

RBI/2006/07/ 53

A. P. (DIR Series) Circular No. 01

July 06, 2006

To,
All Banks Authorised to Deal in Foreign Exchange

Madam / Sir,

**Deferred Payment Protocols dated April 30, 1981 and December 23, 1985 between
Government of India and erstwhile USSR**

Attention of Authorised Dealer (AD) banks is invited to A. P. (DIR Series) Circular No.35 dated June 07, 2006, wherein the rupee value of the special currency basket was indicated as Rs. 58.7054 effective from May 04, 2006.

2. AD banks are advised that a further revision has taken place on May 26, 2006 and accordingly the rupee value of the special currency basket has been fixed at Rs.60.4958 with effect from May 31, 2006.

3. AD banks 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 Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

July 17, 2006

To,

All Category - I Authorised Dealers in Foreign Exchange

Madam / Sir,

Issue of Encashment Certificate (EC)

Attention of Authorised Dealer banks (Category I) [AD – Category I] is invited to Annexure V to A. D. (M. A. Series) Circular No. 11 dated May 16, 2000 in terms of which, pending issue of further directions, Authorised Dealers would be guided by the provisions of para 3 D.4 of the Exchange Control Manual (ECM, Volume I) for issue of Encashment Certificate. [ECM is available on the Bank's website at http://www.rbi.org.in/scripts/BS_ECMCatDisplay.aspx?catid=10].

2. According to the provisions of para 3 D.4 of the ECM, Authorised Dealers and their exchange bureaux are required to issue Encashment Certificates (EC) in form ECF in all cases of purchase of foreign exchange from the public, irrespective of whether the Currency Declaration Form (CDF) has been submitted or not by the tenderer of foreign exchange and whether the tenderer requests for the certificate or not. The certificate is required to be issued on security paper, if the amount of foreign currency encashed exceeds Rs.15,000/- in value and in other cases, on the letter-head of the authorised dealer/exchange bureaux (with their logo printed on it).

3. On a review, it has been decided to dispense with the requirement of issue of Encashment Certificate on security paper. Accordingly, when requested by the customer, Encashment Certificate in form ECF, duly signed by authorised officials, may be issued by ADs Category I on their letter-head (with their logo printed on it), irrespective of the amount. A proper record of all Encashment Certificates issued may be maintained. In cases where the Encashment Certificate is not issued, attention of the customer should be

drawn to the fact that in the absence of encashment certificate, unspent local currency held by non-resident visitors will not be allowed to be converted into foreign currency.

4. Authorised Dealer banks (Category I) 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 11(I) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

M. Sebastian
Chief General Manager

July 26, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sirs,

Investment by Mutual Funds in Overseas Securities - Liberalisation of

Attention of Authorised Dealer Category - I (AD) banks is invited to Regulation 6B and Regulation 26 of Notification No.FEMA.120/RB-2004 dated 7th July 2004, as amended, from time to time and AP (Dir Series) Circular No. 97 dated April 29, 2003.

2. As proposed by the Hon'ble Finance Minister in his budget speech for the year 2006-07, overseas investments by Mutual Funds registered with Securities and Exchange Board of India (SEBI) have been liberalised by enhancing the existing aggregate ceiling and expanding the avenues for investment. Presently, Mutual Funds, registered with SEBI, are permitted to invest in ADRs/GDRs of Indian companies, rated debt instruments and also in the equity of overseas companies listed on a recognised stock exchange overseas and having a shareholding of at least ten percent in a listed Indian company. To enable the Mutual Funds to tap a larger investible stock overseas, the requirement of 10 percent reciprocal share holding in the listed Indian companies by such overseas companies has been dispensed with.

3. The aggregate ceiling for overseas investment by Mutual Funds, registered with SEBI, is increased from USD 1 billion to USD 2 billion with immediate effect. It has also been decided to allow a limited number of qualified Indian Mutual Funds to invest cumulatively up to USD 1 billion in overseas Exchange Traded Funds as may be permitted by the SEBI.

4. Detailed operational guidelines for implementation of the budget announcement including eligibility criteria, limits, identification of recognised stock exchanges, investible universe, monitoring of aggregate ceilings etc. would be issued by SEBI.

5. Monthly reporting requirement to the Reserve Bank as stipulated vide AP Dir (Series) Circular No. 96 dated April 28, 2003 would continue for statistical purpose with some modification in the table for Mutual Fund as in Annex –I.
6. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 will be issued separately.
7. AD banks may bring the contents of this circular to the notice of their constituents and customers.
8. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

M. Sebastian
Chief General Manager

Annex – I

[A.P.(DIR Series) Circular No 3 dated July 26,, 2006]

(USD in thousands)

[illegible]

RBI/2006-07/92

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

July 28, 2006

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Maintenance of collateral by Foreign Institutional Investors (FIIs)
for transactions in derivative segment**

Attention of Authorized Dealer Category-I (AD) banks is invited to Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 notified vide Notification No. FEMA 120/ RB-2004 dated July 7, 2004 and Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended from time to time.

