Romania**

Attention of authorised dealers is invited to item C of Regulation 14 of the Reserve Bank Notification No. FEMA. 23/2000-RB dated May 3, 2000, stipulating that prior approval of the Reserve Bank is required for any arrangement involving adjustment of value of goods imported into India against value of goods exported from India.

2. It has now been decided to allow counter-trade arrangements between Indian and Romanian parties in which exports from India to Romania may precede imports into India and the U.S. Dollar Escrow Accounts may be opened and maintained by the Indian parties with banks in Romania, subject to the condition, among others, that the Indian exporter should utilise the funds for import of goods from Romania into India within six months from the date of credit to such Escrow Accounts. Authorised dealers may forward such proposals to the concerned Regional Office of Reserve Bank under whose jurisdiction the exporter is situated. The concerned authorised dealer shall monitor the transactions in the U.S. Dollar Escrow accounts with banks in Romania through a mirror account.

3. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully,  
**K. RAMASUBRAMANIAN**  
Officer-in-Charge

**Export of Goods and Services**  
**A.P.(DIR Series) Circular No.5 (August 27, 2001)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001

A.P. (DIR Series) Circular No.5

August 27, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Export of Goods and Services**

Attention of all authorised dealers is invited to the second proviso to Regulation 9 of the Reserve Bank Notification No. FEMA 23/2000-RB dated May 3, 2000, empowering Reserve Bank to extend the period of six months within which the amount representing full export value of goods or software export shall be realized and repatriated to India.

2. It has been decided, as a temporary measure, to allow a period of 360 days ( in place of existing six months), from the date of shipment, for realisation and repatriation of full value of goods/software exported to the countries included in the list annexed.

3. The relaxation in the period of realisation will be available **for one year with effect from September 1, 2001**, that is, to the exports to be made on or after September 1, 2001. Accordingly, from September 1, 2002, the exporters will be under obligation to realise full export proceeds within the prescribed period of six months from the date of export.

4. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully,  
**K. RAMASUBRAMANIAN**  
Officer-in-Charge

## Annexure

1. Antigua
2. Argentina
3. Bahama
4. Barbados
5. Belige
6. Bermuda
7. Bolivia
8. Brazil
9. Chile
10. Colombo
11. Costa Rica
12. Cuba
13. Cyprus
14. Dominica
15. Dominican rep
16. El Salvador
17. Faeroe Is
18. Folkland Is
19. French Guiana
20. Gibraltar
21. Greenland
22. Grenada
23. Guadeloupe (French West Indies)
24. Guatemala
25. Guyana
26. Haiti
27. Honduras
28. Jamaica
29. Malta
30. Martinique
31. Mexico
32. Monsterrat
33. Netherlands Antilles
34. Nicaragua
35. Panama excluding Canal Zone rep
36. Paraguay
37. Peru
38. St.Lucia
39. St.Pierre & Miqueion
40. St.Vincent
41. Surinam
42. Trinidad & Tobago
43. Uruguay

## **Export of Goods and Services**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001

A.P.(DIR Series) Circular No.6

September 24, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

### **Export of Goods and Services**

Attention of all Authorised Dealers is invited to the second proviso to Regulation 9 to the Notification No.FEMA 23/2000-RB dated May 3, 2000 empowering Reserve Bank of India to extend the period of six months within which the amount representing full export value of the goods shall be realised and repatriated to India.

2. It has been decided, as a temporary measure, to allow manufacturer exporters of the products listed in the Annexure and having export contracts of Rs.100 crores and above in value term in one year, a period upto 365 days from the date of shipment, for the realisation and repatriation of full value of the exports of products specified .

3. The relaxation in the period of realisation will be available for exports to be made on or after 1st October, 2001 for a period of one year subject to review.

4. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in the circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 ( 42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act

Yours faithfully,

(B.K. Bhoi)  
Officer-in-Charge

**Products eligible for exports with extended period of realisation by manufacturer exporters..**

1. Pharmaceuticals (including drugs, fine chemicals).
2. Agro-chemicals (including inorganic and organic chemicals).
3. Transport equipment (including commercial vehicles, two and wheelers, tractors, railway wagons, locomotives).
4. Cement (including glass, glassware, ceramics and refractories).
5. Iron & Steel (including iron & steel bars/rods and primary and semi-finished iron & steel) and
6. Electrical machinery (including transmission line towers, gear, transformers).



**Deferred Payments Protocols dated 30th April, 1981 and 23rd December, 1985  
between the Government of India and erstwhile USSR  
A.P. (DIR Series) Circular No. 7 (October 1, 2001)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001

A.P. (DIR Series) Circular No. 7

October 1, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs/Madam,

**Deferred Payments Protocols dated 30th April, 1981 and  
23rd December, 1985 between the Government of India  
and erstwhile USSR**

Attention of authorised dealers is invited to AP (DIR Series) Circular No. 2 dated 17th June 2000 wherein the rupee value of the special currency basket effective from 10th June 2000 was indicated.

2. Authorised dealers are advised that a further change has taken place on 17th September 2001, and accordingly the rupee value of the special currency basket effective from 20th September 2001, has been fixed at Rs. 54.0356.
3. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**GRACE KOSHIE**

Chief General Manager

**Settlement of insurance claims in foreign currency  
A.P.(DIR Series) Circular No.8 (October 13, 2001)**

**RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI - 400 001**

**A.P.(DIR Series) Circular No.8**

**October 13, 2001**

To

All Authorised Dealers in Foreign Exchange

Dear Sirs/Madam,

**Settlement of insurance claims in foreign currency**

In terms of paragraph B.3 of GIM requests for issue of general insurance policies in foreign currency other than those covered by the provisions of GIM are required to be referred to RBI. Approvals are granted by RBI on merits of the case and insurance companies are permitted to issue policies denominated in foreign currency and receive premium in foreign currency. Settlement of claims in foreign currency in respect of such policies can now be permitted by insurance companies subject to the following conditions:-

- i) the policy has been issued in foreign currency with specific approval of RBI;
- ii) the claim has been made for the loss occurred during the policy period;
- iii) the claim has been admitted by the competent authority of the insurance company;
- iv) the claim has been settled as per the surveyors report and other substantiating documents;
- v) claims on account of reinsurance are being lodged with the reinsureres and will be received as per reinsurance agreement;

- vi) the remittances is being made to the non-resident beneficiary under the policy. For resident beneficiaries the claim may be settled in Rupee equivalent of foreign currency due. Under no circumstances payment in foreign currency be made to a resident beneficiary; and
  - vii) while reporting the transaction in R>Returns RBI approval for issue of policy may be quoted.
2. Authorised Dealers may accordingly allow remittances towards settlement of claims subject to compliance of the conditions stipulated in paragraph 1 above by the Indian insurance companies. Authorised Dealers may also bring the contents of this circular to the notice of their constituents concerned.
3. The directions contained in this circular have been issued under Section 10(4) & Section 11( I ) of Foreign Exchange Management Act 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**  
Chief General Manager

**Export of Goods and Services -  
Certification of SOFTEX Forms**

**RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001.**

A.P.(DIR Series) Circular No.9

October 25, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs/Madam,

**Export of Goods and Services -  
Certification of SOFTEX Forms**

Attention of Authorised Dealers is invited to Regulation 6 of the Reserve Bank Notification No.FEMA 23/2000-RB dated May 3, 2000, as amended by the Notification No.FEMA 36/2001-RB dated February 2, 2001, in terms of which designated officials of Ministry of Information Technology, Government of India at the Software Technology Parks of India (STPIs) or at Free Trade Zones (FTZs) or Export Processing Zones (EPZs) or Special Economic Zones (SEZs) have been authorised to certify exports declared on SOFTEX forms by the units located in STPIs/EPZs/SEZs. In terms of the Exim Policy designated officials of STPIs/EPZs/SEZs may also certify the SOFTEX Forms in respect of EOUs which are registered with them. Accordingly, EOU software exporters may approach the designated officials of STPIs/EPZs/SEZs where they are registered, for certification of software exports on SOFTEX Forms.

2. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

3. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager

**Asian Clearing Union (ACU) Mechanism – Exports to Nepal**  
**A.P. (DIR Series) Circular No. 10**

**Reserve Bank of India**  
**Exchange Control Department**  
**Central Office**  
**Mumbai 400 001**

A.P. (DIR Series) Circular No. 10

November 1, 2001

To

All Authorised Dealers in Foreign Exchange  
Dear Sirs, /Madam,

**Asian Clearing Union (ACU) Mechanism**  
**– Exports to Nepal**

As authorised dealers are aware, in terms of the Reserve Bank Notifications No.FEMA 14/RB-2000 and FEMA 17/RB-2000 dated May 3, 2000, all trade transactions between a person resident in India and a person resident in Nepal may be settled in rupees. It has now been decided that in case of export of goods to Nepal, where an importer resident in Nepal has been permitted by the Nepal Rashtra Bank to make payment in free foreign exchange, such payments shall be routed through the ACU mechanism.

2. Consequential changes in the Memorandum ACM will be intimated in due course.

3. Authorised dealers may bring the contents of the circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully

**Grace Koshie**  
Chief General Manager

**Reserve Bank of India Exchange Control Department**  
Central Office Mumbai - 400 001

November 13, 2001

A.P.(DIR Series) Circular No. 11  
A.P.(FL Series) Circular No. 1

To  
All Authorised Persons in Foreign Exchange

Dear Sirs/Madam

**Release of Foreign Exchange for visits abroad - Currency Component**

Authorised dealers as well as Full Fledged Money Changers are permitted to sell foreign exchange in the form of foreign currency notes and coins upto US\$ 500 or its equivalent to travellers proceeding to countries other than Iraq, Libya, Islamic Republic of Iran, Russian Federation and other Republics of Commonwealth of Independent States. It has been decided to increase this ceiling to US\$ 2,000 (US Dollar Two thousand only) to the travellers proceeding to these countries without prior permission from the Reserve Bank. Authorised dealers and Full Fledged Money changers may accordingly sell foreign exchange in the form of foreign currency notes and coins upto US\$ 2,000 or its equivalent out of the overall foreign exchange released to them.

2. Authorised persons may bring the contents of circular to the notice of their constituents concerned.

3. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**Grace Koshie**  
Chief General Manager

**Release of Foreign Exchange for private  
visit abroad - Endorsement on Passport  
A.P.(DIR Series) Circular No.12 (November 23, 2001)**

**RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI-400 001**

November 23, 2001

A.P.(DIR Series) Circular No.12  
A.P.(F.L. Series) Circular No.2

To

All Authorised Persons in Foreign Exchange

Dear Sirs/Madam,

**Release of Foreign Exchange for private  
visit abroad - Endorsement on Passport**

In terms A.P.(DIR Series) Circular No.20/A.P.(F.L. Series) Circular No.2 dated November 16, 2000, authorised persons are required to invariably endorse on the traveller's passport, the amount of foreign exchange sold for tourism and private purposes, under their stamp, date and signature.

2. With a view to further simplifying the procedures, it has now been decided that henceforth ADs and FFMCs need not make any endorsement on the passports of the travellers availing of foreign exchange for tourism and private purposes. Accordingly, on the basis of a declaration given by the traveller regarding the amount of foreign exchange availed of during a calendar year, ADs/FFMCs may release exchange for travel for tourism and private purposes. Travellers can, however, seek endorsement on their passports, of foreign exchange released, at their option, if they consider it necessary for their record.

3. Authorised persons may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager

**Purchase/sale of shares and /or convertible debentures by  
Overseas Corporate Bodies (OCBs) on a Stock Exchange  
in India under the Portfolio Investment Scheme (PIS)  
A.P. (DIR Series) Circular No.13 (November 29, 2001)**

**RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001**

A.P. (DIR Series) Circular No.13

November 29, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs / Madam,

**Purchase/sale of shares and /or convertible debentures by  
Overseas Corporate Bodies (OCBs) on a Stock Exchange  
in India under the Portfolio Investment Scheme (PIS)**

Authorised Dealers are aware that in terms of Schedule 3 to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, NRIs and OCBs are eligible to purchase /sell, through a designated branch of an Authorised Dealer, shares and convertible debentures of Indian Companies on a stock exchange in India, under the PIS .

2. It has been decided that henceforth OCBs shall not be permitted to invest under the PIS in India. Further, the OCBs that have already made investments under the Portfolio Investment Scheme, may continue to hold such shares/convertible debentures till such time these are sold on the stock exchange.

3. The link offices of the ADs will continue to report the sale transactions undertaken by the OCBs on daily basis as hitherto.

4. Accordingly, Notification No. FEMA 46/2001-RB dated November 29, 2001 has been issued amending the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000. A copy of the notification is enclosed herewith for ready reference.

5. It is, however, clarified that OCBs will continue to enjoy the facilities of opening and maintaining non-resident accounts as hitherto. OCBs would also continue to be eligible for making direct investment (FDI) , under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 issued vide Reserve Bank Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended from time to time..

6. Authorised Dealers may bring the contents of the circular to the notice of their constituents concerned .



7. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**B.K. Bhoi**

Officer-in-Charge

**Deferred Payments Protocols dated 30th April, 1981 and 23rd December, 1985 between  
the Government of India and erstwhile USSR  
A.P.(DIR Series) Circular No.14**

**RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400001**

**December 5, 2001**

**A.P.(DIR Series) Circular No.14**

To  
All Authorised Dealers in Foreign Exchange

Dear Sirs/Madam,

**Deferred Payments Protocols dated 30th April, 1981 and  
23rd December, 1985 between the Government of India  
and erstwhile USSR**

Attention of authorised dealers is invited to AP (DIR Series) Circular No.7 dated 1st October 2001 wherein the rupee value of the special currency basket effective from 20th September 2001 was indicated.

2. Authorised dealers are advised that a further change has taken place on 19th November 2001, and accordingly the rupee value of the special currency basket effective from 22nd November 2001, has been fixed at Rs.52.3956
3. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**Grace Koshie**  
Chief General Manager

**Exim Bank's Line of Credit of US\$ 10 million to Corporacion Andina De Fomento (CAF)  
(Andean Development Corporation)  
A.P.(DIR Series) Circular No.15**

**RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001**

December 8, 2001

A.P.(DIR Series) Circular No.15

To  
All Authorised Dealers in Foreign Exchange

Dear Sirs/Madam

**Exim Bank's Line of Credit of US\$ 10 million to  
Corporacion Andina De Fomento (CAF)  
(Andean Development Corporation)**

Export Import Bank of India (Exim Bank) has concluded an agreement with the Corporacion Andina De Fomento (CAF) on July 19, 2001, making available to the latter, a line of credit upto an aggregate sum of US\$ 10 million (U.S. Dollar Ten Million only). The credit has become effective from August 27, 2001, and is available for financing Indian export of eligible goods (listed in the Annexure) and related services to buyers in the borrowing countries, viz., Republics of Bolivia, Colombia, Ecuador, Peru and Venezuela. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into the borrowers' countries shall be subject to the laws and regulations in force in the concerned countries.

2. The broad terms and conditions of the credit are as under:

- (a) Every contract under the credit will require prior approval of Exim Bank.
- (b) The credit shall be available for financing an amount upto 90 per cent of the f.o.b. (free on board) or c.& f. (cost and freight) or c.i.f. (cost, insurance & freight) contract price of the eligible contract.
- (c) The contract price shall be specified in U.S. Dollar and shall not be less than U.S. Dollar 1,000,000/- (U.S. Dollar One Million only) or such amount as may, from time to time, be agreed upon between Exim Bank and the borrower.

(d) The contract signed under the credit should also provide for the following:-

- (i) The buyer shall make an advance payment of 10 per cent of the f.o.b./c&f/c.i.f. of the contract value to the seller within 10 business days after the date of the approval of the contract by Exim Bank.
- (ii) The buyer shall make payment to the seller of the balance 90 per cent of f.o.b./c&f/c.i.f. of the contract price, pro-rata against shipments, to be covered under an irrevocable letter of credit in favour of the seller.
- (iii) The eligible goods shall be inspected before shipment on behalf of the buyer and the documents to be furnished by the seller to the negotiating bank under the letter of credit arrangement shall include an inspection certificate.

3. The letter of credit shall be advised through such offices of the negotiating bank in India as may be designated from time to time by Exim Bank in consultation with CAF. The letter of credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1994 edition) published by the International Chamber of Commerce (Publication No.500) and shall be irrevocable and if required by a seller, be also divisible and transferable.

4. Upon presentation of documents by the beneficiary to the negotiating bank, the negotiating bank shall pay to the beneficiary an amount being not more than 90 per cent of f.o.b./c&f/c.i.f. contract value, apportionable to the relative shipment, in equivalent Indian Rupee at the spot rate of exchange of the negotiating bank, provided the documents presented are in order and are in conformity with the relevant letter of credit.

5. Where negotiation has been effected without reserve, Exim Bank shall, upon receipt of the negotiating bank's written communication, reimburse the negotiating bank in U.S. Dollar with the amount of the eligible value to the extent apportionable to the relative shipment by transfer to the credit of the negotiating bank in such account with such bank in New York, USA, as may be specified by the negotiating bank in the communication to Exim Bank. If the negotiation has been made under reserve, Exim Bank shall make payment to the negotiating bank only after Exim Bank receives a written communication from the negotiating bank that the issuing bank which has opened / issued letters of credit, has lifted the reserve and has accepted

the documents, or a communication from the issuing bank through the borrower or the negotiating bank to that effect.