2. It has been decided in consultation with Government of India and Securities and Exchange Board of India (SEBI) to permit FIIs to offer foreign sovereign securities with AAA rating as collateral to the recognised Stock Exchanges in India for their transactions in derivatives segment. The operational guidelines in this regard will be issued separately by SEBI. Thereafter, recognised Stock Exchanges in India may approach the Reserve Bank of India, Foreign Exchange Department, Central Office, Mumbai-400001 for specific approvals as may be necessary under the Foreign Exchange Management Act, 1999.

3. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000 will be issued separately.

4. AD banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

Salim Gangadharan
Chief General Manager-in-Charge

RBI/2006-07/108

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

August 16, 2006

To.

All Category – I Authorised Dealer Banks

Madam / Sir,

Purchase of immovable property in India by Non-Resident Indians and Persons of Indian Origin – Mode of Payment – Clarification

Attention of Authorised Dealer Category I (AD – Category I) banks is invited to Regulation No. 3 and 4 of Notification No. FEMA 21/RB-2000 dated May 3, 2000, as amended from time to time.

2. In terms of Regulations 3 and 4 of the Notification *ibid*, Indian citizen resident outside India and Person of Indian origin can acquire immovable property in India other than agricultural property, plantation or a farm house. It is clarified that the payment for such acquisition shall be made out of (i) funds received in India through normal banking channels by way of inward remittance from any place outside India or (ii) funds held in any non-resident account maintained in accordance with the provisions of the Foreign Exchange Management Act, 1999 and the regulations made by Reserve Bank of India from time to time.

3. Accordingly, such payment cannot be made either by traveller's cheque or by foreign currency notes or by other mode other than those specifically mentioned in paragraph 2.

4. A copy of the Notification No. FEMA 146/2006-RB dated February 10, 2006 [Foreign Exchange Management (Acquisition and transfer of immovable property in India) Regulations, 2000] issued in this regard is enclosed.

5. AD - Category I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

Salim Gangadharan
Chief General Manager-in-Charge

Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) (Amendment) Regulations, 2006

In exercise of the powers conferred by clause (i) of Sub-Section (3) of Section 6, Sub-Section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) the Reserve Bank of India hereby makes the following amendments in the Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) Regulations, 2000 (Notification No.FEMA.21/2000-RB dated May 3, 2000):-

1. Short title and commencement -

- (i) These Regulations may be called the Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) (Amendment) Regulations, 2006.
- (ii) They shall come into force on the date of their publication in the Official Gazette.

2. Amendment of Regulation 3 –

In regulation 3 of the Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) Regulations, 2000 (hereinafter referred to as the principal regulations), for clause (a), the following shall be substituted, namely :-

"(a) acquire immovable property in India other than an agricultural property, plantation, or a farm house:

Provided that in case of acquisition of immovable property, payment of purchase price, if any, shall be made out of (i) funds received in India through normal banking channels by way of inward remittance from any place outside India or (ii) funds held in any non-resident account maintained in accordance with the provisions of the Act and the regulations made by the Reserve Bank.

Provided further that no payment of purchase price for acquisition of immovable property shall be made either by traveller's cheque or by foreign

currency notes or by other mode other than those specifically permitted by this clause".

3. Amendment of Regulation 4 –

In regulation 4, for clause (a), the following shall be substituted, namely :-

"(a) acquire immovable property in India other than an agricultural property, plantation, or a farm house :

Provided that in case of acquisition of immovable property, payment of purchase price, if any, shall be made out of (i) funds received in India through normal banking channels by way of inward remittance from any place outside India or (ii) funds held in any non-resident account maintained in accordance with the provisions of the Act and the regulations made by the Reserve Bank.

Provided further that no payment of purchase price for acquisition of immovable property shall be made either by traveller's cheque or currency notes of any foreign country or any mode other than those specifically permitted by this clause".

Vinay Baijal
Chief General Manager

Foot Note - The Principal Regulations were published in the Official Gazette vide No.G.S.R. 407(E) dated May 8, 2000 in Part II, Section 3, Sub-section (i) and subsequently amended vide No. G.S.R. 578(E) dated August 19, 2002 and 557(E) dated July 22, 2003.

G.S.R. 130(E) dated March 3, 2006.

September 06, 2006

To

All Category I - Authorised Dealer Banks

Madam / Sir,

Overseas Direct Investment by Regulated Entities in the Financial Sector

Attention of the Authorised Dealer (AD - Category I) banks is invited to Regulation 6 and 7 of Notification No.FEMA120/RB-2004 dated July 7, 2004 [Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2004], as amended from time to time, in terms of which, Indian entities investing in entities engaged in financial services activities overseas have to comply with the additional conditions laid down in Regulation 7 of the Notification.

2. At present, entities engaged in financial services activities in India making investment in non-financial services activities overseas are not required to comply with the additional conditions mentioned in Regulation 7 of the Notification. With a view to assess the impact of the overseas operations of such entities on a consolidated basis, it has been decided that regulated entities in financial sector in India investing overseas in **any** activity will also have to comply with the conditions stipulated in Regulation 7 of the Notification *ibid*.

3. It is further clarified that trading in Commodities Exchanges overseas and setting up JV/WOS for trading in Overseas Commodities Exchanges will be reckoned as financial services activity and will require clearance from the Forward Markets Commission (FMC). The FMC has recently put in place guidelines for allowing FMC registered members of Commodity Exchanges to undertake commodity related activities abroad. Indian entities desirous of setting

up of JV/WOS overseas for trading in overseas commodities exchanges may, therefore, approach the FMC for regulatory clearance.

4. Unregulated Indian entities engaged in the financial services activities in India may invest in non-financial sector activities overseas subject to Regulation 6 of the Notification *ibid*.

5. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) (Amendment) Regulations, 2004 are being issued separately.

6. AD - Category I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

7. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

Salim Gangadharan
Chief General Manager-in-Charge

September 25, 2006

To,

All Category I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 17 million
to the Government of Niger

The Export-Import Bank of India (Exim Bank) has concluded an agreement with the Government of Niger making available to the latter a Line of Credit (LOC) up to an aggregate sum of USD 17 Million (US Dollar Seventeen million only). The credit agreement has become effective on August 30, 2006. The credit is available for financing of export of goods and services from India which are eligible for export under the Foreign Trade Policy of Government of India.

2. The utilization period under the LOC will expire at the end of 48 months from scheduled completion date of contract in case of project exports and February 7, 2012 (72 months from the date of execution of the Credit Agreement) in case of supply contracts.
3. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued from time to time.
4. No agency commission is payable under the above line of credit. However, if required, the exporter may use his own resources or utilize balances in his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category I (AD Category I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

5. AD Category I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

6. The directions contained in this circular has been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

RBI/2006-07/ 136
A. P. (DIR Series) Circular No. 08
2006

September 25,

To,

All Category I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 10 million
to the Government of Mauritius

The Export-Import Bank of India (Exim Bank) has concluded an agreement with the Government of Mauritius making available to the latter a Line of Credit (LOC) up to an aggregate sum of USD 10 Million (US Dollar Ten million only). The credit agreement has become effective on August 11, 2006. The credit is available for financing export from India of equipment, goods and services which are eligible for export under the Foreign Trade Policy of Government of India for construction of Baie du Tombeau Sewerage Project in Mauritius.

2. The terminal dates for opening Letters of Credit will be August 10, 2008 (24 months from the effective date of Credit Agreement) and disbursement will be February 10, 2009 (30 months from the effective date of Credit Agreement).

3. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.

4. No agency commission is payable under the above line of credit. However, if required the exporter may use his own resources or utilize balances in his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category I (AD Category I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

5. AD Category I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

RBI/2006-07/ 142

A. P. (DIR Series) Circular No. 09

October 06, 2006

To,
All Category I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 30.97 million
to the Government of Burkina Faso

The Export-Import Bank of India (Exim Bank) has concluded an agreement with the Government of Burkina Faso making available to the latter a Line of Credit (LOC) up to an aggregate sum of USD 30.97 million (US Dollars Thirty million nine hundred and seventy thousand only) . The credit agreement has become effective on September 21, 2006. The credit is available for financing export of equipment, goods and services, including consultancy services for agricultural projects (US\$ 30 mn) which are eligible for export under the Foreign Trade Policy of Government of India from India to Burkina Faso and construction of a national post office (US\$ 0.97 mn).

2. Under the LOC, the utilization period will expire at the end of 48 months from scheduled completion date of contract/s in case of project exports and October 10, 2012 (72 months from the date of execution of the Credit Agreement) in case of supply contracts.

3. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.

4. No agency commission is payable under the above line of credit. However, if required the exporter may use his own resources or utilize balances of his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category I (AD Category I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

5. AD Category I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

October 23, 2006

To,

All Category I Authorised Dealer Banks

Madam / Sir,

Guidelines for Compilation of R>Returns
Bank-wide consolidated R-Return

Attention of Authorised Dealer Category I (AD Category I) banks is invited to A. P. (DIR Series) Circular No.77 dated March 13, 2004 in terms of which they are required to submit separate branch-wise hard copy of the cover page of R-Return (NOSTRO) and R-Return (VOSTRO) together with a soft copy (floppy) of the details of foreign exchange transactions undertaken by them, using the latest version of FETERS [Version 6.2 (R)], to the office of the Reserve Bank under whose jurisdiction the concerned office / branch of the AD Category I bank is situated.