6. Exim Bank shall in no way be liable or responsible for any act or omission of the negotiating bank in handling the letter(s) of credit or negotiation of documents thereunder.

7. Bank charges, expenses, commission or stamp duty payable in India shall be to the account of the seller/beneficiary and those payable in the borrowers' countries shall be to the account of the buyer.

8. The terminal dates for opening letters of credit and utilisation of credit are August 26, 2002, and February 26, 2003 respectively.

9. Shipments under the credit will have to be declared on GR/SDF Forms as usual. All copies of GR/SDF Forms should bear a prominent superscription reading 'Export under Exim Bank line of credit dated July 19, 2001, extended to Corporacion Andina De Fomento (CAF) (Andean Development Corporation).' The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, authorised dealer should certify the duplicate copy/ies of the relative GR/SDF Form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

10. No agency commission shall be payable in respect of exports financed under the above line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b./ c&f /c.i.f. value in respect of goods specified in the Annexure and which require after sales service. In such cases, commission will have to be paid in countries in the Andean Region viz. Republics of Bolivia, Colombia, Ecuador, Peru and Venezuela only by deduction from the invoice of the relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 per cent of the f.o.b./c&f/c.i.f. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

11. Authorised dealers may bring the contents of this circular to the notice of their exporter constituents.

12. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully  
**Grace Koshie**  
**Chief General Manager**

Encl:

**ANNEXURE**  
**List of Eligible Goods for finance out of the Credit**

**PART A**

1. Air compressors
2. Air conditioning, heating, cooling, fume extraction, dust collection, humidification and ventilation equipment for industrial use including blowers and exhaust fans.
3. Alcohol and brewery plant.
4. Aluminium plant and equipment
5. Asbestos cement machinery
6. Cement machinery
7. Cinematographic equipment for motion picture and television studios.
8. Chemical and pharmaceutical plant and machinery.
9. Cigarette making machinery.
10. Coffee processing machinery.
11. Coke oven plant and equipment
12. Coke oven refractories
13. Control and Process Instruments including X-Ray equipment for Industrial Applications.
14. Copper Ore concentration machinery
15. Dairy equipment and animal feed plant
16. Earth moving equipment like crawler tractors, shovels, excavators, loaders, dumpers etc.
17. Edible Oil Mill machinery and oil expellers.
18. Electric motors and pumps
19. Electronic Data Processing equipment

20. Fertilizer plant and equipment
21. Flour, rice and dal mill machinery
22. Food processing plant
23. Foundry equipment including mould making machinery, Sand and Shot blasting equipment
24. Freight containers
25. Garage equipment
26. Gas and air separation plants
27. Glass and Ceramic machinery
28. Heat Exchangers
29. Integrated Steel Plants (complete or in parts), mini steel plants (electric arc and reduction furnaces). Re-heating and heat treatment furnaces, Rolling Mills and other finishing lines for ferrous and non-ferrous metals.
30. Ice-making machinery
31. Industrial boilers
32. Industrial furnaces
33. Industrial switchboards, Control panels, circuit breakers, air break switches
34. Jute machinery
35. Leather tanning and processing machinery
36. Machine tools
37. Machinery for manufacturing air conditioners, bicycles, corks, electrical goods, enamel-ware, hard board, metal containers, radios, razor blades, refractories and bricks, sewing machines, shoes, steel furniture, wire-ropes and cables etc.
38. Machinery for manufacturing any product figuring in Part B of this List, not specified separately in this Part.
39. Material handling equipment like fork lifts, electric lifts, cranes, hoists etc. and conveyor systems.
40. Metal working machinery
41. Mining machinery
42. Motor vehicles and chassis, including three-wheelers
43. Oil drilling rigs
44. Oil refinery equipment
45. Packaging and weighing machinery
46. Pile foundation machinery
47. Plastic machinery

48. Power generation, transmission and distribution equipment including boilers, generators, transformers, switchgears, transmission line towers, conductors, cables, sub-station equipment and protective equipment.
49. Power line carrier communication equipment
50. Power station structures, hydraulic structures like penstocks, gates and gearings, sub-station structures.
51. Pressure vessels.
52. Printing and book-binding machinery
53. Pulp and Paper Mill machinery
54. Railway electrification equipment and structures and railway signalling equipment.
55. Railway rolling stock including locomotives, wagons, coaches and trolleys.
56. Refractories for use in hot blast stoves, hot blast main and bustle pipes and blast furnace proper
57. Rubber machinery
58. Road and construction equipment including road rollers, tar boilers, continuous batch plants, stone crushers, asphalt mixers, concrete mixers and vibrators.
59. Ships, boats, trawlers, steamers, launches, barges.
60. Solvent extraction machinery
61. Spraying equipment
62. Steam, diesel and petrol engines
63. Steel fabrication for bridges, factories etc.
64. Steel rails and railway track equipment including sleepers, fishplates, points and crossings.
65. Steel shuttering and scaffolding materials
66. Steel tanks
67. Sugar (including Khandsari) machinery
68. Tele-communication and signalling equipment
69. Textile machinery
70. Tractors and Trailers
71. Vending machines
72. Water supply equipment including pumping plant, large diameter fabricated steel pipes, C.I. spun pipes and storage tanks, water treatment and sewage treatment plant.
73. Weigh bridges
74. Welding machinery
75. Wood working machinery



**PART B**

1. Agricultural implements.
2. Auto parts
3. Bicycles, motorcycles, scooters, mopeds and parts
4. Construction materials including sanitaryware, tiles and precast cement products, false ceiling, flooring materials, pipes, decorative laminates, fittings, electricals and steel/aluminium doors and windows, provided they are exported as separate items and not as items forming part of civil construction/turnkey projects.
5. Agricultural chemicals and industrial chemicals.
6. Pressure cookers, watches and clocks, knitting/sewing machines, vacuum flasks, cutlery, plastic moulded luggage.
7. Domestic electric appliances
8. Drugs and pharmaceuticals
9. Electrical equipment including low tension insulators, batteries and accumulators, parts of electrical machinery and lamps fuses and electrodes for industrial application.
10. Electronic components.
11. Electronic goods including radios, TV, public address systems, record players, tape recorders.
12. Fibreglass, PVC and plastics based products including pipes and tubes, tyre cord.
13. Ferrous/non-ferrous castings, forgings, stampings, extrusions and rolled products.
14. Ferrous/non-ferrous pipes, tubes, sheets, strips, foils, rods, wires, wire ropes
15. Heating and cooling equipment including air conditioners, refrigerators, water coolers.
16. Industrial rubber products including tyres and tubes, cots and aprons, conveyor belts, rubber rollers, hose pipes.
17. Instruments for measurement, scientific survey and for surgical applications.
18. Industrial fasteners, bearings, valves, gears and gaskets.
19. X-ray and other electro-medical and other hospital equipments
20. Office equipments including typewriters, calculators, duplicators, teleprinters.
21. Metal and plastic furniture
22. Hand tools, cutting tools, grinding wheels, moulds dies.
23. Gas cylinders, fire fighting equipment, photographic equipment, helmets, including fibreglass helmets.
24. Any other item not included above that might be agreed upon between Exiim Bank and the Borrower.

**Issue of Licence for Holding Foreign Securities  
A.P.(DIR Series) Circular No.18 (December 18, 2001)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI - 400 001

A.P.(DIR Series) Circular No.18

December 18, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs/Madam

**Issue of Licence for Holding Foreign Securities**

Under Section 19 of the Foreign Exchange Regulation Act, 1973, persons resident in India were required to obtain holding licence for acquisition of foreign securities. However, under the Foreign Exchange Management Act, 1999, there is no obligation on residents to obtain holding licence.

2. It is, therefore, clarified that no holding licence for acquisition of foreign securities by a person resident in India, is required to be obtained from the Reserve Bank. Under Foreign Exchange Management Act (FEMA), 1999, in terms of Regulation 4 of Notification No.FEMA 19/RB-2000 dated May 3, 2000, a person resident in India has general permission for purchase and sale of foreign securities, in certain cases, including acquisition of bonus shares. General permission has also been granted, vide Regulation 19(1) of the above Notification, for purchase/acquisition of foreign securities by a person resident in India, in certain cases such as by way of gifts/inheritance from a person resident outside India as well as acquisition of foreign securities under Cashless Employees Stock Option Scheme. However, in all other cases which are not covered by general or special permission, prior permission of the Reserve Bank should be obtained before acquisition of foreign security. It is also clarified that prior permission of the Reserve Bank is required in terms of Regulation 21 of the said Notification for acquisition of foreign securities as qualification shares, rights shares, etc.

3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**B. K. BHOI**

Officer-in-Charge

**Risk Management and Inter-Bank Dealings**  
**A.P.(DIR Series) Circular No.19 (January 24, 2002)**

**RESERVE BANK OF INDIA**  
**EXCHANGE CONTROL DEPARTMENT**  
**CENTRAL OFFICE**  
**MUMBAI 400001**

A.P.(DIR Series) Circular No.19

January 24, 2002

To

All Authorised Dealers in Foreign Exchange

Dear Sirs/Madam,

**Risk Management and Inter-Bank Dealings**

Attention of authorised dealers is invited to the Reserve Bank Notification No.FEMA/25/2000-RB dated May 3, 2000.

2. Directions relating to forward exchange cover and other derivative products, Rupee Accounts of non-resident banks and inter-bank dealings, are contained in the enclosure. These directions supercede the existing instructions, namely, :

- (i) Chapter 3 (Part C & D and Annexure II) of ECM,
- (ii) Chapter 5 (Part A & B and Annexure) of ECM,
- (iii) Instructions contained in A.D.(M.A. Series) Circular No.1 dated January 19, 2000.

3. Detailed guidelines contained in Part [B](#) and [C](#) of the enclosure are being issued as required under Regulation 6 of the Reserve Bank Notification No.FEMA/5/2000-RB dated May 3, 2000, which permits authorised dealers to keep deposits with his branch, head office or correspondent outside India and also to accept deposit kept by a branch or correspondent outside India of an authorised dealer and hold in its books in India.

4. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager

## **PART – A**

### **RISK MANAGEMENT**

#### **Section I**

#### **Facilities for Residents other than authorised dealers:**

##### **Forward Exchange Contracts**

A.1(i) Authorised dealers may enter into forward contracts with residents in accordance with the provisions contained in paragraph 1 of Schedule I to Reserve Bank Notification No. FEMA25/RB-2000 dated 3<sup>rd</sup> May 2000.

(ii) While booking contracts for their constituents, authorised dealers should verify suitable documentary evidence, irrespective of the underlying transaction being a current account transaction or a capital account transaction, to ensure that an exposure exists, to the extent of the amount of cover sought. Full particulars of contract should be marked on such documents under proper authentication and copies thereof retained for verification.

A.2 Authorised dealers may also allow importers and exporters to book forward contract on the basis of a declaration of an exposure and based on past performance subject to the conditions prescribed by Reserve Bank of India in this regard.

A.3 A forward contract cancelled with one authorised dealer can be rebooked with another authorised dealer subject to the following conditions:

- (a) the switch is warranted by competitive rates on offer, termination of banking relationship with the authorised dealer with whom the contract was originally booked, etc.
- (b) the cancellation and rebooking are done simultaneously on the maturity date of the contract
- (c) the responsibility of ensuring that the original contract which has been cancelled rests with the authorised dealer who undertakes rebooking of the contract.

##### **Contracts other than Forward contracts**

A.4 (i) Authorised dealers in India may enter into contracts other than forward contracts with residents in India in accordance with the provisions contained in paragraph 2 of Schedule I to the Reserve Bank Notification No. FEMA 25/RB-2000 dated 3<sup>rd</sup> May 2000.

(ii) Authorised dealers should ensure that the Board of Directors of the corporate has drawn up a risk management policy, laid down clear guidelines for concluding the transactions and institutionalize the arrangements for a quarterly review of operations and annual audit of transactions to verify compliance with the regulations. The quarterly review reports and the annual audit reports should be obtained from the concerned corporate by the authorised dealers.

(iii) Authorised dealers may forward a report containing full details of the transactions undertaken by residents in terms of Paragraph 2 of Schedule I to the Regional Office of the Reserve Bank within whose jurisdiction it is functioning, within a week of its conclusion.

(iv) Foreign currency – rupee swaps between corporates who run long-term foreign currency or rupee exposures may be arranged by authorised dealers subject to the conditions prescribed by the Reserve Bank of India.

**NOTE :** *Authorised dealers should not allow the swap route to become a surrogate for forward contracts for those who do not qualify for forward cover.*

#### **Other Derivatives – Foreign Currency Options:**

A.5 (i) Authorised dealers in India may write cross currency options in accordance with the provisions contained in paragraphs 2&3 of Schedule I to the Reserve Bank Notification No FEMA 25/RB-2000 dated 3rd May 2000.

(ii) Option should be written on a fully covered back-to-back basis. The cover transaction may be undertaken with a bank outside India, or an internationally recognized option exchange or another authorised dealer in India.

(iii) Authorised dealers desirous of writing options, should obtain one time approval, before undertaking the business, from the Chief General Manager, Exchange Control Department, (Forex Markets Division), Reserve Bank of India, Central Office, Mumbai, 400 001.

#### **Hedging of commodity price risk in the International commodity markets**

A.6 (i) Residents in India, engaged in import and export trade, may hedge the price risk of commodities in the international commodity exchanges/markets. Applications for commodity hedging may be forwarded to the Reserve Bank through the International Banking Division of an authorised dealer giving the details laid down in Schedule III to the Reserve Bank Notification No. FEMA 25/RB-2000 dated 3rd May 2000. A one-time approval will be given by Reserve Bank along with the guidelines for undertaking this activity.

(ii) Authorised Dealers have to submit a monthly statement to RBI giving the details of the hedging activities undertaken by their clients. They also have to certify that all hedging positions were supported by underlying physical exposures.

#### **Facilities for Foreign Institutional Investors (FIIs)**

A.7 (i) Designated branches of authorised dealers maintaining accounts of FIIs provide forward cover to such customers subject to the conditions set down in paragraph 1 of Schedule II to the Reserve Bank Notification No. FEMA 25/RB-2000 dated 3rd May 2000.

(ii) The eligibility for cover may be determined on the basis of the declaration of the FII. A review may be undertaken on the basis of market price movements, fresh inflows, amounts repatriated and other relevant parameters to ensure that the forward cover outstanding is supported by underlying exposure.

(iii) A monthly statement should be furnished to the Chief General Manager, Reserve Bank of India, Exchange Control Department (Forex Markets Division), Central Office, Mumbai-400 001 before the 10th of the succeeding month indicating the name of the FII / fund, the eligible amount of cover and the actual cover taken.

## **Facilities for Non-resident Indians (NRIs) And Overseas Corporate Bodies (OCBs)**

A.8 Authorised Dealers may enter into forward contracts with NRIs/OCBs as per the guideline set down in paragraph 2 of Schedule II to the Reserve Bank Notification No. FEMA 25/RB-2000 dated 3rd May 2000.

## **Section II**

### **Facilities for Authorised Dealers**

#### **Management of Bank's Assets-Liabilities:**

A. 9 Authorised dealers may use the following instruments to hedge their assets-liability portfolio

- (i) Interest rate swaps,
- (ii) Currency swaps, and
- (iii) Forward rate agreements.

Authorised dealers may also purchase call or put options to hedge their cross currency proprietary trading positions.

The use of these instruments is subject to the following conditions:

(a) An appropriate policy in this regard is approved by their top management.

(b) The value and maturity of the hedge should not exceed that of the underlying

(c) No 'stand alone' transactions can be initiated. If a hedge becomes naked in part or full owing to shrinking of the portfolio, it may be allowed to continue till the original maturity and should be marked to market at regular intervals.

(d) The net cash flows arising out of these transactions are booked as income and expenditure and reckoned as exchange position wherever applicable.

### **Hedging of Gold Prices**

A.10 Banks authorised by Reserve Bank to operate the Gold Deposit Scheme may use Exchange-traded and over-the-counter hedging products available overseas to manage the price risk. However, while using products involving options, it may be ensured that there is no net receipt of premium, either direct or implied. Banks, which are allowed to enter into forward Gold contracts in India in terms of the guidelines issued by the Department of Banking Operations and Development (including the positions arising out of inter-bank Gold deals) are also allowed to cover their price risk by hedging abroad in the manner indicated above.

## **PART -B** **Accounts of Non-resident Banks**

### **General**

B.1(i) Credit to the account of a non-resident bank is a permitted method of payment to non residents and is, therefore, subject to the regulations applicable to transfers in foreign currency.

(ii) Debit to the account of a non-resident bank is in effect an inward remittance in foreign currency.

(iii) In the case of individual payments of USD 10000 or more, the purpose of remittance as given by the recipient should be reported in the statement annexed to R Return.

(iv) Authorised dealers may issue encashment certificates in accordance with the procedures laid down.

### **Rupee Accounts of Non-Resident Banks**

B.2 (i) Banks may open/close rupee accounts (non-interest bearing) in the names of their overseas branches or correspondents without prior reference to Reserve Bank. Opening of rupee accounts in the names of branches of Pakistani banks operating outside Pakistan requires specific approval of Reserve Bank.