2. With a view to providing greater flexibility to the AD Category I banks, it has been decided to provide an **option** to the AD Category I banks to submit R-Return for the bank as a whole as a single return. Accordingly, with effect from the first fortnight of November 2006, AD Category I banks, having the facility for centralised processing of the data on foreign exchange transactions, may either submit bank-wide R-Return or continue with the existing system of submission of branch-wise R-Return. The features of the bank-wide R-Return are annexed.

3. It may be noted that the option of submitting branch-wise R-Return under the existing system will eventually be phased out and all AD Category I banks will be required to switch over to the new system. Therefore, banks which are not exercising the option of submission of bank-wide R-Return immediately, may,

however, initiate necessary steps and create requisite infrastructure for a smooth transition from branch-wise submission to the system of bank-wide R-Return.

4. It is emphasised that AD Category I banks are required to ensure that the returns and statements submitted to Reserve Bank reflect accurately and completely all the relevant foreign exchange transactions undertaken by them during the reporting period. Failure on the part of the AD Category I banks to furnish these returns accurately and in a timely manner will be viewed seriously by the Reserve Bank and may attract appropriate action in terms of section 10 and 11 of the Foreign Exchange Management Act (FEMA), 1999.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the FEMA 1999 (42 of 1999).

Yours faithfully,

(M. Sebastian)
Chief General Manager

Annex

[A. P. (DIR Series) Circular No. 10 dated October 23, 2006]

Features of the optional system for submission of bank-wide R-Return

- (a) Under the optional procedure, the AD Category I banks may obtain an 'in principle' approval from Reserve Bank of India, Foreign Exchange Department, Central Office, Trade Division, Amar Bhawan, Mumbai 400 001 for submission of bank-wide R-Return.
- (b) The AD Category I bank opting for the new system has to ensure that all its branches are covered under the bank-wide R-Return reporting system.
- (c) Under the bank-wide R-Return reporting system, hard copy of the cover page of R-Return (NOSTRO) and R-Return (VOSTRO) will be submitted by the nodal branch of the bank to the office of Reserve Bank under whose jurisdiction the concerned office / branch of the AD Category I bank is situated.
- (d) The nodal branch of the bank will be responsible for the accuracy, completeness and timely submission of FET-ERS data in respect of all its branches. The AD Category I bank may directly approach the Director, DESACS, at the undernoted address for the soft copy **format** and submit the soft copy of the bank-wide R-Return to

The Director,
 Balance of Payments Statistics Division (BPSD),
 Department of Statistical Analysis and
 Computer Services (DESACS),
 Reserve Bank of India,
 C-9, 8th Floor,
 Bandra-Kurla Complex,
 Bandra (East),
 Mumbai - 400 050
 (E-mail: feters@rbi.org.in)

- (e) The authorised signatory of the hard copy of the cover page will also be responsible for ensuring that the soft copy data is consistent with the data provided in the hard copy of the cover page.

November 16, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sir,

Investment by Mutual Funds in Overseas Securities - Liberalisation of

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Regulation 6B and Regulation 26 of Notification No.FEMA.120/RB-2004 dated 7th July 2004, as amended, from time to time and AP (Dir Series) Circular No. 3 dated July 26, 2006.

2. With a view to providing greater opportunity to invest overseas, the extant ceiling on overseas investments by Mutual Funds, registered with Securities and Exchange Board of India (SEBI), have been enhanced. Accordingly, the aggregate ceiling for overseas investment by Mutual Funds, registered with SEBI, is increased from USD 2 billion to USD 3 billion with immediate effect. All other terms and conditions and operational guidelines as issued by SEBI will remain unchanged.

3. Monthly reporting requirement to the Reserve Bank, as stipulated vide paragraph 5 of the AP Dir (Series) Circular No. 3 dated July 26, 2006, for statistical purpose will continue.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

November 16, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sir,

Facilities to NRIs/PIO and Foreign Nationals - Liberalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Regulation 4 of Foreign Exchange Management (Remittance of Assets) Regulations, 2000 notified vide Notification No. FEMA.13/2000-RB dated 3rd May 2000 and as amended from time to time, and A. P. (DIR Series) Circular No. 67 dated January 13, 2003.

2. The existing regulations permit Non-Resident Indians (NRIs) and Persons of Indian Origin (PIO) to remit up to USD one million per calendar year for any bonafide purpose out of the balances in their Non-Resident Ordinary (NRO) accounts. The balance in the NRO accounts may also include the sale proceeds of immoveable property acquired by the non-resident out of her/his resources in India, or sale proceeds of property received by way of inheritance or gift. The remittance of sale proceeds of the immoveable property is at present subject to a lock-in period of 10 years.

3. With a view to further liberalise the procedure and provide greater flexibility, the lock-in period of 10 years for remittance of sale proceeds of immovable property has been dispensed with. Accordingly, AD Category - I banks may, now allow remittances out of balances in NRO accounts including sale proceeds of immovable property provided the amount does not exceed USD one million per financial year (April-March). Other terms and conditions will remain unchanged.

4. AD - Category I banks may furnish, on a quarterly basis, a statement on the number of applicants and total amount remitted, as per proforma annexed, to the Chief General Manager-in-Charge, Foreign Exchange Department, Foreign Investments Division (NRFAD), Reserve Bank of India, Central Office, Mumbai-400001 within 10 days of the reporting quarter. [Click here](#) to send the soft copy of the statement by e-mail.

5. Necessary amendments to the Foreign Exchange Management (Remittance of Assets) Regulations, 2000 are being notified separately.

6. AD Category- I banks 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 Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

Annex

Statement indicating the details of remittances made by NRIs/PIO/Foreign nationals out of the NRO accounts for the quarter ended

Name of the Bank:

No. of remittance on account of			Amount (in USD)		
Sale proceeds of immovable property	Other assets	Total	Sale proceeds of immovable property	Other assets	Total

Signature of the authorised official :

Name and Designation:

Date :

November 17, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sir,

Issue of Bank Guarantee on behalf of service importers

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Regulation 4 of the Foreign Exchange Management (Guarantees) Regulations, 2000 notified vide Notification No. FEMA 8/2000-RB dated May 3, 2000 and as amended from time to time, in terms of which, AD Category-I banks are allowed to give guarantees for specified purposes as stated therein.

2. With a view to further liberalise the procedure for import of services, AD Category-I banks are now permitted to issue guarantee on behalf of their customers importing services, provided:

- (a) the guarantee amount does not exceed USD 100,000,
- (b) the AD Category-I bank is satisfied about the bonafides of the transaction.
- (c) the AD Category-I bank ensures submission of documentary evidence for import of services in the normal course, and
- (d) the guarantee is to secure a direct contractual liability arising out of a contract between a resident and a non-resident.

3. In case of invocation of the guarantee, the AD Category-I bank is required to submit to the Chief General Manager-in-Charge, Foreign Exchange Department, Foreign Investments Division (EPD), Reserve Bank of India, Central Office, Mumbai-400001 a report on the circumstances leading to the invocation of the guarantee.

4. Necessary amendments to the Foreign Exchange Management (Guarantees) Regulations, 2000 are being issued separately.

5. AD - Category I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

November 28, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sir,

**Foreign Exchange Management Act (FEMA), 1999 –
Current Account Transactions – Liberalisation**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Foreign Exchange Management (Current Account Transactions) Rules, 2000 notified vide Notification No. G.S.R.381(E) dated 3rd May 2000, as amended from time to time.

2. In terms of Rule 5 of the Foreign Exchange Management (Current Account Transactions) Rules, 2000, prior approval of the Reserve Bank is required for drawing foreign exchange "for remittance for purchase of trademark or franchise in India" [item 16 of Schedule III to the Foreign Exchange Management (Current Account Transactions) Rules, 2000]. With a view to liberalising the procedure further and providing greater flexibility, in the Foreign Exchange Management (Current Account Transaction) Rules, 2000, in Schedule III, item number 16 and the entry relating thereto has been omitted. Henceforth, AD Category-I banks may permit drawal of foreign exchange by person for purchase of trademark or franchise in India without approval of the Reserve Bank.

3. The amendment to the Foreign Exchange Management (Current Account Transactions) Rules, 2000, in this regard has been issued vide Notification G.S.R. 412(E) dated July 10, 2006 by the Government of India. (copy enclosed).

4. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

THE GAZETTE OF INDIA
EXTRAORDINARY
PART II – Section 3 – Sub-Section (i)
PUBLISHED BY AUTHORITY

No.307] NEW DELHI, TUESDAY, JULY 11, 2006/ASADHA 20, 1928

MINISTRY OF FINANCE
(Department of Economic Affairs)

NOTIFICATION
New Delhi, the 10th July, 2006

G.S.R. No.412 (E) - In exercise of the powers conferred by Sub-section (1) of Section 46 read with proviso to Section 5 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in consultation with the Reserve Bank of India, the Central Government, having considered it necessary in the public interest, hereby makes the following amendment in the Foreign Exchange Management (Current Account Transactions) Rules, 2000, namely –

1. (1) These rules may be called the Foreign Exchange Management (Current Account Transaction) (Amendment) Rules, 2006.
(2) They shall come into force from the date of their publication in the Official Gazette.
2. (1) In the Foreign Exchange Management (Current Account Transaction) Rules, 2000, in Schedule III, item number 16 and the entry relating thereto shall be omitted.

[F.No.1/2/EM/2004]
Dr. K. P. KRISHNAN, Jt. Secy.

Note:- The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R.381 (E), dated the 3rd May 2000 and subsequently amended last vide No.G.S.R. 512 (E) dated the 28th July 2005.