(ii) The Head/Principal Office of each bank should furnish an up-to-date list (in triplicate) of all its offices/branches, which are maintaining rupee accounts of non-resident banks as at the end of December every year giving their code numbers allotted by Reserve Bank. The list should be submitted before 15<sup>th</sup> January of the following year to the Central Office of Reserve Bank (Central Statistical Division). The offices/branches should be classified according to area of jurisdiction of Reserve Bank Offices within which they are situated.

### **Form A3**

**B.3 All debits/credits to the accounts of non-resident banks should be reported in form A3.**

### **Funding of Accounts of Non-resident Banks**

B.4 (i) Banks may freely purchase foreign currency from their overseas correspondents/branches at on-going market rates to lay down funds in their accounts for meeting their bona fide needs in India

(ii) Transactions in the accounts should be closely monitored to ensure that overseas banks do not take a speculative view on the rupee. Any such instances should be notified to the Reserve Bank.

### **NOTE:**

*A) Forward purchase or sale of foreign currencies against rupees for funding is prohibited.*

*B) Offer of two-way quotes to non-resident banks is also prohibited.*

### **Transfers from other Accounts:**

B.5 Transfer of funds between the accounts of the same bank or different banks is freely permitted.

## **Conversion of Rupees into Foreign Currencies**

B.6 Balances held in Rupee accounts of non-resident banks may be freely converted into foreign currency. All such transactions should be reported in Form A2 and the corresponding debit to the account should be in form A3 under the relevant R Returns.

## **Responsibilities of Paying and Receiving Banks**

B.7 In the case of credit to accounts the paying banker should ensure that all Control requirements are met and are correctly furnished in form A1/A2 as the case may be. The receiving banker after ensuring that the funds are eligible for credit should submit form A1/A2 under cover of the R Return.

## **Refund of Rupee Remittances**

B.8 Requests for cancellation or refund of inward remittances may be complied with without reference to Reserve Bank after satisfying themselves that the refunds are not being made in cover of transactions of compensatory nature.

## **Overdrafts/Loans to Overseas Branches/Correspondents**

B.9 (i) Banks may permit their overseas branches/ correspondents temporary overdrawals not exceeding Rs.500 lakhs in the aggregate, for meeting normal business requirements. This limit applies to the amount outstanding against all overseas branches and correspondents in the books of all the branches of the bank in India. This facility should not be used to postpone funding of accounts. If overdrafts in excess of the above limit are not adjusted within five days a report should be submitted to the Central Office of Reserve Bank (Forex Markets Division) within 15 days from the close of the month, stating the reasons therefor. Such a report is not necessary if arrangements exist for value dating.

(ii) Banks wishing to extend any other credit facility in excess of (i) above to overseas banks should seek prior approval from the Chief General Manager, Reserve Bank of India, Exchange Control Department (Forex Markets Division) Central Office, Mumbai.

## **Rupee Accounts of Exchange Houses**

B.10 Opening of rupee accounts in the names of exchange houses for facilitating private remittances into India requires approval of Reserve Bank. Remittances through exchange houses for financing trade transactions are permitted upto Rs.2, 00,000 per transaction.

## **PART -C**

### **Inter-Bank Foreign Exchange Dealings**

#### **General**

C.1 The Board of Directors of authorised dealers should frame an appropriate policy and fix suitable limits for various Treasury functions.

#### **Position and Gaps**

C.2 The overnight open exchange position (vide Annexure I) and the aggregate gap limits are required to be approved by the Reserve Bank.



## Inter-bank transactions

C.3 Subject to compliance with the provisions of paragraphs C.1 and C.2, authorised dealers may freely undertake foreign exchange transactions as under:

a) With authorised dealers in India:

(i) Buying/Selling/Swapping foreign currency against rupees or another foreign currency

(ii) Placing/Accepting deposits and Borrowing/Lending in foreign currency.

b) With banks overseas:

(i) Buying/Selling/Swapping foreign currency against another foreign currency to cover client transactions or for adjustment of own position

(ii) Initiating trading positions in the overseas markets subject to Reserve Bank approval. Applications in this regard should be made to the Chief General Manager, Exchange Control Department (Forex Markets Division), Reserve Bank of India, Central Office, Mumbai 400001.

**NOTE :**

A)	<i>Funding of accounts of Non-resident banks - Refer to paragraph B.4.</i>
B)	<i>Form A2 need not be completed for sales in the inter-bank market but all such transactions should be reported to Reserve Bank in R Returns.</i>

## Foreign currency accounts

C.4 (i) Inflows into foreign currency accounts arise primarily from client-related transactions, swap deals, deposits, borrowings etc. Banks may maintain balances in foreign currencies up to the levels approved by the Top Management. They are free to manage the surplus in these accounts through overnight placement and investments with their overseas branches/correspondents subject to adherence to the gap limits approved by Reserve Bank.

(ii) Banks may invest up to 15% of their unimpaired Tier I capital or US\$ 10 million whichever is higher, and the entire amount representing un-deployed foreign currency deposit liabilities in overseas money market instruments and/or debt instruments issued by a foreign state with a residual maturity of less than one year and rated as A-1+/AAA by Standard and Poor or P-1/ Aaa by Moody's or F1+ /AAA by Fitch IBCA. For the purpose of investments in debt instruments other than money market instruments of any foreign state, bank's board may lay down country ratings and country wise limits separately wherever necessary.

**NOTE :** *For the purpose of this clause, 'money market instrument' would mean any debt instrument whose life to maturity does not exceed one year as on the date of purchase.*

(iii) Foreign currency funds representing deposit liabilities may be utilised for:

a) .making loans to resident constituents for meeting their foreign exchange requirements or for the rupee working capital/capital expenditure needs subject to the prudential/interest-rate norms, credit discipline and credit monitoring guidelines in force.

b) extending credit facilities to Indian wholly owned subsidiaries/ joint ventures abroad in which at least 51% equity is held by a resident company, subject to the guidelines issued by Reserve Bank (Department of Banking Operations & Development).

iv) Banks may write off/transfer to unclaimed balances account unreconciled debit/credit entries as per instructions issued by Department of Banking Operations and Development, from time to time.

### **Loans/Overdrafts**

C.5 (i) Banks may avail of loans/overdrafts from their overseas branches and correspondents up to 15% of their unimpaired Tier-I capital or US\$ 10 million or its equivalent, whichever is higher. The funds may be used for purposes other than lending in foreign currencies and repaid without reference to Reserve Bank. The aforesaid limit applies to the aggregate amount availed by all the offices and branches in India from all their branches/correspondents abroad. If drawals in excess of the above limit are not adjusted within five days, a report should be submitted to the Chief General Manager, Reserve Bank of India Exchange Control Department, Forex Markets Division, Amar Building, Fort, Mumbai 400001 within 15 days from the close of the month in which the limit was exceeded. Such a report is not necessary if arrangements exist for value dating.

(ii) Banks may avail of loans in excess of the limits prescribed in sub-paragraph (i) above solely for replenishing their rupee resources in India without prior approval of Reserve Bank. Such rupee funds may be used only for financing the banks' normal business operations and should not be deployed in the call money etc. markets. A report on each borrowing should be immediately forwarded to the Forex Markets Division, in the Central Office of Reserve Bank whose prior permission will be required for repayment of such loans. Such permission will be given only if the bank has no borrowings outstanding either from Reserve Bank or other bank/financial institution in India and is clear of all money market borrowings for a period of at least four weeks before the repayment.

(iii) Interest on loans/overdrafts may be remitted (net of taxes) without the prior approval of Reserve Bank.

### **Reports to Reserve Bank**

C.6 (i) The Head/Principal Office of each authorised dealer should submit to the Chief General Manager, Exchange Control Department (Forex Markets Division), Reserve Bank of India, Central Office, Mumbai 400 001 daily statements of foreign exchange turnover in Form FTD and Gaps position and cash balances in Form GPB as per Annexure II. These statements should be transmitted online through wide area network

(ii) The Head/Principal Office of each authorised dealer should submit a statement in duplicate in form BAL giving details of their holdings of all foreign currencies on fortnightly basis so as to reach the Regional Office of Reserve Bank under whose jurisdiction the Head/Principal Office is situated within seven calendar days from the close of the reporting period to which it relates.

## **ANNEXURE I**

(See paragraph C.2)

## **Guidelines for Foreign Exchange Exposure Limits of Authorised Dealers**

### **1. Coverage**

For banks incorporated in India, the exposure limits fixed by the Management should be the aggregate for all branches including their overseas branches. For foreign banks, the limits will cover only their branches in India.

### **2. Capital**

Capital refers to Tier I capital as per instructions issued by Reserve Bank of India (Department of Banking Operations and Development).

### **3. Calculation of the Net Open Position in a Single Currency**

The open position must first be measured separately for each foreign currency. The open position in a currency is the sum of (a) the net spot position, (b) the net forward position and (c) the net options position.

#### **a) Net Spot Position**

The net spot position is the difference between foreign currency assets and the liabilities in the balance sheet. This should include all accrued income/expenses.

#### **b) Net Forward Position**

This represents the net of all amounts to be received less all amounts to be paid in the future as a result of foreign exchange transactions which have been concluded. These transactions which are recorded as off-balance sheet items in the bank's books would include:

- i) spot transactions which are not yet settled;
- ii) forward transactions;
- iii) guarantees and similar commitments denominated in foreign currencies which are certain to be called;
- iv) net of amounts to be received/paid in respect of currency futures, and the principal on currency futures/swaps.

#### **c) Options Position**

The options position is the "delta-equivalent" spot currency position as reflected in the authorised dealer's options risk management system, and includes any delta hedges in place which have not already been included under 3(a) or 3(b) (i) and (ii). For the present this is relevant for foreign branches of Indian banks.

### **4. Calculation of the Overall Net Open Position**

This involves measurement of risks inherent in a bank's mix of long and short position in different currencies. It has been decided to adopt the "shorthand method" which is accepted internationally for arriving at the overall net open position. Banks may, therefore, calculate the overall net open position as follows:

- i) Calculate the net open position in each currency (paragraph 3 above).
- ii) Convert the net position into rupees at the FEDAI indicative spot rates for the day
- iii) Arrive at the sum of all the net short positions.
- iv) Arrive at the sum of all the net long positions.

Overall net foreign exchange position is the higher of (iii) and (iv). The overall net foreign exchange position arrived at as above must be kept within the limit approved by Reserve Bank.

## **5. Capital Requirement**

As prescribed by Reserve Bank from time to time.

## ANNEXURE II

**FTD**  
(See Paragraph C.6 )

### **Statement showing daily turnover of foreign exchange**

		Merchant			Inter bank		
		Spot, Cash, Ready, T.T. etc.	Forward	Cancellati on of Forwards	Spot	Swap	Forwards
FCY/IN R	Purchase from						
	Sales to						
FCY/FC Y	Purchase from						
	Sales to						

**GPB**  
( See paragraph C.6 )

**Statement showing gaps, position and cash balances**

US Dollars Balances : IN USD MILLION  
(Cash Balance + All Investments)

Net Open Exchange Position (Rs.) : O/B(+)/O/S(-) IN Rs.CRORE

Of the above FCY/INR : IN RS. CRORE

AGL maintained : VaR maintained:

**US DOLLAR MATURITY MISMATCH IN MILLION**

1 month	2 months	3 months	4 months	5 months	6 months	>6 months

**Export of goods & services –  
Extension of period of realisation  
A.P.(DIR Series) Circular No.20 (January 28, 2002)**

**RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001**

A.P.(DIR Series) Circular No.20

January 28, 2002

To,

All Authorised Dealers in Foreign Exchange

Dear Sirs/Madam,

**Export of goods & services –  
Extension of period of realisation**

Attention of all Authorised Dealers is invited to paragraph C.15 of A.P.(DIR Series) Circular No. 12 dated September 9, 2000, in terms of which cases where an exporter has not been able to realise proceeds of shipment within the prescribed period (i.e. within six months from the date of exports), for reasons beyond his control, the exporter is required to apply to Reserve Bank in form ETX for extension of period of realisation. It has now been decided that, without any reference to Reserve Bank, authorised dealer that has handled export documents may extend, after obtaining an application from the exporter, the period of realisation beyond six months from the date of export, where invoice value does not exceed US\$ 1,00,000 subject to the following conditions:

- i) the authorised dealer is satisfied that the exporter has not been able to realise export proceeds for reasons beyond his control;
  - ii) the exporter submits a declaration that he will realise the export proceeds during the extended period;
  - iii) the extension may be granted upto a period of 3 months at a time and while considering the extension beyond one year from the date of export the total export outstandings of the exporter should not be more than 10% of the average of export realisations during the preceding three financial years.
2. The ceiling of US \$ 1,00,000 would not apply where the exporter has filed suits against the importer abroad. In such cases extension may be granted upto six months at a time, irrespective of the amount involved.

3. Cases which are not covered by the above instructions including the undernoted cases would require prior approval from the Regional Office of the Reserve Bank.

- i) where the export invoices are under investigation by Enforcement Directorate/ Central Bureau of Investigation or other investigating agencies.
- ii) where invoice value exceeds US \$ 1,00,000 (except in cases covered under paragraph 2 above).

4. All the export bills outstanding beyond six months from the date of export may be reported in XOS statement as usual. However, where extension of time has been granted by authorised dealer, the date upto which extension has been granted may be indicated in the 'Remarks' column.

5. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

6. The directions contained in the circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager



**Two-way fungibility of ADRs/GDRs  
A.P. (DIR Series) Circular No.21**

**Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400 001**

February 13, 2002

A.P. (DIR Series) Circular No.21

To  
All Authorised Dealers in Foreign Exchange

Dear Sirs/Madam,

**Two-way fungibility of ADRs/GDRs**

Authorised Dealers are aware that in terms of Regulation 4A of RBI Notification FEMA 20/2000-RB dated May 3, 2000 as amended by Notification No. FEMA 41/2001-RB dated March 2, 2001 (copy enclosed), a registered broker may purchase shares of an Indian company on behalf of a person resident outside India for purpose of converting the shares into ADRs/GDRs subject to compliance with provisions of the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and guidelines issued by the Central Government from time to time.

2. The Operative Guidelines for the limited two-way fungibility under the “Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993”, as approved by the Government of India, are enclosed for guidance of Authorised Persons and their constituents.

3. It is clarified that Notifications Nos.FEMA 20/2000-RB dated May 3, 2000 and No. FEMA 41/2001-RB dated March 2, 2001 have laid down the enabling provisions for the operation of two-way fungibility. The operationalisation of two-way fungibility of ADRs/GDRs is now final in terms of the provisions of the Operative Guidelines mentioned in para 2 above.

4. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Section 10 (4) and Section 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**  
**Chief General Manager**

**Exim Bank's Line of Credit of US\$ 5 million to Eastern and Southern African  
Trade and Development Bank (PTA Bank)  
[A.P.(DIR Series) Circular No.22]**

**Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400 001**

February 14, 2002

A.P.(DIR Series) Circular No.22

To  
All Authorised Dealers in Foreign Exchange

Sirs/Madam

**Exim Bank's Line of Credit of US\$ 5 million to  
Eastern and Southern African Trade and  
Development Bank (PTA Bank)**

Export Import Bank of India (Exim Bank) has concluded an agreement with the Eastern and Southern African Trade and Development Bank (PTA Bank) on November 12, 2001 making available to the latter, a line of credit upto an aggregate sum of US\$ 5 million (U.S. Dollar Five Million only). The credit has become effective from December 12, 2001, and is available for financing Indian export of eligible goods (listed in the Annexure) and related services to buyers in the PTA Bank member countries viz. Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into the borrowers' countries shall be subject to the laws and regulations in force in the concerned countries.

2. The broad terms and conditions of the credit are as under:

- (a) Every contract under the credit will require prior approval of Exim Bank.
- (b) The credit shall be available for financing an amount upto 90 percent of the f.o.b. (free on board) or c.& f. (cost and freight) or c.i.f. (cost, insurance & freight) contract price of the eligible contract.
- (c) The contract price shall be specified in U.S. Dollar and shall not be less than U.S. Dollar 50,000/- (U.S. Dollar Fifty thousand only) or such amount as may, from time to time, be agreed upon between Exim Bank and the borrower.
- (d) The contract signed under the credit should also provide for the following:-

- (i) The buyer shall make an advance payment of 10 percent of the f.o.b./c&f/c.i.f. of the contract value to the seller within 10 business days after the date of the approval of the contract by Exim Bank.
- (ii) The buyer shall make payment to the seller of the balance 90 percent of f.o.b./c&f/c.i.f. of the contract price, pro-rata against shipments, to be covered under an irrevocable letter of credit in favour of the seller.
- (iii) The eligible goods shall be inspected before shipment on behalf of the buyer and the documents to be furnished by the seller to the negotiating bank under the letter of credit arrangement shall include an inspection certificate.

3. The letter of credit shall be advised through such offices of the negotiating bank in India as may be designated from time to time by Exim Bank in consultation with the PTA Bank. The letter of credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1994 edition) published by the International Chamber of Commerce (Publication No.500) and shall be irrevocable and if required by a seller, be also divisible and transferable.

4. Upon presentation of documents by the beneficiary to the negotiating bank, the negotiating bank shall pay to the beneficiary an amount being not more than 90 percent of f.o.b./c&f/c.i.f. contract value, apportionable to the relative shipment, in equivalent Indian Rupee at the spot rate of exchange of the negotiating bank, provided the documents presented are in order and are in conformity with the relevant letter of credit.