November 30, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sir,

**Exchange Earner's Foreign Currency (EEFC) Account-
Liberalisation of Procedure**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Regulation 4 of Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000 notified vide Notification No.FEMA.10/2000-RB dated 3rd May, 2000 and as amended from time to time, in terms of which a person resident in India is permitted to open and maintain with an authorized dealer in India a Foreign Currency Account known as Exchange Earner's Foreign Currency (EEFC) Account subject to the terms and conditions of the Exchange Earner's Foreign Currency Account Scheme specified in the Schedule to the above mentioned Notification (copy attached).

2. With a view to liberalising the procedure further and providing greater flexibility, it has been decided to allow all categories of foreign exchange earners to credit up to 100 per cent of their foreign exchange earnings, as specified in the paragraph 1 (A) of the Schedule, to their EEFC Account with immediate effect. All other terms and conditions of the Scheme will remain unchanged.

3. Necessary amendments to the Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000 are being issued separately.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

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

and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

Schedule
(See Regulation 4)

Exchange Earner's Foreign Currency (EEFC) Account Scheme

1. **Limit up to which foreign currency may be credited to EEFC account**

(1) An entity or a person specified in column 1 of the Table below may credit to the EEFC Account an amount upto the limit specified in column 2 thereof from out of the foreign exchange earnings specified in sub-paragraph (1A) namely;

Sl No	Entity/person	Limit (per cent)
1	A Status Holder Exporter (as defined in EXIM Policy in force)	100
2	A resident in India for professional Services rendered in his individual capacity	100
3	100 per cent Export Oriented Unit/s. Unit/s in EPZs/STPs/EHTPs	100
4	Any other person resident in India	50

Provided that the Reserve Bank may, on an application made to it and on being satisfied that it is necessary to do so, grant permission to hold higher percentage of inward remittance/payments in foreign exchange in the EEFC account.

Explanation : For the purpose of category (2) in column 1, "professional" shall mean:

- (i) Director on Board of overseas company
- (ii) Scientist/Professor in Indian University/Institution
- (iii) Economist
- (iv) Lawyer
- (v) Doctor
- (vi) Architect
- (vii) Engineer
- (viii) Artist
- (ix) Cost/Chartered Accountant
- (x) Any other person rendering professional services in his individual Capacity, as may be specified by the Reserve Bank from time to time.

(1A) Following foreign exchange earnings are specified for the purpose of sub-paragraph (1), namely:

i) inward remittance through normal banking channel, other than the remittance received pursuant to any undertaking given to the Reserve Bank or which represents foreign currency loan raised or investment received from outside India or those received for meeting specific obligations by the account holder.

ii) payments received in foreign exchange by a 100 per cent Export Oriented Unit or a unit in (a) Export Processing Zone or (b) Software Technology Park

or (c) Electronic Hardware Technology Park for supply of goods to similar such unit or to a unit in Domestic Tariff Area and also payments received in foreign exchange by a unit in Domestic Tariff Area for supply of goods to a unit in Special Economic Zone (SEZ);

iii) payment received by an exporter from an account maintained with an authorised dealer for the purpose of counter trade, in accordance with the approval granted in terms of Regulation 14 of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000;

iv) advance remittance received by an exporter towards export of goods or services;

v) payment received for export of goods and services from India, out of funds representing repayment of State Credit in U.S. dollar held in the account of Bank for Foreign Economic Affairs, Moscow, with an authorised dealer in India,

vi) Professional earnings including director's fees, consultancy fees, lecture fees, honorarium and similar other earnings received by a professional by rendering services in his individual capacity.

(2) Except to the extent provided in sub-paragraph (1), no payment received in foreign exchange by the accountholder from any other person resident in India, shall be credited to an EEFC account.

Explanation : For the purpose of the sub-paragraph (1), payment received through an international credit card for which reimbursement will be provided in foreign exchange may be regarded as a remittance through normal banking channels.

2. Permissible credits to EEFC account- Following credits may be made to an EEFC Account, namely -

i) A portion of inward remittance/Payment received by the recipient in foreign exchange subject to the provisions of paragraph (1);

ii) Interest earned on the funds held in the account;

iii) Recredit of unutilised foreign currency earlier withdrawn from the account;

iv) Amount representing repayment by the account holder's importer customer, of loan/advances granted in terms of clause (iv) of Paragraph 3.

v) Representing the disinvestment proceeds received by the resident accountholder on conversion of shares held by him to ADRs/GDRs under the Sponsored ADR/GDR Scheme approved by the Foreign Investment Promotion Board of Government of India.

3. Permissible debits to the EEFC account- Following debits may be made to an EEFC Account, namely -

i) Payment outside India towards a current account transaction in accordance with the provisions of the Foreign Exchange Management (Current Account Transactions) Rules, 2000 and towards a capital account transaction permissible under the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000.

ii) Payment in foreign exchange towards cost of goods purchased from a 100 percent Export Oriented Unit or a Unit in (a) Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology park

iii) Payment of customs duty in accordance with the provisions of Export Import Policy of Central Government for the time being in force.

iv) Trade related loans/advances, by an exporter holding such account to his importer customer outside India, subject to compliance with the Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000.

v) Payment in foreign exchange to a person resident in India for supply of goods/services including payments for air fare and hotel expenditure.

4. Miscellaneous

i) There is no restriction on withdrawal in rupees of funds held in an EEFC account. However, the amount withdrawn in rupees shall not be eligible for conversion into foreign currency and for recredit to the account.

ii) Authorised dealer may issue cheque books of separate series with the superscription "EEFC Account" to the account holders maintaining such, accounts, and also satisfy himself while honouring the cheques that the payment made by the account holder by issue of a cheque is permissible under these Regulations.

November 30, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sir,

Exim Bank's Line of Credit of USD 10 million to the Government of Angola

The Export-Import Bank of India (Exim Bank) has concluded an agreement dated July 6, 2006 with the Government of the Republic of Angola making available to the latter, a Line of Credit (LOC) for USD 10 million. The credit is available for financing export of 'SAME' brand of tractors manufactured by SAME Deutze –Fahr India (Pvt) Ltd., related implements, spares and services from India, which are eligible for export under the Foreign Trade Policy of the Government of India.

2. The credit agreement is effective from October 27, 2006 and under the LOC, the terminal date for opening Letters of Credit will be October 26, 2008 (24 months from the effective date of Credit Agreement) and terminal date for disbursements will be April 26, 2009 (30 months from the effective date of Credit Agreement).

3. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.

4. No agency commission is payable under the above line of credit. However, if required the exporter may use his own resources or utilize balances of his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category-I (AD Category-I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

5. AD Category-I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

6. The Directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

December 4, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sir,

External Commercial Borrowings (ECB)

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the Regulation 6 of the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 and as amended from time to time and A.P. (DIR Series) Circular No.5 dated August 1, 2005 relating to External Commercial Borrowings (ECB).

2. At present, corporates can avail ECB up to USD 500 million during a financial year under Automatic Route with minimum average maturity period of 5 years. With a view to liberalising the ECB guidelines, it has been decided that henceforth, corporates can avail ECB of an additional amount of USD 250 million with average maturity of more than 10 years under the approval route, over and above the existing limit of USD 500 million under the automatic route, during a financial year. Other ECB criteria such as end-use, all-in-cost ceiling, recognised lender, etc. need to be complied with. Prepayment and call/put options, however, would not be permissible for such ECB up to a period of 10 years.

3. Further, with a view to providing greater flexibility to the corporates in managing their liquidity and interest costs, prepayment of ECB up to USD 300 million, as against the existing limit of USD 200 million, will be allowed by AD Category - I banks without prior approval of the Reserve Bank subject to compliance with the minimum average maturity period as applicable to the loan.

4. The amended ECB policy will come into force with immediate effect and is subject to review.

5. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 2000 are being issued separately.

6. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

7. The direction contained in this circular has been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

December 4, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sir,

Establishment of Offices Abroad

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to sub-regulation 4A of Regulation 7 of Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2000 notified vide Notification No.FEMA.10/2000-RB dated 3rd May, 2000 and as amended from time to time and the AP(DIR Series) Circular No.32 dated April 21, 2006. At present, AD Category - I banks are permitted to allow remittance up to ten per cent and five per cent of the average annual sales/income or turnover during last two accounting years of the Indian entity for initial and recurring expenses respectively, for the purpose of normal business operations of the branch or office or representative abroad.

2. With a view to liberalising the procedure further and providing greater flexibility, it has been decided to increase the limits for initial and recurring expenses subject to existing terms and conditions as under :

(i) Initial Expenses

AD Category - I banks may allow remittance up to fifteen per cent of the average annual sales/income or turnover during the last two financial years or up to twenty-five per cent of the net worth, whichever is higher.

(ii) Recurring Expenses

AD Category - I banks may allow remittance up to ten per cent of the average annual sales/income or turnover during the last two financial years.

3. Acquisition of Immovable Property

In terms of Regulation 5 (3) of Foreign Exchange Management (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2000 notified vide Notification No. FEMA.7/2000-RB dated 3rd May 2000 and as amended from time to time, a company incorporated in India having overseas offices require prior permission of the Reserve Bank to acquire immovable property outside India for its business and for residential purpose of its staff, subject to such terms and conditions as may be considered necessary.

AD Category - I banks may now allow remittances by a company incorporated in India having overseas offices, within the above limits for initial and recurring expenses, to acquire immovable property outside India for its business and for residential purpose of its staff.