5. Where negotiation has been effected without reserve, Exim Bank shall, upon receipt of the negotiating bank's written communication, reimburse the negotiating bank in U.S. Dollar with the amount of the eligible value to the extent apportionable to the relative shipment by transfer to the credit of the negotiating bank in such account with such bank in New York, USA, as may be specified by the negotiating bank in the communication to Exim Bank. If the negotiation has been made under reserve, Exim Bank shall make payment to the negotiating bank only after Exim Bank receives a written communication from the negotiating bank that the issuing bank which has opened / issued letters of credit, has lifted the reserve and has accepted the documents, or a communication from the issuing bank through the borrower or the negotiating bank to that effect.

6. Exim Bank shall in no way be liable or responsible for any act or omission of the negotiating bank in handling the letter(s) of credit or negotiation of documents thereunder.

7. Bank charges, expenses, commission or stamp duty payable in India shall be to the account of the seller/beneficiary and those payable in the borrowers' countries shall be to the account of the buyer.

8. The terminal dates for opening letters of credit and utilisation of credit are December 11, 2002, and June 11, 2003 respectively.

9. Shipments under the credit will have to be declared on GR/SDF Forms as usual. All copies of GR/SDF Forms should bear a prominent superscription reading 'Export under Exim Bank line of credit dated November 12, 2001, extended to Eastern and Southern African Trade and Development Bank (PTA Bank).' The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, authorised dealer should certify the duplicate copy/ies of the relative GR/SDF Form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

10. No agency commission shall be payable in respect of exports financed under the above line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b./ c&f / c.i.f. value in respect of goods specified in the Annexure and which require after sales service. In such cases, commission will have to be paid in borrowers' countries viz. Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe only, as the case may be, by deduction from the invoice of the relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 per cent of the f.o.b./ c&f / c.i.f. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

11. Authorised dealers may bring the contents of this circular to the notice of their concerned constituents.

12. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**  
**Chief General Manager**

Encl :

**Indian Direct Investment Outside India**  
**[A.P. (DIR Series) Circular No.23]**

**Reserve Bank of India**  
**Exchange Control Department**  
**Central Office**  
**Mumbai 400 001**

February 19, 2002

A.P. (DIR Series) Circular No.23

To,  
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Indian Direct Investment Outside India**

Attention of authorised dealers is invited to Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000 notified by the Reserve Bank vide Notification No. FEMA 19/RB-2000 dated 3<sup>rd</sup> May 2000 as amended from time to time.

2. In terms of Regulation 6 of the Notification, Indian parties are permitted to make direct investment in Joint Venture (JV) or Wholly Owned Subsidiary (WOS) outside India subject to their complying with the conditions specified therein. In this connection, it is clarified that the general permission under Regulation 6 does not include investment proposals which envisage setting up a holding company or a Special Purpose Vehicle abroad, which would in turn set up one or more step down subsidiaries as operating units. Accordingly authorised dealers are advised that overseas investment proposals through a two-tier structure, as explained above would require prior approval of the Reserve Bank.

3. In terms of clause (v) of Sub-regulation (2) of Regulation 6, Indian parties included in the Reserve Bank's Caution List are not eligible to make overseas investments under the automatic route. It is clarified that this restriction is also applicable to Indian parties which are defaulters to the banking system in India and whose names appear in the Defaulters List published/circulated by the Reserve Bank. Authorised Dealers may, while allowing remittances under the automatic route, satisfy themselves that the Indian party proposing to make the investment is not included

in the defaulters' list. Indian parties whose name appear in the defaulters' list may be advised to apply to the Reserve Bank for prior approval for the investment.

4. Authorised Dealers may bring the contents of this Circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Section 10 (4) and Section 11 (1) of the Foreign Exchange Management Act 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

**Chief General Manager**

**Import of Aircraft/Aircraft Engine/  
Helicopter on lease basis  
A.P.(DIR Series)Circular No.24 (March 1, 2002)**

**Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400 001**

A.P.(DIR Series)Circular No.24

March 1, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Import of Aircraft/Aircraft Engine/  
Helicopter on lease basis**

Authorised dealers are aware that the Reserve Bank is considering applications from airline companies and air taxi operators for payment of the lease rentals for import of aircraft/aircraft engine/helicopter on lease basis, based on the approval issued by the Director General of Civil Aviation (DGCA), Government of India.

2. It has been decided that authorised dealers may allow remittance of payment of lease rentals, opening of letter of credit towards security deposit etc. in respect of import of aircraft/aircraft engine/helicopter **on operating lease basis**, after verifying documents to show that necessary approval from the appropriate authorities, like Ministry of Civil Aviation/Director General of Civil aviation, Government of India has been obtained. In this connection attention is also invited to paragraph 8 of Annexure I to A.D.(M.A. Series) Circular No.11 dated May 16, 2000.

3. It is clarified that **financial lease transaction** i.e. the lease transaction containing option to purchase the asset at the end of the lease period will continue to require prior approval from the Reserve Bank of India.

4. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Section 10(4) & Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).



Yours faithfully,  
**Grace Koshie**  
Chief General Manager

**Setting up of Chairs in Educational Institutions Outside India  
A.P. (DIR Series) Circular No.25 (March 1, 2002)**

**Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai-400 001**

**March 1, 2002**

A.P. (DIR Series) Circular No.25

To  
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**Setting up of Chairs in Educational Institutions Outside India**

We have been receiving requests from Indian corporates to donate funds from their foreign exchange earnings to worthy causes like setting up of chairs in educational institutions and other welfare activities. It has been decided to allow Indian corporates with **proven track record** to contribute funds from their foreign exchange earnings for setting up chairs in educational institutions outside India and similar such purposes. Such cases will be considered by Reserve Bank on case-to-case basis. Authorised dealers may forward all such applications to the Chief General Manager, Reserve Bank of India, Central Office, Exchange Control Department, External Payments Division, Central Office Building, Mumbai-400 001, together with (a) details of their foreign exchange earning during the last 3 years, (b) brief background of the company's activities, and (c) details of the chair proposed to be set up in the educational institution (d) likely benefits to the corporate.

2. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

3. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**Grace Koshie**  
**Chief General Manager**

**External Commercial Borrowings (ECBs) -  
Prepayment out of the EEFC Accounts  
A.P.(DIR Series) Circular No.26 (March 1, 2002)**

**Reserve Bank Of India  
Exchange Control Department  
Central Office  
Mumbai-400 001**

March 1, 2002

A.P.(DIR Series) Circular No.26

To  
All Authorised Dealers in Foreign Exchange

Sirs/Madam,

**External Commercial Borrowings (ECBs) -  
Prepayment out of the EEFC Accounts**

Authorised Dealers are aware that ECBs can be prepaid by corporate borrowers to the extent of the balances in their Exchange Earner's Foreign Currency (EEFC) accounts, with the approval of Reserve Bank. Authorised Dealers are also aware that in terms of Notification No.FEMA 30/2000/RB dated 17<sup>th</sup> November 2000, corporates who are export oriented units and others can credit up to 70% and 50% of their foreign exchange earnings to their EEFC accounts, respectively.

2. To enable the corporates to take advantage of lower interest rates and prepay the ECBs it has now been decided to allow them to credit higher than above percentages of export proceeds to their EEFC account on a case by case basis. Application for the purpose may be made to the Chief General Manager, Exchange Control department, Reserve Bank of India, Central Office, Central Office Building, Post Box No. 1055, Mumbai-400 001. A proforma of the application is annexed.

3. Authorised Dealers may bring the contents of this circular to the notice of their concerned constituents.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**Grace Koshie**  
**Chief General Manager**

**Indian Direct Investment outside India**  
**A.P.(DIR Series) Circular No.27(March 2 , 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001

A.P.(DIR Series) Circular No.27

March 2 , 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Indian Direct Investment outside India**

Attention of authorised dealers is invited to Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000 notified by the Reserve Bank vide Notification No.FEMA 19/RB-2000 dated May 3, 2000 and amended from time to time.

2. With a view to further liberalising and broadbasing the policy on overseas direct investment by Indian parties, the Reserve Bank has, vide Notification No. FEMA 53/2002-RB dated March 1, 2002 (copy enclosed) further amended the said Regulations. The salient features of the amendments are as under :

- (i) Under the Automatic Route as per Regulation 6 of the Notification No.FEMA 19 dated May 3, 2000, Indian parties may now invest in JV/WOS outside India, an amount not exceeding US\$ 100 mn. or its equivalent in a financial year as against the existing limit of US\$ 50 mn. in a financial year.
  - (ii) As per the existing provisions of Notification No.FEMA 19, investment under the automatic route as per Regulation 6 may be funded by drawal of foreign exchange from an authorised dealer not exceeding 25% of the net worth of the Indian party as on the date of last audited balance sheet. This limit has now been raised to 50% of the net worth.
3. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
Satish Kakar  
Chief General Manager

**Full Convertibility of Deposit Schemes – Non-Resident Indians  
A.P. (DIR Series) Circular No. 28 (March 4 , 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI-400 001

**A.P. (DIR Series) Circular No. 28**

**March 4 , 2002**

To

**All Authorised Dealers in Foreign Exchange**

Madam/ Sirs

**Full Convertibility of Deposit Schemes – Non-Resident Indians**

Attention of authorised dealers is invited to “Foreign Exchange Management (Deposit) Regulations, 2000” notified under Notification No. FEMA 5 /2000-RB dated May 3, 2000. In terms of sub-regulations 1(iv) and (v) of Regulation 5, authorised dealers/authorised banks are permitted to accept deposits from persons resident outside India under the Non-Resident (Non-Repatriable) Rupee Account Scheme, (NRNR account), and the Non-Resident (Special) Rupee Account Scheme, (NRSR account), specified in Schedules 4 and 5 respectively to the above Notification.

2. With a view to providing full convertibility of deposit schemes for non-resident Indians and rationalising the existing non-resident deposit schemes, it has been decided to discontinue NRNR account and NRSR account schemes with effect from April 1, 2002. Accordingly, with effect from **April 1, 2002 :-**

- (a) authorised dealers/authorised banks shall not accept any fresh deposits or open any fresh account, by way of renewal or otherwise, under the above two schemes.
- (b) The existing accounts under NRNR account scheme may be continued only upto the date of maturity. The maturity proceeds of the deposits under NRNR Account Scheme shall be credited to the accountholder’s Non-Resident (External) Rupee Account (NRE account), after giving notice to the accountholder. For this purpose, the authorised dealers and authorised banks may give a notice to the accountholder that the maturity proceeds shall be credited to his NRE accounts. The accountholders may choose to credit the maturity proceeds to his NRE saving bank account or

current account or open a fresh NRE term deposit account. The authorised dealers or authorised banks may also permit the accountholder, on his request, to credit the maturity proceeds to his NRO account. In case no reply is received from the accountholder, the maturity proceeds of deposits under NRNR account Scheme may be credited to his NRE account.

- (c) The existing term deposits under the NRSR account scheme may be continued till the maturity and the maturity proceeds shall be credited to the Non-Resident (Ordinary) Rupee Account (NRO account) of the accountholder.
- (d) The existing NRSR account, other than term deposit, shall not be continued after **September 30, 2002**, and may, at the option of the accountholder, be closed or balance thereof be credited to his NRO account on or before that date. For this purpose, a notice to the accountholders may be given and in case no reply is received the said NRSR account may be closed and the balance transferred to the NRO account of the accountholder.

3. While the facilities currently available to the account holders for premature withdrawal continue, in the event of premature closure of the term deposits, under both the schemes, the option of reinvesting the proceeds will, however, be restricted to the **NRO account** of the accountholder.

4. A copy of Notification No.FEMA 52 /RB-2002 dated March 1, 2002, amending the Foreign Exchange Management (Deposits) Regulations, 2000, is enclosed.

5. Authorised dealers/authorised banks may bring the contents of this circular to the notice of their constituents concerned.

6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Satish Kakar**  
Chief General Manager

**Issue of foreign currency convertible bonds(FCCBs)  
A.P.(DIR Series) Circular No.29 (March 11, 2002)**

**Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai - 400 001**

March 11, 2002

A.P.(DIR Series) Circular No.29

To  
All Authorised Dealers in Foreign Exchange

Sirs/Madam

**Issue of Foreign Currency Convertible Bonds(FCCBs)**

Attention of authorised dealers is invited to sub-regulation (2) of Regulation 18 of the Reserve Bank Notification No.FEMA19/RB-2000 dated 3<sup>rd</sup> May 2000, in terms of which an Indian company or a body corporate, created by an Act of Parliament may issue FCCBs to a person resident outside India, on obtaining an approval from the Government.

2. With a view to liberalise the capital account transactions, it has been decided to put the issue of FCCBs up to USD 50 million under the Automatic Route. A copy of the Notification No. FEMA55/RB-2002 dated March 7, 2002 amending the Notification No.FEMA19/RB-2000 dated 3<sup>rd</sup> May 2000, is enclosed. Accordingly, an Indian company or a body corporate, created by an Act of Parliament may issue FCCBs not exceeding US \$ 50 million in any one financial year to a person resident outside India under the automatic route, without the approval from Government or the Reserve Bank.

3. In terms of paragraph (x) of Schedule II of the notification the issue of FCCB is required to be reported to the Reserve Bank through the designated branch of an authorised dealer. Authorised dealers may forward the same to the concerned Regional Office of the Reserve Bank for obtaining a loan registration number. While forwarding the offer documents to Reserve Bank the authorised dealers shall ensure that the FCCBs are issued strictly in accordance with the notification.

**Satish Kakar**  
**Chief General Manager**



**Export of Goods for Exhibition / Trade Fairs outside India**  
**A.P. (DIR Series) Circular No.30 (March 26, 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI – 400 001

A.P. (DIR Series) Circular No.30

March 26, 2002

To

All Authorised Dealers in Foreign Exchange

Sirs / Madam,

**Export of Goods for Exhibition / Trade Fairs outside India**

Attention of authorized dealers is invited to Paragraph A. 9 (ii) of the Annexure enclosed to AP (DIR Series) Circular No. 12 dated September 9, 2000, advising that exporters participating in trade fairs / exhibitions abroad should obtain approval on GR form for export of exhibits and other items for display-cum-sale in the trade fair / exhibitions, from the concerned Regional Office of the Reserve Bank.

2. With a view to liberalizing the facilities available to exporters and simplifying the export procedures further, it has now been decided to permit residents to take / export goods for exhibition and sale outside India without the prior approval of the Reserve Bank of India.

3. Further, unsold exhibit items may be sold outside the exhibition / trade fair in the same country or in another third country. Such sales at discounted value are also permissible.

4. It would also be permissible to “gift” unsold goods upto the value of US \$ 5,000 per exporter, per exhibition / trade fair.

5. Accordingly, authorized dealers may approve GR form for export items for display or display-cum-sale in trade fairs / exhibitions outside India subject to the following conditions :

- a. the exporter shall produce relative Bill of Entry within one month of re-import into India of the unsold items.
  - b. the sale proceeds of the items sold are repatriated to India in accordance with Foreign Exchange Management (Realisation, Repatriation and Surrender of Foreign Exchange) Regulations, 2000.
  - c. the exporter shall report to the authorised dealer the method of disposal of all items exported, as well as the repatriation of proceeds to India.
6. Such transactions approved by the authorised dealers will be subject to 100% audit by the internal inspectors / auditors of the authorized dealer concerned.
7. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.
8. The directions contained in this circular have been issued under Section 10 (4) and Section 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Satish Kakar**

Chief General Manager

**Exim Bank's Line of Credit of US\$ 10 million to Banco Centroamericano de Integracion Economica (BCIE)**

**RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001**

A.P.(DIR Series) Circular No.31

March 27, 2002

To  
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**Exim Bank's Line of Credit of US\$ 10 million to  
Banco Centroamericano de Integracion Economica (BCIE)**

Export Import Bank of India (Exim Bank) has concluded an agreement with the Banco Centroamericano de Integracion Economica (BCIE, Central American Bank for Economic Integration) on November 29, 2001, making available to the latter, a line of credit upto an aggregate sum of US\$ 10 million (U.S. Dollar Ten Million only). The credit has become effective from January 21, 2002, and is available for financing Indian export of eligible goods (listed in the Annexure) and related services to buyers in the BCIE member countries viz. Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into the borrowers' countries shall be subject to the laws and regulations in force in the concerned countries.

2. The broad terms and conditions of the credit are as under:

- (a) Every contract under the credit will require prior approval of Exim Bank.
- (b) The credit shall be available for financing an amount upto 90 percent of the f.o.b. (free on board) or c.& f. (cost and freight) or c.i.f. (cost, insurance & freight) contract price of the eligible contract.

(c) The contract price shall be specified in U.S. Dollar and shall not be less than U.S. Dollar 50,000/- (U.S. Dollar Fifty thousand only) or such amount as may, from time to time, be agreed upon between Exim Bank and the borrower.

(d) The contract signed under the credit should also provide for the following:-

- (i) The buyer shall make an advance payment of 10 percent of the f.o.b./c&f/c.i.f. of the contract value to the seller within 10 business days after the date of the approval of the contract by Exim Bank.
- (ii) The buyer shall make payment to the seller of the balance 90 percent of f.o.b./c&f/c.i.f. of the contract price, pro-rata against shipments, to be covered under an irrevocable letter of credit in favour of the seller.
- (iii) The eligible goods shall be inspected before shipment on behalf of the buyer and the documents to be furnished by the seller to the negotiating bank under the letter of credit arrangement shall include an inspection certificate.

3. The letter of credit shall be advised through such offices of the negotiating bank in India as may be designated from time to time by Exim Bank in consultation with the BCIE. The letter of credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1994 edition) published by the International Chamber of Commerce (Publication No.500) and shall be irrevocable and if required by a seller, be also divisible and transferable.

4. Upon presentation of documents by the beneficiary to the negotiating bank, the negotiating bank shall pay to the beneficiary an amount being not more than 90 percent of f.o.b./c&f/c.i.f. contract value, apportionable to the relative shipment, in equivalent Indian Rupee at the spot rate of exchange of the negotiating bank, provided the documents presented are in order and are in conformity with the relevant letter of credit.

5. Where negotiation has been effected without reserve, Exim Bank shall, upon receipt of the negotiating bank's written communication, reimburse the negotiating bank in U.S. Dollar with the amount of the eligible value to the extent apportionable to the relative shipment by transfer to the credit of the negotiating bank in such account with such bank in New York, USA, as may be specified by the negotiating bank in the communication to Exim Bank. If the negotiation has been made under reserve, Exim Bank shall make payment to the negotiating bank only after Exim Bank receives a written communication from the negotiating bank that the

issuing bank which has opened / issued letters of credit, has lifted the reserve and has accepted the documents, or a communication from the issuing bank through the borrower or the negotiating bank to that effect.

6. Exim Bank shall in no way be liable or responsible for any act or omission of the negotiating bank in handling the letter(s) of credit or negotiation of documents thereunder.

7. Bank charges, expenses, commission or stamp duty payable in India shall be to the account of the seller/beneficiary and those payable in the borrowers' countries shall be to the account of the buyer.

8. Exporters should check with Exim Bank, in advance, before finalising the contract with the buyers, details of service fee and other charges payable by the exporters on the contract to be covered under the above Line of Credit.

9. The terminal dates for opening letters of credit and utilisation of credit are January 20, 2003, and July 20, 2003 respectively.

10. Shipments under the credit will have to be declared on GR/SDF Forms as usual. All copies of GR/SDF Forms should bear a prominent superscription reading 'Export under Exim Bank line of credit dated November 29, 2001, extended to Banco Centroamericano de Integracion Economica (BCIE, Central American Bank for Economic Integration).' The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, authorised dealer should certify the duplicate copy/ies of the relative GR/SDF Form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

11. No agency commission shall be payable in respect of exports financed under the above line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b./ c&f / c.i.f. value in respect of goods specified in the Annexure and which require after sales service. In such cases,

commission will have to be paid in borrowers' countries viz. Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua only, as the case may be, by deduction from the invoice of the relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 per cent of the f.o.b./ c&f / c.i.f. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

12. Authorised dealers may bring the contents of this circular to the notice of their concerned constituents.

13. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**GRACE KOSHIE**  
 Chief General Manager

Encl :

### **ANNEXURE**

#### **List of Eligible Goods for finance out of the Credit**

##### **PART 'A'**

1. Air compressors
2. Air conditioning, heating, cooling, fume extraction, dust collection, humidification and ventilation equipment for industrial use including blowers and exhaust fans.
3. Aluminium plant and equipment
4. Asbestos cement machinery
5. Cement machinery
6. Cinematographic equipment for motion picture and television studios.
7. Chemical and pharmaceutical plant and machinery.
8. Coffee processing machinery.
9. Coke oven plant and equipment
10. Coke oven refractories
11. Control and Process Instruments including X-Ray equipment for Industrial Applications.

12. Copper Ore concentration machinery
13. Dairy equipment and animal feed plant
14. Earth moving equipment like crawler tractors, shovels, excavators, loaders, dumpers etc.
15. Edible Oil Mill machinery and oil expellers.
16. Electric motors and pumps
17. Electronic Data Processing equipment
18. Fertilizer plant and equipment
19. Flour, rice and dal mill machinery
20. Food processing plant
21. Foundry equipment including mould making machinery, Sand and Shot blasting equipment
22. Freight containers
23. Garage equipment
24. Gas and air separation plants
25. Glass and Ceramic machinery
26. Heat Exchangers
27. Integrated Steel Plants (complete or in parts), mini steel plants (electric arc and reduction furnaces). Re-heating and heat treatment furnaces, Rolling Mills and other finishing lines for ferrous and non-ferrous metals.
28. Ice-making machinery
29. Industrial boilers
30. Industrial furnaces
31. Industrial switchboards, Control panels, circuit breakers, air break switches
32. Jute machinery
33. Leather tanning and processing machinery
34. Machine tools
35. Machinery for manufacturing air conditioners, bicycles, corks, electrical goods, enamel-ware, hard board, metal containers, radios, razor blades, refractories and bricks, sewing machines, shoes, steel furniture, wire-ropes and cables etc.
36. Machinery for manufacturing any product figuring in Part B of this List, not specified separately in this Part.

37. Material handling equipment like fork lifts, electric lifts, cranes, hoists etc. and conveyor systems.
38. Metal working machinery
39. Mining machinery
40. Motor vehicles and chassis, including three-wheelers
41. Oil drilling rigs
42. Oil refinery equipment
43. Packaging and weighing machinery
44. Pile foundation machinery
45. Plastic machinery
46. Power generation, transmission and distribution equipment including boilers, generators, transformers, switchgears, transmission line towers, conductors, cables, sub-station equipment and protective equipment.
47. Power line carrier communication equipment
48. Power station structures, hydraulic structures like penstocks, gates and gearings, sub-station structures.
49. Pressure vessels.
50. Printing and book-binding machinery
51. Pulp and Paper Mill machinery
52. Railway electrification equipment and structures and railway signalling equipment.
53. Railway rolling stock including locomotives, wagons, coaches and trolleys.
54. Rubber machinery
55. Road and construction equipment including road rollers, tar boilers, continuous batch plants, stone crushers, asphalt mixers, concrete mixers and vibrators.
56. Ships, boats, trawlers, steamers, launches, barges.
57. Solvent extraction machinery
58. Spraying equipment
59. Steam, diesel and petrol engines
60. Steel fabrication for bridges, factories etc.
61. Steel rails and railway track equipment including sleepers, fishplates, points and crossings.



- 62. Steel shuttering and scaffolding materials
- 63. Steel tanks
- 64. Sugar (including Khandsari) machinery
- 65. Tele-communication and signalling equipment
- 66. Textile machinery
- 67. Tractors and Trailers
- 68. Water supply equipment including pumpsing plant, large diameter fabricated steel pipes, C.I. spun pipes and storage tanks, water treatment and sewage treatment plant.
- 69. Weigh bridges
- 70. Welding machinery
- 71. Wood working machinery

**PART 'B'**

1. Agricultural implements.
2. Construction materials including sanitaryware, tiles and precast cement products, false ceiling, flooring materials, pipes, decorative laminates, fittings, electricals and steel/aluminium doors and windows, provided they are exported as separate items and not as items forming part of civil construction/turnkey projects.
3. Agricultural chemicals and Industrial chemicals
4. Electrical equipment including low tension insulators, batteries and accumulators, parts of electrical machinery and lamps fuses and electrodes for industrial application.
5. Electronic components.
6. Fibreglass, PVC and plastics based products including pipes and tubes, tyre cord.
7. Ferrous/non-ferrous castings, forgings, stampings, extrusions and rolled products.
8. Ferrous/non-ferrous pipes, tubes, sheets, strips, foils, rods, wires, wire ropes

9. Heating and cooling equipment including air conditioners, refrigerators, water coolers.
10. Industrial rubber products including tyres and tubes, cots and aprons, conveyor belts, rubber rollers, hose pipes.
11. Instruments for measurement, scientific survey and for surgical applications.
12. Industrial fasteners, bearings, valves, gears and gaskets.
13. X-ray and other electro-medical and other hospital equipments
14. Gas cylinders, fire fighting equipment, photographic equipment, helmets, including fibreglass helmets.
15. Any other item not included above that might be agreed upon between Exim Bank and the Borrower.

**Exim Bank's Line of Credit of US\$ 10 million to  
Vnesheconombank, Russia (VEB, The Bank for  
Foreign Economic Affairs of the USSR)  
A.P.(DIR Series) Circular No.32 (March 28, 2002)**

Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400 001

March 28, 2002

A.P.(DIR Series) Circular No.32

To  
All Authorised Dealers in Foreign Exchange

Madam / Sirs ,

**Exim Bank's Line of Credit of US\$ 10 million to  
Vnesheconombank, Russia (VEB, The Bank for  
Foreign Economic Affairs of the USSR)**

Export Import Bank of India (Exim Bank) has concluded an agreement with the Vnesheconombank, (VEB, The Bank for Foreign Economic Affairs of the USSR) on November 5, 2001, making available to the latter, a line of credit upto an aggregate sum of US\$ 10 million (U.S. Dollar Ten Million only). The credit has become effective from January 30, 2002, and is available for financing Indian export of eligible goods (listed in the Annexure) and related services to buyers in the borrower's country i.e. the Russian Federation. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into the borrower's country shall be subject to the laws and regulations in force in the concerned countries.

2. The broad terms and conditions of the credit are as under:

- (a) Every contract under the credit will require prior approval of Exim Bank.
- (b) The credit shall be available for financing an amount upto 90 percent of the f.o.b. (free on board) or c.& f. (cost and freight) or c.i.f. (cost, insurance & freight) contract price of the eligible contract.
- (c) The contract price shall be specified in U.S. Dollar and shall not be less than U.S. Dollar 50,000/- (U.S. Dollar Fifty thousand only) or such amount as may, from time to time, be agreed upon between Exim Bank and the borrower.
- (d) The contract signed under the credit should also provide for the following:-

- (i) The buyer shall make an advance payment of 10 percent of the f.o.b./c&f/c.i.f. contract value to the seller within 30 days after the date of the approval of the contract by Exim Bank.
  - (ii) The buyer shall open an irrevocable letter of credit in favour of the seller for the balance 90 per cent of f.o.b./c&f/c.i.f. contract price.
  - (iii) The eligible goods shall be inspected before shipment on behalf of the buyer and the documents to be furnished by the seller to the negotiating bank under the letter of credit arrangement shall include an inspection certificate.
3. The letter of credit shall be advised through such offices of the negotiating bank in India as may be designated from time to time by Exim Bank in consultation with the VEB. The letter of credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1994 edition) published by the International Chamber of Commerce (Publication No.500) and shall be irrevocable and if required by a seller, be also divisible and transferable.
  4. Upon presentation of documents by the beneficiary to the negotiating bank, the negotiating bank shall pay to the beneficiary an amount being not more than 90 percent of f.o.b./c&f/c.i.f. contract value, apportionable to the relative shipment, in equivalent Indian Rupee at the spot rate of exchange of the negotiating bank, provided the documents presented are in order and are in conformity with the relevant letter of credit.
  5. Where negotiation has been effected without reserve, Exim Bank shall, upon receipt of the negotiating bank's written communication, reimburse the negotiating bank in U.S. Dollar with the amount of the eligible value to the extent apportionable to the relative shipment by transfer to the credit of the negotiating bank in such account with such bank in New York, USA, as may be specified by the negotiating bank in the communication to Exim Bank. If the negotiation has been made under reserve, Exim Bank shall make payment to the negotiating bank only after Exim Bank receives a written communication from the negotiating bank that the issuing bank which has opened / issued letters of credit, has lifted the reserve and has accepted the documents, or a communication from the issuing bank through the borrower or the negotiating bank to that effect.
  6. Exim Bank shall in no way be liable or responsible for any act or omission of the negotiating bank in handling the letter(s) of credit or negotiation of documents thereunder.
  7. Bank charges, expenses, commission or stamp duty payable in India shall be to the account of the seller/beneficiary and those payable in the borrower's country shall be to the account of the buyer.

8. Exporters should check with Exim Bank, in advance, before finalising the contract with the buyers, details of service fee and other charges payable by the exporters on the contract to be covered under the above Line of Credit.

9. The terminal dates for opening letters of credit and utilisation of credit are January 29, 2003, and July 29, 2003 respectively.

10. Shipments under the credit will have to be declared on GR/SDF Forms as usual. All copies of GR/SDF Forms should bear a prominent superscription reading 'Export under Exim Bank line of credit dated November 5, 2001, extended to Vnesheconombank, (VEB, The Bank for Foreign Economic Affairs of the USSR).' The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, authorised dealer should certify the duplicate copy/ies of the relative GR/SDF Form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

11. No agency commission shall be payable in respect of exports financed under the above line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b./ c&f / c.i.f. value in respect of goods specified in the Annexure and which require after sales service. In such cases, commission will have to be paid in the Russian Federation only by deduction from the invoice of the relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 per cent of the f.o.b./ c&f / c.i.f. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

12. Authorised dealers may bring the contents of this circular to the notice of their concerned constituents.

13. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**Grace Koshie**  
**Chief General Manager**

Encl :

**ANNEXURE****List of Eligible Goods for finance out of the Credit****PART 'A'**

1. Air compressors
2. Air conditioning, heating, cooling, fume extraction, dust collection, humidification and ventilation equipment for industrial use including blowers and exhaust fans
3. Alcohol and brewery plant
4. Aluminium plant and equipment
5. Asbestos cement machinery
6. Cement machinery
7. Cinematographic equipment for motion picture and television studios
8. Chemical and pharmaceutical plant and machinery
9. Cigarette making machinery
10. Coffee processing machinery
11. Coke oven plant and equipment
12. Coke oven refractories
13. Control and Process Instruments including X-Ray equipment for Industrial Applications.
14. Copper Ore concentration machinery
15. Dairy equipment and animal feed plant
16. Earth moving equipment like crawler tractors, shovels, excavators, loaders, dumpers etc.
17. Edible Oil Mill machinery and oil expellers
18. Electric motors and pumps
19. Electronic Data Processing equipment
20. Fertilizer plant and equipment
21. Flour, rice and dal mill machinery
22. Food processing plant
23. Foundry equipment including mould making machinery, Sand and Shot blasting equipment

24. Freight containers
25. Garage equipment
26. Gas and air separation plants
27. Glass and Ceramic machinery
28. Heat Exchangers
29. Integrated Steel Plants (complete or in parts), mini steel plants (electric arc and reduction furnaces). Re-heating and heat treatment furnaces, Rolling Mills and other finishing lines for ferrous and non-ferrous metals
30. Ice-making machinery
31. Industrial boilers
32. Industrial furnaces
33. Industrial switchboards, Control panels, circuit breakers, air break switches
34. Jute machinery
35. Leather tanning and processing machinery
36. Machine tools
37. Machinery for manufacturing air conditioners, bicycles, corks, electrical goods, enamel-ware, hard board, metal containers, radios, razor blades, refractories and bricks, sewing machines, shoes, steel furniture, wire-ropes and cables etc.
38. Machinery for manufacturing any product figuring in Part B of this List, not specified separately in this Part
39. Material handling equipment like fork lifts, electric lifts, cranes, hoists etc. and conveyor systems
40. Metal working machinery
41. Mining machinery
42. Motor vehicles and chassis, including three-wheelers
43. Oil drilling rigs
44. Oil refinery equipment
45. Packaging and weighing machinery
46. Pile foundation machinery
47. Plastic machinery



48. Power generation, transmission and distribution equipment including boilers, generators, transformers, switchgears, transmission line towers, conductors, cables, sub-station equipment and protective equipment
49. Power line carrier communication equipment
50. Power station structures, hydraulic structures like penstocks, gates and gearings, sub-station structures
51. Pressure vessels
52. Printing and book-binding machinery
53. Pulp and Paper Mill machinery
54. Railway electrification equipment and structures and railway signalling equipment
55. Railway rolling stock including locomotives, wagons, coaches and trolleys
56. Rubber machinery
57. Road and construction equipment including road rollers, tar boilers, continuous batch plants, stone crushers, asphalt mixers, concrete mixers and vibrators
58. Ships, boats, trawlers, steamers, launches, barges
59. Solvent extraction machinery
60. Spraying equipment
61. Steam, diesel and petrol engines
62. Steel fabrication for bridges, factories etc.
63. Steel rails and railway track equipment including sleepers, fishplates, points and crossings
64. Steel shuttering and scaffolding materials
65. Steel tanks
66. Sugar (including Khandsari) machinery
67. Tele-communication and signalling equipment
68. Textile machinery
69. Tractors and Trailers
70. Vending machines
71. Water supply equipment including pumping plant, large diameter fabricated steel pipes, C.I. spun pipes and storage tanks, water treatment and sewage treatment plant

- 72. Weigh bridges
- 73. Welding machinery
- 74. Wood working machinery

## **PART 'B'**

- 1. Agricultural implements
- 2. Auto parts
- 3. Bicycles, motorcycles, scooters, mopeds and parts
- 4. Construction materials including sanitaryware, tiles and precast cement products, false ceiling, flooring materials, pipes, decorative laminates, fittings, electricals and steel/aluminium doors and windows, provided they are exported as separate items and not as items forming part of civil construction/turnkey projects
- 5. Agricultural chemicals and industrial chemicals
- 6. Pressure cookers, watches and clocks, knitting/sewing machines, vacuum flasks, cutlery, plastic moulded luggage
- 7. Domestic electric appliances
- 8. Drugs and pharmaceuticals
- 9. Electrical equipment including low tension insulators, batteries and accumulators, parts of electrical machinery and lamps, fuses and electrodes for industrial application
- 10. Electronic components
- 11. Electronic goods including radios, TV, public address systems, record players, tape recorders
- 12. Fibreglass, PVC and plastics based products including pipes and tubes, tyre cord
- 13. Ferrous/non-ferrous castings, forgings, stampings, extrusions and rolled products
- 14. Ferrous/non-ferrous pipes, tubes, sheets, strips, foils, rods, wires, wire ropes
- 15. Heating and cooling equipment including air conditioners, refrigerators, water coolers
- 16. Industrial rubber products including tyres and tubes, cots and aprons, conveyor belts, rubber rollers, hose pipes

17. Instruments for measurement, scientific survey and for surgical applications
18. Industrial fasteners, bearings, valves, gears and gaskets
19. X-ray and other electro-medical and other hospital equipments
20. Office equipments including typewriters, calculators, duplicators, teleprinters
21. Metal and plastic furniture
22. Hand tools, cutting tools, grinding wheels, moulds dies
23. Gas cylinders, fire fighting equipment, photographic equipment, helmets, including fibreglass helmets
24. Any item of commodity and raw material that may be agreed upon between Exim Bank and the Borrower

**Exim Bank's Line of Credit of US \$ 10 million to  
Banco Nacional de Comercio Exterior, S.N.C., Mexico.  
A.P.(DIR Series) Circular No.33 (March 28, 2002)**

Reserve Bank Of India  
Exchange Control Department  
Central Office  
Mumbai - 400 001

March 28, 2002

A.P.(DIR Series) Circular No.33

To  
All Authorised Dealers in Foreign Exchange

Madam / Sirs ,

**Exim Bank's Line of Credit of US \$ 10 million to  
Banco Nacional de Comercio Exterior, S.N.C., Mexico.**

Export Import Bank of India (Exim Bank) has concluded an agreement with the Banco Nacional de Comercio Exterior, S.N.C., (Bancomext), Mexico on November 28, 2001, making available to the latter, a line of credit upto an aggregate sum of US\$ 10 million (U.S.Dollar Ten Million only). The credit has become effective from January 9, 2002, and is available for financing Indian export of eligible goods (listed in the Annexure) and related services to buyers in the borrower's country i.e. Mexico or any other country as may be requested by the buyer and approved by the borrower except to a country with which India may not have bilateral relations or on which any sanctions or embargo may have been imposed. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into the borrower's country shall be subject to the laws and regulations in force in both the countries.

2. The broad terms and conditions of the credit are as under :

- (a) Every contract under the credit will require prior approval of Exim Bank.
- (b) The credit shall be available for financing an amount upto 90 per cent of the f.o.b. (free on board) or c.& f. (cost and freight) or c.i.f.(cost, insurance & freight) contract price of the eligible contract.
- (c) The contract price shall be specified in U.S.Dollar and shall not be less than U.S. Dollar 50,000/- (U.S. Dollar Fifty Thousand only) or such amount as may, from time to time, be agreed upon between Exim Bank and the borrower.
- (d) The contract signed under the credit should also provide for the following :

- (i) The buyer shall make an advance payment of 10 per cent of the f.o.b./ c&f/c.i.f. contract value to the seller within 30 days after the date of the approval of the contract by Exim Bank.
- (ii) The buyer shall make payment to the seller of the balance 90 per cent of f.o.b./c&f/c.i.f. contract price, pro-rata against shipments, to be covered under an irrevocable letter of credit in favour of the seller.
- (iii) The eligible goods shall be inspected before shipment on behalf of the buyer and the documents to be furnished by the seller to the negotiating bank under the letter of credit arrangement shall include an inspection certificate.

3. The letter of credit shall be advised through such offices of the negotiating bank in India as may be designated from time to time by Exim Bank in consultation with Bancomext. Negotiating banks from India need to be registered with the Ministry of Finance, Government of Mexico. The letter of credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1994 edition) published by the International Chamber of Commerce (Publication No.500) and shall be irrevocable and if required by a seller, be also transferable.

4. Upon presentation of documents by the beneficiary to the negotiating bank, the negotiating bank shall pay to the beneficiary an amount being not more than 90 per cent of f.o.b./c&f/c.i.f. contract value, apportionable to the relative shipment, in equivalent Indian Rupee at the spot rate of exchange of the negotiating bank, provided the documents presented are in order and are in conformity with the relevant letter of credit.

5. Where negotiation has been effected without reserve, Exim Bank shall, upon receipt of the negotiating bank's written communication, reimburse the negotiating bank in U.S. Dollar with the amount of the eligible value to the extent apportionable to the relative shipment by transfer to the credit of the negotiating bank in such account with such bank in New York, USA, as may be specified by the negotiating bank in the communication to Exim Bank. If the negotiation has been made under reserve, Exim Bank shall make payment to the negotiating bank only after Exim Bank receives a written communication from the negotiating bank that the issuing bank which has opened / issued letters of credit, has lifted the reserve and has accepted the documents, or a communication from the issuing bank through the borrower or the negotiating bank to that effect.

6. Exim Bank shall in no way be liable or responsible for any act or omission of the negotiating bank in handling the letter(s) of credit or negotiation of documents thereunder.

7. Bank charges, expenses, commission or stamp duty payable in India shall be to the account of the seller/beneficiary and those payable in the borrower's country shall be to the account of the buyer.

8. Exporters should check with Exim Bank, in advance, before finalising the contract with the buyers, details of service fee and other charges payable by the exporters on the contract to be covered under the above Line of Credit.

9. The terminal dates for opening letters of credit and utilisation of credit are January 8, 2003, and July 8, 2003, respectively.

10. Shipments under the credit will have to be declared on GR/SDF Forms as usual. All copies of GR/SDF Forms should bear a prominent superscription reading 'Export under Exim Bank line of credit dated November 28, 2001, extended to Banco Nacional de Comercio Exterior, S.N.C.(Bancomext) Mexico.' The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, authorised dealer should certify the duplicate copy/ies of the relative GR/SDF Form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

11. No agency commission shall be payable in respect of exports financed under the above line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b./c&f/c.i.f. value in respect of goods specified in the Annexure and which require after sales service. In such cases, commission will have to be paid in the borrower's / buyer's country only by deduction from the invoice of the relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 per cent of the f.o.b./c&f/c.i.f. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

12. Authorised dealers may bring the contents of this Circular to the notice of their concerned constituents .

13. The directions contained in this Circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**Grace Koshie**  
**Chief General Manager**

Encl:

**ANNEXURE**  
**List of Eligible Goods for finance out of the Credit**

**PART 'A'**

1. Air compressors
2. Air conditioning, heating, cooling, fume extraction, dust collection, humidification and ventilation equipment for industrial use including blowers and exhaust fans
3. Alcohol and brewery plant
4. Aluminium plant and equipment
5. Asbestos cement machinery
6. Cement machinery
7. Cinematographic equipment for motion picture and television studios
8. Chemical and pharmaceutical plant and machinery
9. Cigarette making machinery
10. Coffee processing machinery
11. Coke oven plant and equipment
12. Coke oven refractories
13. Control and Process Instruments including X-Ray equipment for Industrial Applications
14. Copper Ore concentration machinery
15. Dairy equipment and animal feed plant
16. Earth moving equipment like crawler tractors, shovels, excavators, loaders, dumpers etc.
17. Edible Oil Mill machinery and oil expellers
18. Electric motors and pumps
19. Electronic Data Processing equipment
20. Fertilizer plant and equipment
21. Flour, rice and pulse mill machinery
22. Food processing plant
23. Foundry equipment including mould making machinery, Sand and Shot blasting equipment
24. Freight containers

25. Garage equipment
26. Gas and air separation plants
27. Glass and Ceramic machinery
28. Heat Exchangers
29. Integrated Steel Plants (complete or in parts), mini steel plants (electric arc and reduction furnaces), Re-heating and heat treatment furnaces, Rolling Mills and other finishing lines for ferrous and non-ferrous metals
30. Ice-making machinery
31. Industrial boilers
32. Industrial furnaces
33. Industrial switchboards, Control panels, circuit breakers, air break switches
34. Jute machinery
35. Leather tanning and processing machinery
36. Machine tools
37. Machinery for manufacturing air conditioners, bicycles, corks, electrical goods, enamel-ware, hard board, metal containers, radios, razor blades, refractories and bricks, sewing machines, shoes, steel furniture, wire-ropes and cables etc.
38. Machinery for manufacturing any product figuring in Part B of this List, not specified separately in this Part
39. Material handling equipment like fork lifts, electric lifts, cranes, hoists etc. and conveyor systems
40. Metal working machinery
41. Mining machinery
42. Motor vehicles and chassis, including three-wheelers
43. Oil drilling rigs
44. Oil refinery equipment
45. Packaging and weighing machinery
46. Pile foundation machinery
47. Plastic machinery
48. Power generation, transmission and distribution equipment including boilers, generators, transformers, switchgears, transmission line towers, conductors, cables, sub-station equipment and protective equipment



49. Power line carrier communication equipment
50. Power station structures, hydraulic structures like penstocks, gates and gearings, sub-station structures
51. Pressure vessels
52. Printing and book-binding machinery
53. Pulp and Paper Mill machinery
54. Railway electrification equipment and structures and railway signalling equipment
55. Railway rolling stock including locomotives, wagons, coaches and trolleys
56. Refractories for use in hot blast stoves, hot blast main and bustle pipes and blast furnace proper
57. Road and construction equipment including road rollers, tar boilers, continuous batch plants, stone crushers, asphalt mixers, concrete mixers and vibrators
58. Rubber machinery
59. Ships, boats, trawlers, steamers, launches, barges
60. Solvent extraction machinery
61. Spraying equipment
62. Steam, diesel and petrol engines
63. Steel fabrication for bridges, factories etc.
64. Steel rails and railway track equipment including sleepers, fishplates, points and crossings
65. Steel shuttering and scaffolding materials
66. Steel tanks
67. Sugar (including Khandsari) machinery
68. Tele-communication and signalling equipment
69. Textile machinery
70. Tractors and Trailers
71. Vending machines
72. Water supply equipment including pumping plant, large diameter fabricated steel pipes, C.I. spun pipes and storage tanks, water treatment and sewage treatment plant
73. Weigh bridges
74. Welding machinery

75. Wood working machinery

## **PART 'B'**

1. Agricultural implements
2. Auto parts
3. Bicycles, motorcycles, scooters, mopeds and parts
4. Construction materials including sanitaryware, tiles and precast cement products, false ceiling, flooring materials, pipes, decorative laminates, fittings, electricals and steel/aluminium doors and windows, provided they are exported as separate items and not as items forming part of civil construction/turnkey projects
5. Agricultural chemicals and industrial chemicals
6. Pressure cookers, watches and clocks, knitting/sewing machines, vacuum flasks, cutlery, plastic moulded luggage
7. Domestic electric appliances
8. Drugs and pharmaceuticals
9. Electrical equipment including low tension insulators, batteries and accumulators, parts of electrical machinery and lamps, fuses and electrodes for industrial application
10. Electronic components
11. Electronic goods including radios, TV, public address systems, record players, tape recorders
12. Fibreglass, PVC and plastics based products including pipes and tubes, tyre cord
13. Ferrous/non-ferrous castings, forgings, stampings, extrusions and rolled products
14. Ferrous/non-ferrous pipes, tubes, sheets, strips, foils, rods, wires, wire ropes
15. Heating and cooling equipment including air conditioners, refrigerators, water coolers
16. Industrial rubber products including tyres and tubes, cots and aprons, conveyor belts, rubber rollers, hose pipes
17. Instruments for measurement, scientific survey and for surgical applications
18. Industrial fasteners, bearings, valves, gears and gaskets
19. X-ray and other electro-medical and other hospital equipments
20. Office equipments including typewriters, calculators, duplicators, teleprinters

- 21. Metal and plastic furniture
- 22. Hand tools, cutting tools, grinding wheels, moulds dies
- 23. Gas cylinders, fire fighting equipment, photographic equipment, helmets, including fibreglass helmets
- 24. Computer Software
- 25. Any item not included in Part 'B' above that might be agreed upon between Exim Bank and the Borrower subject to approval of the Reserve Bank of India.

**Facilities to Status Holder Exporters**  
**-Credit to the EEFC account**  
**A.P.(DIR Series) Circular No.34 (April 01, 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001

A.P.(DIR Series) Circular No.34

April 01, 2002

To

All Authorised Dealers in Foreign Exchange

Madam /Sirs,

**Facilities to Status Holder Exporters**  
**- Credit to the EEFC account**

Attention of authorised dealers is invited to the provisions contained in the Schedule to the Reserve Bank Notification No FEMA10/2000-RB dated May 3, 2000, permitting the residents to maintain Exchange Earners' Foreign Currency ( EEFC) account with authorised dealers in India.

2. It has now been decided that the exporters with proven track record who have been certified as "Status Holder Exporters" in terms of the EXIM Policy ,may be permitted to credit amount upto 100% of their eligible receipts of foreign exchange to their Exchange Earners' Foreign Currency ( EEFC) account.
3. It is clarified that the facility will be available in respect of the foreign exchange received by the exporters **on or after April 1, 2002**, till further notice.
4. Necessary amendment to the Foreign Exchange Management Regulations is being notified separately.
5. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**Grace Koshie**  
Chief General Manager

**Export of Goods and Services -  
Facilities to Status Holder Exporters  
A.P.(DIR Series) Circular No.35 (April 01, 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001

A.P.(DIR Series) Circular No.35

April 01, 2002

To

All Authorised Dealers in Foreign Exchange

Madam /Sirs,

**Export of Goods and Services -  
Facilities to Status Holder Exporters**

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No. 12 dated September 9, 2000, containing directions regarding Export of Goods and Services.

2. With a view to simplifying the procedures regarding exports, it has been decided to extend the following facilities to the exporters with proven track record who have been certified as “Status Holder Exporters” in terms of the EXIM Policy : -

- (i) **Despatch of Shipping Documents:** In terms of paragraph C.7 of A.P.(DIR Series) Circular No. 12 dated September 9, 2000, authorised dealers have been advised to accede, in certain cases, to the requests of the exporters for despatch of documents direct to the consignee. It has now been decided that authorised dealers may permit the exporters with proven track record who have been certified as “Status Holder Exporters” in terms of the EXIM Policy, to despatch the export documents direct to the consignees outside India subject to the conditions that (a) the export proceeds are repatriated through the authorised dealer named in the GR form and (b) the duplicate copy of the GR Form is submitted to the authorised dealer for monitoring purposes, by the exporters within 21 days from the date of shipment of export,

**(ii) Enhancement in normal period for realisation of export proceeds –**

In terms of the second proviso made to Regulation 9 of Notification No.FEMA 23/2000-RB dated May 3, 2000, the Reserve Bank has been empowered to extend the period of six months for realisation and repatriation of export proceeds to India. It has now been decided that the exporters with proven track record who have been certified as “Status Holder” in terms of the EXIM Policy, realise and repatriate the full value of export proceeds within a period of twelve months from the date of shipment.

These facilities will be available in respect of the shipment made on or after April 1, 2002.

3. Necessary amendments to the Foreign Exchange Management Regulations are being notified separately.

4. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager

**Issue of General Insurance Policies in foreign currency**  
**AP (DIR Series) Circular No. 36 (April 2, 2002)**

Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai-400 001

April 2, 2002

AP (DIR Series) Circular No. 36

To,  
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**Issue of General Insurance Policies in foreign currency**

In terms of paragraph B.2 of GIM requests for issue of general insurance policies in foreign currency other than those covered by the provisions of GIM require prior approval from the Reserve Bank. Approvals are granted by RBI on merits of the case and insurance companies are permitted to issue policies denominated in foreign currency and to receive premium in foreign currency. On a review it has now been decided that insurance companies registered with IRDA may issue general insurance policies denominated in foreign currency and receive premium in foreign currency without prior approval of the Reserve Bank, in the following type of cases.

- i) Marine insurance for vessels owned by foreign shipping companies and chartered by Indian parties.
- ii) Marine insurance policies in respect of vessels owned by foreign shipping companies but managed by Indian companies as technical operators for the vessels.
- iii) Marine insurance policies in respect of vessels mortgaged to foreign financiers/bank as per the loan agreement and assignment of the same in favour of the foreign financiers/bank.
- iv) Aviation insurance for aircrafts imported from outside India on lease/hire basis for the purpose of air taxi operations.
- v) Marine-cum-erection all risks insurance policies to Indian companies in connection with a project to be set up in India with collaboration of foreign companies for supply of the equipment.

vi) Marine-cum-erection all risks policies favouring Indian companies for execution of projects in India being financed by External Commercial Borrowings (ECB) or awarded to local companies under global tender requiring insurance in foreign currency.

2. Authorised Dealers may allow remittances towards settlement of claims in the above cases subject to compliance of the conditions stipulated in AP(DIR Series) Circular No. 8 dated 13<sup>th</sup> October 2001.

3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**Grace Koshie**  
Chief General Manager



**Two-way fungibility of ADRs/GDRs**  
**A.P. (DIR Series) Circular No.37 (April 9, 2002)**

Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400 001

A.P. (DIR Series) Circular No.37

April 9, 2002

To  
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Two-way fungibility of ADRs/GDRs**

Attention of Authorised Dealers is invited to A.P.(DIR Series) circular No.21 dated February 13, 2002, enclosing the Operative Guidelines for the limited two-way fungibility under the "Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993".

2. The following amendment may be made in the Operative Guidelines with immediate effect:

" The word 'NSDL' in item 'h' on page 2 of the Operative Guidelines shall be replaced by the words 'NSDL/CDSL'. "

3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**  
Chief General Manager

**Foreign Exchange Management Act, 1999 –  
Export of goods and services – Reduction in value  
A.P. (DIR Series) Circular No.38 (April 12, 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI-400 001

A.P. (DIR Series) Circular No.38

April 12, 2002

To,

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Foreign Exchange Management Act, 1999 –  
Export of goods and services – Reduction in value**

Attention of authorised dealers is invited to item (i) of paragraph C.12(b) of A.P. (DIR Series) Circular No.12 dated September 9, 2000 in terms of which authorised dealers have been permitted to allow reduction in invoice value of export which does not involve gold or silver jewellery or articles made out of cut and polished diamonds.

2. The matter has now been reviewed and it has been decided to allow authorised dealers to consider requests for reduction upto 10% in invoice value of export bills also in respect of export of gold/silver jewellery or articles made out of cut and polished diamonds. All other terms and conditions of the paragraph C.12 remain unchanged.

3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in the circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager

**Foreign Exchange Management Act, 1999 –  
Current Account Transactions  
A.P.(DIR Series) Circular No.39 (April 20, 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001

A.P.(DIR Series) Circular No.39

April 20, 2002

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**Foreign Exchange Management Act, 1999 –  
Current Account Transactions**

The authorised dealers have been permitting the Indian companies to open Trading Office / Non-Trading Office / Branch Office / Representative Office abroad and allowing remittance for initial expenses and recurring expenses for maintenance of such office abroad. The authorised dealers are required to obtain from the applicants a statement in form ORR where remittance is allowed from EEFC Account and to submit copies of such statements to the Regional Office of Reserve Bank after adding their certification thereon along with the monthly statement in form ORA.

2. On a review, it has been decided to discontinue forwarding the statement in form ORR to Reserve Bank. It has also been decided that statement in form ORA should be submitted to the Regional Office of Reserve Bank on half yearly basis instead of on a monthly basis by the authorised dealers.

3. Authorised Dealers may bring the contents of this circular to the notice of their concerned constituents.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager

**Investment in and Borrowing from Overseas Markets**  
**A.P. (DIR Series) Circular No.40 (April 29, 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI-400 001

A.P. (DIR Series) Circular No.40

April 29, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/ Sirs

**Investment in and Borrowing from Overseas Markets**

Attention of authorised dealers is invited to paragraphs C.4 (ii) and C.5 (i) of A.P. (DIR Series) Circular No.19, dated January 24, 2002.

2. With a view to accord greater flexibility in funds management to banks in India, it has been decided that banks may now invest up to twenty five per cent (as against the existing ceiling of fifteen percent) of their unimpaired Tier I capital or US \$ 10 million whichever is higher in overseas money market instruments and/or debt instruments

3. Further the banks in India will also have the freedom to invest the undeployed FCNR (B) funds in overseas markets in long-term fixed income securities subject to the following:

- i) The instruments shall have the ratings comparable to money market instruments/debt instruments prescribed in the A.P. (DIR Series) Circular No.19, dated January 24, 2002.
- ii) The type and maturity of the instruments as also the overall cap on the quantum of investments shall be approved by the bank's Board. However, the maturity of such investments shall not exceed the maximum maturity of the underlying FCNR (B) deposits.
- iii) All investments shall be subject to the gap discipline and risk management/ALM guidelines issued by DBOD from time to time.

4. Banks may now avail of loans/ overdrafts from their Head Office/overseas branches/correspondents up to twenty five per cent (as against the existing ceiling of fifteen per cent) of their unimpaired Tier I capital or US\$ 10 million or its equivalent, whichever is higher.

5. All other instructions contained in the paragraphs C.4 (ii) and C.5 (i) of A.P. (DIR Series) Circular No.19, dated January 24, 2002 remain unchanged.

6. Necessary amendments to the Foreign Exchange Management (Borrowing or lending in foreign exchange) Regulations 2000 are being notified separately.
7. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully

**Grace Koshie**

Chief General Manager

**External Commercial Borrowings – Crystallisation of Liability**  
**A.P. (DIR Series) Circular No. 41 (April 29,2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001

A.P. (DIR Series) Circular No. 41

April 29,2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**External Commercial Borrowings – Crystallisation of Liability**

Corporates in India, at times, raise External Commercial Borrowings (ECBs) against a guarantee/letter of comfort from a bank in India. In certain cases the loan liability of the corporates gets devolved on banks.

2. With a view to providing greater freedom and flexibility to banks in their fund management, it has been decided to grant permission to banks to crystallise their foreign exchange liability in rupees, in select cases, where circumstances so warrant, keeping in view the status of the account of the borrower who had raised External Commercial Borrowing.
3. Therefore, Authorised Dealers desirous of crystallising their foreign exchange liability, arising out of guarantees provided for ECBs raised by corporates in India, into Rupees may make an application to the Chief General Manager, Exchange Control Department, External Commercial Borrowings Division, Reserve bank of India, Central Office, Mumbai, giving full details viz., name of the borrower, amount raised, maturity, circumstances leading to invocation of guarantee/letter of comfort, date of default, its impact on the liabilities of the overseas branch of the Authorised Dealer concerned and other relevant factors.
4. Authorised Dealers may bring the contents of this Circular to the notice of their constituents concerned.
5. The directions contained in this circular have been issued under Section 10 (4) and Section 11 (1) of the Foreign Exchange Management Act 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager

**ACU – Funding of Nostro Account on ‘TOM’ basis A.P.(DIR Series) Circular No.42**

Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400 001

A.P.(DIR Series) Circular No.42

April 30, 2002

To,  
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**ACU – Funding of Nostro Account on ‘TOM’ basis**

Attention of authorised dealers is invited to AP (DIR Series) Circular No.25 dated February 17, 2001 in terms of which, authorised dealers desirous of availing the facility of booking transactions in their ACU Dollar Accounts on ‘Tom’ basis are required to submit their applications to Department of External Investments and Operations, Reserve Bank of India, Mumbai before 3 p.m. a day prior to Value Date.

2. In view of suggestions received from some of the authorised dealers, it has now been decided that authorised dealers desirous of availing the facility of booking ACU transactions on ‘Tom’ basis may submit their applications to Department of External Investments and Operations, Central Office, Reserve Bank of India, Mumbai upto 4 p.m. a day prior to the Value Date.

3. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**  
**Chief General Manager**

**Indian Direct Investment in Joint Ventures/Wholly Owned Subsidiaries Outside  
India (A.P. (DIR Series) Circular No.43)**

Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400 001

A.P. (DIR Series) Circular No.43

April 30, 2002

To,  
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Indian Direct Investment in Joint Ventures/  
Wholly Owned Subsidiaries Outside India**

Attention of authorised dealers is invited to Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000 notified by the Reserve Bank vide Notification No. FEMA.19/RB-2000 dated 3<sup>rd</sup> May 2000 as amended from time to time.

2. With a view to streamlining the monitoring mechanism for overseas direct investment by Indian parties, it has been decided that authorised dealers may designate select branches at different centres to undertake foreign exchange transactions in connection with overseas direct investment under Regulation 6 and 17B of Notification No.FEMA.19/RB-2000 dated May 3, 2000.

3. A list of such branches may be forwarded to Chief General Manager, Reserve Bank of India, Exchange Control Department, Overseas Investment Division, Central Office, Mumbai-400 001, at an early date for record.

4. Authorised Dealers may bring the contents of this Circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Section 10 (4) and Section 11 (1) of the Foreign Exchange Management Act 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**  
**Chief General Manager**



**Current Account Transactions - Remittance for Advertisement on Foreign Television  
AP (DIR Series) Circular No. 44 (May 14, 2002)**

**Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai-400 001**

May 14, 2002

AP (DIR Series) Circular No. 44

To  
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Current Account Transactions  
- Remittance for Advertisement on Foreign Television**

Attention of authorised dealers is invited to AP(DIR Series) Circular No.11 dated May 16,2000, enclosing therewith a copy of Government of India Notification No.G.S.R..No.381(E) dated May 3, 2000. In terms of item No.13 of Schedule III of the Notification prior approval of Reserve Bank is required for remittance of foreign exchange for advertisement on foreign television by a person whose export earnings are less than Rs.10 lakhs during each of the preceding two years, unless the payment is made from their EEFC account.

2. It is clarified that before making any remittance for advertisement on foreign television on behalf of residents who do not require any prior permission from the Reserve Bank, authorised dealers should obtain a certificate from a Chartered Accountant certifying that,

(a) applicant exporter satisfies the criteria of having export earning of more than Rs. 10 lakhs during each of the preceding two years, and

(b) the advertisement for which foreign exchange is being remitted will be broadcast by the foreign television company in **foreign countries and not in India alone.**

3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**Grace Koshie**  
**Chief General Manager**

**Remittance of Current Income by NRIs.**  
**A.P. (DIR Series) Circular No. 45 (May 14, 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI - 400 001

A.P. (DIR Series) Circular No. 45

May 14, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Remittance of Current Income by NRIs.**

As you are aware, authorised dealers can allow remittance of current income in India by debit to the Non-Resident (Ordinary) Rupee (NRO) accounts of the account holders vide paragraph 3(B)(ii) of Schedule 3 to Notification No. FEMA.5/ 2000-RB dated May 3, 2000 issued under the Foreign Exchange Management Act, 1999.

2. Authorised Dealers may, henceforth, allow repatriation of current income like rent, dividend, pension, interest, etc. of NRIs who do not maintain an NRO account in India based on an appropriate certification by a Chartered Accountant, certifying that the amount proposed to be remitted is eligible for remittance and that applicable taxes have been paid/provided for.
3. Authorised Dealers may bring the contents of the circular to the notice of their constituents concerned.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager

**Deferred Payments Protocols dated 30<sup>th</sup> April  
1981 and 23<sup>rd</sup> December 1985 between the  
Government of India and erstwhile USSR  
A.P.( DIR Series ) Circular No. 46 (May 15 , 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001

A.P.( DIR Series ) Circular No. 46

May 15 , 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Deferred Payments Protocols dated 30<sup>th</sup> April  
1981 and 23<sup>rd</sup> December 1985 between the  
Government of India and erstwhile USSR**

Attention of authorised dealers is invited to A.P. ( DIR Series ) Circular No.14 dated 5<sup>th</sup> December 2001 wherein the rupee value of the special currency basket effective from 22<sup>nd</sup> November 2001 was indicated.

2. Authorised Dealers are advised that a further change has taken place on 6<sup>th</sup> May 2002 and accordingly the rupee value of the special currency basket effective from 9<sup>th</sup> May 2002, has been fixed at Rs.62.5450 with lower and upper limits being Rs. 60.6687 and Rs.64.4214 respectively.

3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager

**Foreign Exchange Management Act, 1999 – Insurance**  
**A.P.( DIR Series ) Circular No. 47 (May 17 , 2002)**

Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400 010

A.P (DIR Series) Circular No.47

May 17, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Foreign Exchange Management Act, 1999 – Insurance**

Attention of authorised dealers is invited to the Notification No. FEMA.12/2000-RB dated 3<sup>rd</sup> May 2000 whereby a person resident in India is prohibited from taking any general or life insurance policy issued by an insurer outside India.

2. It has since been decided, in consultation with Government of India, to exempt units located in Special Economic Zones (SEZs) from the purview of the above Notification for the purpose of taking out general insurance policies. Accordingly, authorised dealers are free to allow remittances towards premium for general insurance policies taken by units located in SEZs from insurers outside India provided the premium is paid by the units out of their foreign exchange balances.

3. Authorised Dealers may bring the contents of the circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours

faithfully,

**Grace**

**Koshie**

Chief General Manager

**Exim Bank's Letter of Credit Refinancing Facility of  
US \$ 20 million to Bank Markazi Jomhuri Islami Iran  
A.P.(DIR Series) Circular No.48 (June 3, 2002)**

**Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400 001**

A.P.(DIR Series) Circular No.48

June 3, 2002

To  
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Exim Bank's Letter of Credit Refinancing Facility of  
US \$ 20 million to Bank Markazi Jomhuri Islami Iran**

Export Import Bank of India (Exim Bank) has concluded an agreement with Bank Markazi Jomhuri Islami Iran (The Central Bank of the Islamic Republic of Iran) on February 20, 2002, making available to the latter a Letter of Credit Refinancing Facility upto an aggregate sum of US \$ 20 million (U.S. Dollar Twenty Million only). This credit is available for financing 100 per cent value of contract (f.o.b./c.f.r/c.i.f.) for export of eligible goods and services to Bank Markazi Jomhuri Islami Iran (The Central Bank of the Islamic Republic of Iran). Goods which are permissible for export under Exim Policy are eligible for export under the refinancing facility.

2. The broad terms and conditions of the refinance facility are as under :

- (a) The period of utilisation and the period of disbursements under the facility will be upto February 19, 2003, (which may be extended depending on utilisation) and upto August 19, 2003, respectively. Thus, facility is available from the effective date of the agreement for a period of 18 months i.e. upto August 19, 2003.
- (b) The contract shall be expressed in US Dollars.
- (c) The minimum value of each letter of credit under the facility will be US \$ 1,00,000/- (U.S. Dollar one lakh only).

3. Bank Markazi has designated Bank Mellat, Bank Melli Iran, Bank Sepah, Bank Saderat Iran and Bank Tejarat as issuing banks for the above arrangement. Exim Bank has designated Bank of Maharashtra, Union Bank of India and UTI Bank as advising/negotiating banks from India. Under the above facility, the Indian commercial banks designated by Exim Bank will advise the letters of credit opened by Iranian banks and negotiate documents under such letters of credit. The letters of credit will be opened in respect of purchase of goods and services by the Iranian buyers from the Indian suppliers and all such letters of credit will contain the following clause :

“This letter of credit is opened and is to be refinanced for a period of three hundred and sixty (360) days on the basis of the Letter of Credit Refinancing Agreement signed on February 20, 2002 between Bank Markazi Jomhuri Islami Iran and Export-Import Bank of India.”

The relevant modalities under the above facility are as follows :

- (i) Following the receipt of the letter of credit from the issuing bank and upon receipt of the copy of the approval letter from Exim Bank, the advising bank shall advise the letter of credit to the beneficiary.
- (ii) Upon negotiation of the letter of credit conforming documents by the advising bank, it will confirm negotiation without reserve and shall forward a set of non-negotiable conforming documents to Exim Bank.
- (iii) Upon receipt of the confirmation and the documents, Exim Bank will reimburse the advising bank with the amount of the documents paid by it to the beneficiary and advise Bank Markazi and the issuing bank of its action.

4. Exporters should check with Exim Bank, in advance, before finalising the contract with the buyers, details of service fee payable by the exporters on the contract to be covered under the above letters of credit refinancing facility. Usual bank charges, expenses, commission, insurance premium or stamp duty payable in India shall be to the account of the beneficiary of the letters of credit and those payable in Iran shall be to the

account of the buyer. The other terms and conditions not specified above, shall be dealt with in accordance with the Uniform Customs and Practice relating to Documentary Credits (UCP 500), edition 1993.

5. Shipments under the credit will have to be declared on GR/SDF/SOFTEX Forms as usual. All copies of the GR/SDF/SOFTEX Forms should bear a prominent superscription reading 'Export under Exim Bank's Letter of Credit Refinancing facility dated February 20, 2002 extended to Bank Markazi Jomhouri Islami Iran'. The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, authorised dealer should certify the duplicate copy/ies of the relative GR/SDF/SOFTEX Form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

6. Ordinarily, no agency commission shall be payable in respect of exports financed under the above facility. However, Reserve Bank of India may consider on merits, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b./c.f.r./c.i.f. value in respect of goods eligible for export under the refinancing facility which require after sales service. In such cases, commission will have to be paid in Iran by deduction from the invoice value of the relevant shipment and the reimbursable amount by the Exim Bank to the claiming bank will be the contract value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

7. Authorised Dealers may bring the contents of this circular to the notice of their exporter constituents concerned.

8. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**Grace Koshie**  
Chief General Manager

**Remittance for participation in lottery etc., schemes  
A.P. (DIR Series) Circular No.49 (June 4, 2002)**

**Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai-400 001**

A.P. (DIR Series) Circular No.49

June 4, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Remittance for participation in lottery etc., schemes**

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.22 dated December 7, 2000 and A.P. (DIR Series) Circular No.2 dated July 27, 2001 in connection with prohibition on remittance in any form towards participation in lottery schemes or lottery like schemes, functioning under different names like money circulation scheme, or remittances for the purpose of securing prize money/awards etc., under Foreign Exchange Management Act, 1999.

2. It is clarified that the prohibition on such payments include payment not only by a resident by use of cash/draft/credit card/debit card etc. but also payments made by non-residents on behalf of residents. As such any person resident in India effecting/remitting such payment directly/indirectly would make himself/herself liable to be proceeded against the contravention of the Foreign Exchange Management Act, 1999.

3. Therefore, with a view to caution the members of public, authorised dealers are once again advised to give wide publicity to the instructions contained in the A.P.(DIR Series) Circulars referred to above.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**Grace Koshie**  
Chief General Manager



**Deferred Payments Protocols dated 30<sup>th</sup> April 1981 and 23<sup>rd</sup> December  
1985 between the Government of India and erstwhile USSR  
A.P. (DIR Series) Circular No.50 (June 5, 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001

A.P. (DIR Series) Circular No.50

June 5, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Deferred Payments Protocols dated 30<sup>th</sup> April 1981 and 23<sup>rd</sup> December  
1985 between the Government of India and erstwhile USSR**

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.46 dated 15<sup>th</sup> May 2002 wherein the rupee value of the special currency basket effective from 9<sup>th</sup> May 2002 was indicated. Paragraph 2 of the above circular is now modified as under:

“Authorised Dealers are advised that a further change has taken place on 6<sup>th</sup> May 2002 and accordingly the rupee value of the special currency basket effective from 9<sup>th</sup> May 2002 has been fixed at Rs.54.1262”

2 Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

3 The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager

**Indian Direct Investment in Joint Ventures (JV)/  
Wholly Owned Subsidiaries (WOS) outside India  
A.P. (DIR Series) Circular No.51 (June 24, 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001

A.P. (DIR Series) Circular No.51

June 24, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Indian Direct Investment in Joint Ventures (JV)/  
Wholly Owned Subsidiaries (WOS) outside India**

Attention of authorised dealers is invited to Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000 notified by the Reserve Bank vide Notification No.FEMA.19/RB-2000 dated May 3, 2000, as amended from time to time.

2 In terms of A.P. (DIR Series) Circular No.3 dated June 22, 2000 as amended by A.P. (DIR Series) Circular No.13 dated September 14, 2000, in case of investments made under the automatic route for overseas direct investment, authorised dealers are required to forward to the Reserve Bank, form ODA alongwith the prescribed documents and a report on remittance in form ODR. Remittances made under an approval of the Reserve Bank are only required to be reported in form ODR.

3. With a view to further streamlining the procedure for reporting overseas direct investments in JV/WOS, it has been decided to dispense with the requirement of forwarding of form ODA alongwith the prescribed documents to Reserve Bank for investments made under the automatic route by Indian parties.

4. The report on remittances required to be submitted by authorised dealers has also been revised. All remittances/guarantees issued/capitalisation of exports etc., irrespective of whether under the automatic route or under Reserve Bank approval, are henceforth required to be reported in the revised form ODR (format enclosed), to the Chief General Manager, Reserve Bank of India, Exchange Control Department, Overseas Investment Division, Amar Building, 3<sup>rd</sup> Floor, Mumbai-400 001. There will be no change in the procedures relating to the receipt/scrutiny of the form ODA submitted by the Indian

parties to the authorised dealer. Accordingly A.P. (DIR Series) Circular No.3, *ibid*, stands modified to that extent.

5. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations 2000 are being notified separately.

6. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

7. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager

**Exim Bank's Line of Credit of US \$ 10 million to Banco  
de Comercio Exterior de Colombia, S.A. (Bancoldex), Colombia  
A.P.(DIR Series) Circular No.52 (June 25, 2002)**

**Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400 001**

A.P.(DIR Series) Circular No.52

June 25, 2002

To  
**All Authorised Dealers in Foreign Exchange**

Madam / Sirs,

**Exim Bank's Line of Credit of US \$ 10 million to Banco  
de Comercio Exterior de Colombia, S.A. (Bancoldex), Colombia**

Export Import Bank of India (Exim Bank) has concluded an agreement with the Banco de Comercio Exterior de Colombia, S.A. (Bancoldex), Colombia on February 5, 2002, making available to the latter, a line of credit upto an aggregate sum of US \$ 10 million (U.S. Dollar Ten Million only). The credit has become effective from March 21, 2002, and is available for financing Indian export of eligible goods (listed in the Annexure) and related services to buyers in the borrower's country i.e. Colombia or any other country as may be requested by the buyer and approved by the borrower except to a country with which India may not have bilateral relations or on which any sanctions or embargo may have been imposed. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into the borrower's country shall be subject to the laws and regulations in force in both the countries.

2. The broad terms and conditions of the credit are as under :
- (a) Every contract under the credit will require prior approval of Exim Bank.
  - (b) The credit shall be available for financing an amount upto 90 per cent of the f.o.b. (free on board) or c.& f. (cost and freight) or c.i.f. (cost, insurance & freight) contract price of the eligible contract.
  - (c) The contract price shall be specified in U.S. Dollar and shall not be less than U.S. Dollar 50,000/- (U.S. Dollar Fifty Thousand only) or such amount as

may, from time to time, be agreed upon between Exim Bank and the borrower.

(d) The contract signed under the credit should also provide for the following :

- (i) The buyer shall make an advance payment of 10 percent of the f.o.b./c.& f./c.i.f. contract value to the seller within 10 business days after the date of the approval of the contract by Exim Bank.
- (ii) The buyer shall make payment to the seller of the balance 90 percent of f.o.b./c.& f./c.i.f. contract price, pro-rata against shipments, to be covered under an irrevocable letter of credit in favour of the seller.
- (iii) The eligible goods shall be inspected before shipment on behalf of the buyer and the documents to be furnished by the seller to the negotiating bank under the letter of credit arrangement shall include an inspection certificate.

3. The letter of credit shall be advised through such offices of the negotiating bank in India as may be designated from time to time by Exim Bank in consultation with Bancoldex. The letter of credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1994 edition) published by the International Chamber of Commerce (Publication No.500) and shall be irrevocable and if required by a seller, be also divisible and transferable.

4. Upon presentation of documents by the beneficiary to the negotiating bank, the negotiating bank shall pay to the beneficiary an amount being not more than 90 per cent of f.o.b./c.& f./c.i.f. contract value, apportionable to the relative shipment, in equivalent Indian Rupee at the spot rate of exchange of the negotiating bank, provided the documents presented are in order and are in conformity with the relevant letter of credit.

5. Where negotiation has been effected without reserve, Exim Bank shall, upon receipt of the negotiating bank's written communication, reimburse the negotiating bank in U.S. Dollar with the amount of the eligible value to the extent apportionable to the relative shipment by transfer to the credit of the negotiating bank in such account with such bank in New York, USA, as may be specified by the negotiating bank in the communication to Exim Bank. If the negotiation has been made under reserve, Exim Bank shall make payment to the negotiating bank only after Exim Bank receives a written communication

from the negotiating bank that the issuing bank which has opened / issued letters of credit, has lifted the reserve and has accepted the documents, or a communication from the issuing bank through the borrower or the negotiating bank to that effect.

6. Bank charges, expenses, commission or stamp duty payable in India shall be to the account of the seller/beneficiary and those payable in the borrower's country shall be to the account of the buyer.

7. Exporters should check with Exim Bank, in advance, before finalising the contract with the buyers, details of service fee payable by the exporters on the contract to be covered under the above Line of Credit.

8. The terminal dates for opening letters of credit and utilisation of credit are March 20, 2003, and September 20, 2003, respectively.

9. Shipments under the credit will have to be declared on GR/SDF Forms as usual. All copies of the GR/SDF Forms should bear a prominent superscription reading 'Export under Exim Bank's Line of Credit dated February 5, 2002 extended to Banco de Comercio Exterior de Colombia, S.A. (Bancoldex), Colombia'. The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, authorised dealer should certify the duplicate copy/ies of the relative GR/SDF Form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

10. No agency commission shall be payable in respect of exports financed under the above line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b./c.&f./c.i.f. value in respect of goods specified in the Annexure and which require after sales service. In such cases, commission will have to be paid in the borrower's / buyer's country only by deduction from the invoice of the relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 percent of the f.o.b./c.&f./c.i.f. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

11. Authorised Dealers may bring the contents of this circular to the notice of their concerned constituents.

12. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**Grace Koshie**  
**Chief General Manager**

**ANNEXURE****List of Eligible Goods for finance out of the Credit****PART 'A'**

1. Air compressors
2. Air conditioning, heating, cooling, fume extraction, dust collection, humidification and ventilation equipment for industrial use including blowers and exhaust fans.
3. Alcohol and brewery plant.
4. Aluminium plant and equipment
5. Asbestos cement machinery
6. Cement machinery
7. Cinematographic equipment for motion picture and television studios.
8. Chemical and pharmaceutical plant and machinery.
9. Cigarette making machinery.
10. Coffee processing machinery.
11. Coke oven plant and equipment
12. Coke oven refractories
13. Control and Process Instruments including X-Ray equipment for Industrial Applications.
14. Copper Ore concentration machinery
15. Dairy equipment and animal feed plant
16. Earth moving equipment like crawler tractors, shovels, excavators, loaders, dumpers etc.
17. Edible Oil Mill machinery and oil expellers.
18. Electric motors and pumps
19. Electronic Data Processing equipment
20. Fertilizer plant and equipment
21. Flour, rice and dal mill machinery
22. Food processing plant
23. Foundry equipment including mould making machinery, Sand and Shot blasting equipment
24. Freight containers
25. Garage equipment
26. Gas and air separation plants
27. Glass and Ceramic machinery
28. Heat Exchangers



29. Integrated Steel Plants (complete or in parts), mini steel plants (electric arc and reduction furnaces). Re-heating and heat treatment furnaces, Rolling Mills and other finishing lines for ferrous and non-ferrous metals.
30. Ice-making machinery
31. Industrial boilers
32. Industrial furnaces
33. Industrial switchboards, Control panels, circuit breakers, air break switches
34. Jute machinery
35. Leather tanning and processing machinery
36. Machine tools
37. Machinery for manufacturing air conditioners, bicycles, corks, electrical goods, enamel-ware, hard board, metal containers, radios, razor blades, refractories and bricks, sewing machines, shoes, steel furniture, wire-ropes and cables etc.
38. Machinery for manufacturing any product figuring in Part B of this List, not specified separately in this Part.
39. Material handling equipment like fork lifts, electric lifts, cranes, hoists etc. and conveyor systems.
40. Metal working machinery
41. Mining machinery
42. Motor vehicles and chassis, including three-wheelers
43. Oil drilling rigs
44. Oil refinery equipment
45. Packaging and weighing machinery
46. Pile foundation machinery
47. Plastic machinery
48. Power generation, transmission and distribution equipment including boilers, generators, transformers, switchgears, transmission line towers, conductors, cables, sub-station equipment and protective equipment.
49. Power line carrier communication equipment
50. Power station structures, hydraulic structures like penstocks, gates and gearings, sub-station structures.
51. Pressure vessels.
52. Printing and book-binding machinery
53. Pulp and Paper Mill machinery
54. Railway electrification equipment and structures and railway signalling equipment.
55. Railway rolling stock including locomotives, wagons, coaches and trolleys.
56. Rubber machinery
57. Road and construction equipment including road rollers, tar boilers, continuous batch plants, stone crushers, asphalt mixers, concrete mixers and vibrators.

58. Ships, boats, trawlers, steamers, launches, barges.
59. Solvent extraction machinery
60. Spraying equipment
61. Steam, diesel and petrol engines
62. Steel fabrication for bridges, factories etc.
63. Steel rails and railway track equipment including sleepers, fishplates, points and crossings.
64. Steel shuttering and scaffolding materials
65. Steel tanks
66. Sugar (including Khandsari) machinery
67. Tele-communication and signalling equipment
68. Textile machinery
69. Tractors and Trailers
70. Vending machines
71. Water supply equipment including pumping plant, large diameter fabricated steel pipes, C.I. spun pipes and storage tanks, water treatment and sewage treatment plant.
72. Weigh bridges
73. Welding machinery
74. Wood working machinery

## **PART 'B'**

1. Agricultural implements.
2. Auto parts
3. Bicycles, motorcycles, scooters, mopeds and parts
4. Construction materials including sanitary ware, tiles and precast cement products, false ceiling, flooring materials, pipes, decorative laminates, fittings, electricals and steel/aluminium doors and windows, provided they are exported as separate items and not as items forming part of civil construction/turnkey projects.
5. Agricultural chemicals and industrial chemicals.
6. Pressure cookers, watches and clocks, knitting/sewing machines, vacuum flasks, cutlery, plastic moulded luggage.
7. Domestic electric appliances
8. Drugs and pharmaceuticals
9. Electrical equipment including low tension insulators, batteries and accumulators, parts of electrical machinery and lamps, fuses and electrodes for industrial application.
10. Electronic components.

11. Electronic goods including radios, TV, public address systems, record players, tape recorders.
12. Fibreglass, PVC and plastics based products including pipes and tubes, tyre cord.
13. Ferrous/non-ferrous castings, forgings, stampings, extrusions and rolled products.
14. Ferrous/non-ferrous pipes, tubes, sheets, strips, foils, rods, wires, wire ropes
15. Heating and cooling equipment including air conditioners, refrigerators, water coolers.
16. Industrial rubber products including tyres and tubes, cots and aprons, conveyor belts, rubber rollers, hose pipes.
17. Instruments for measurement, scientific survey and for surgical applications.
18. Industrial fasteners, bearings, valves, gears and gaskets.
19. X-ray and other electro-medical and other hospital equipments
20. Office equipments including typewriters, calculators, duplicators, teleprinters.
21. Metal and plastic furniture
22. Hand tools, cutting tools, grinding wheels, moulds dies.
23. Gas cylinders, fire fighting equipment, photographic equipment, helmets, including fibreglass helmets.
24. Any item not included in Part 'B' above that might be agreed to be financed by Exim Bank at the request of the Borrower.

**Use of Credit Cards**  
**AP (DIR Series) Circular No.53 (June 27, 2002)**

Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400 001

AP (DIR Series) Circular No.53

June 27, 2002

To,

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**Use of Credit Cards**

Attention of Authorised Dealers is invited to paragraph 3 of AP(DIR Series) Circular No.19 dated October 30, 2000 clarifying that the term “currency”, inter alia, includes Credit Cards, ATM Cards and Debit Cards etc. and all the rules, regulations made and directions issued under the Foreign Exchange Management Act apply to Credit Cards, ATM Cards, Debit Cards etc. also.

2. It is clarified that :-

- (i) International Credit Cards can be used on internet for any purpose for which exchange can be purchased from an authorised dealer in India, e.g. for import of books, purchase of downloadable softwares or import of any other item permissible under EXIM Policy.
- (ii) International Credit Cards cannot be used on internet or otherwise for purchase of prohibited items, like lottery tickets, banned or proscribed magazines, participation in sweepstakes, payment for call-back services etc., since no drawal of foreign exchange is permitted for such items/activities.
- (iii) There is no aggregate monetary ceiling separately prescribed for use of International Credit Cards through internet.

It is further clarified that Debit Cards and ATM Cards can also be used for any purpose for which foreign exchange can be purchased from an authorised dealer in India.

3. Attention of authorised dealers is also invited to item (iii) of Regulation 4 of the Reserve Bank Notification No.14/2000-RB dated 3<sup>rd</sup> May 2000 in terms of which payment received in rupees from credit card servicing banks in India against the charge slip signed by the buyer is a permissible method for receipt of payment

for exports made out of India. This permission presumes that the importer client had decided to make payment when he was on a visit to India. It has now been decided to permit authorised dealers to accept payment by debit to credit card for exports made out of India irrespective of whether the importer client is on a visit to India or not. Accordingly, it is clarified that authorised dealers may receive payment for exports made out of India by debit to the credit card of an importer, where the reimbursement from the card issuing bank/organisation will be received in foreign exchange.

4. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,  
**Grace Koshie**  
**Chief General Manager**

**Maintenance of foreign currency account  
abroad by a company/firm/a body corporate  
registered or incorporated in India  
A.P. (DIR Series) Circular No.54 (June 29, 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI 400 001

A.P. (DIR Series) Circular No.54

June 29, 2002

To,

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Maintenance of foreign currency account  
abroad by a company/firm/a body corporate  
registered or incorporated in India**

Attention of authorised dealers is invited to the Reserve Bank Notification No.FEMA.10/2000-RB dated 3<sup>rd</sup> May 2000 relating to Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000, which has now been amended vide Notification No.FEMA 47/2001-RB dated December 5, 2001 (copy enclosed).

2. Now an Indian entity has been permitted to open, hold and maintain in the name of its office/branch set up outside India, a foreign currency account with a bank outside India by making remittance for the purpose of normal business operations of the said office/branch or representative subject to conditions stated in the Notification.

3. The authorised dealers may, therefore, allow remittances for the purpose of normal business operations of the office (trading/non-trading)/branch or representative outside India as per the provisions of the Regulations in this regard subject to the following terms and conditions:-

- i) The overseas office (trading/ non-trading)/ branch/ representative should not create any financial liabilities contingent or otherwise for Head Office in India.
- ii) The overseas office (trading/non-trading)/ branch /representative should not invest surplus funds abroad without prior approval of Reserve Bank of India. Any funds rendered surplus should be repatriated to India.

- iii) The overseas office/branch of software exporter company/ firm, may repatriate to India 100% of the contract value of each `off-site' contract as also atleast 30% of the contract value of each `on-site' contract and may utilise the balance amount (70%) of the contract value of `on-site' contracts for contract related expenses including office/branch expenses abroad. A duly audited yearly statement showing receipts under `off-site' and `on-site' contracts undertaken by the overseas office, expenses and repatriation thereon may be sent to the authorised dealer.
- iv) The details of bank account opened in the overseas country should be promptly reported to authorised dealer.

4 . Authorised Dealers may bring the contents of the circular to the notice of their concerned constituents.

5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**  
**Chief General Manager**