4. Necessary amendments to the Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000 and Foreign Exchange Management (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2000 are being issued separately.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

December 6, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sir,

**Exim Bank's Line of Credit of USD 20 million
to Myanmar Foreign Trade Bank**

The Export-Import Bank of India (Exim Bank) has concluded an agreement dated August 17, 2006 with the Myanmar Foreign Trade Bank extending a Line of Credit for USD 20 Million for financing export of goods and services from India, including consultancy services, which are eligible for export under the existing Foreign Trade Policy of the Government of India for renovation of the Thanlyin Refinery in Myanmar.

2. The credit agreement is effective from October 23, 2006. The utilization period under the LOC will expire at the end of 48 months from the scheduled completion date(s) of contract(s) in case of project exports and August 16, 2012 (72 months from date of execution of Credit Agreement) in case of supply contracts.

3. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.

4. No agency commission is payable under the above line of credit. However, if required the exporter may use his own resources or utilise balances of his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category-I (AD Category-I) banks may allow such remittance after realisation of full payment of contract value subject to compliance with the prevailing instructions on payment of agency commission.

5. AD Category-I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of

Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

6. The Directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

December 13, 2006

To,

All Category I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit of USD 250 million to
Ecowas Bank for Investment and Development (EBID)**

The Export-Import Bank of India (Exim Bank) has extended a Line of Credit (LOC) to Ecowas Bank for Investment and Development (EBID) headquartered at Lome', Togo, for US\$ 250 Million (US Dollars two hundred fifty million only) under the Credit Agreement dated May 25, 2006 (as amended) for financing export of equipment, goods and services eligible for export under the Foreign Trade Policy of India, from India to member countries of EBID viz. Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.

2. The Credit Agreement has become effective on October 17, 2006. Accordingly, under the LOC, the utilization period will expire at the end of 48 months from the scheduled completion date(s) of contract(s), in the case of project contracts and on May 24, 2012 (72 months from date of execution of Credit Agreement) in case of supply contracts.

3. The above LOC facility is available only for public sector projects in the member countries of EBID. For each project, EBID would need to first forward the project proposal to Ministry of External Affairs, Government of India, for consideration before final approval by Exim Bank.

4. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.

5. No agency commission is payable under the above line of credit. However, if required the exporter may use his own resources or utilize balances of his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category I (AD Category I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

6. AD Category I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

7. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

December 13, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sir,

Booking Forward Contracts for the Customs Duty Component of Imports

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Schedule – 1 [A.1.(j)] to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 notified vide Notification No. FEMA.25/RB-2000 dated 3rd May 2000, as amended from time to time and A.P. (DIR Series) Circular No.98 dated April 29, 2003, in terms of which a resident in India may enter into a forward contract with AD Category - I banks in India to hedge exposures to exchange risk in respect of transactions denominated in foreign currency but settled in Indian Rupees, subject to terms and conditions specified therein.

2. As announced in the Mid-term Review of Annual Policy for the Year 2006-07 (para 103), with a view to liberalising the procedure further and providing greater flexibility, it has been decided that AD Category - I banks may provide forward cover to hedge the economic (currency indexed) exposure of importers in respect of customs duty payable on imports. Accordingly, importers will henceforth be permitted to book forward contract for the customs duty component of the import. These contracts shall be held till maturity and cash settlement would be made on the maturity date by cancellation of the contracts. Forward contracts covering such transactions once cancelled are not eligible for rebooking. However, in case of changes in the rate of customs duties, due to Government Notifications, importers may be allowed to cancel and/or rebook the forward contracts before maturities.

3. Necessary amendments to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 are being issued separately.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The Directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

December 13, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sir,

Booking of Forward Contracts Based on Past Performance

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to A.P.(DIR Series) Circular No.19 dated January 24, 2002, A.P.(DIR Series) Circular No.63 dated December 21, 2002 and A.P. (DIR Series) Circular No.26 dated November 1, 2004. At present, AD Category - I banks may allow importers and exporters to book forward contracts on the basis of a declaration of an exposure and based on past performance upto the average of the previous three financial years (April to March) actual import/export turnover or the previous year's actual import/export turnover, whichever is higher, subject to the specified conditions. Forward contracts booked in excess of 25 per cent of the eligible limit shall be on a deliverable basis and cannot be cancelled. The aggregate forward contracts booked during the year and outstanding at any point of time should not exceed the eligible limit. Further, the eligible limits are to be computed separately for import and export transactions.

2. As announced in the Mid-term Review of Annual Policy for the Year 2006-07 (para 105), with a view to providing greater flexibility to importers and exporters it has been decided to further liberalise the above facility. Accordingly, the forward contracts booked on the basis of declaration of exposures by importers/exporters and based on past performances in excess of 50 per cent of the eligible limit shall be on a deliverable basis and cannot be cancelled. All other conditions and reporting requirements prescribed for this facility will remain unchanged.

3. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

4. The direction contained in this circular has been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-In-Charge

Master Circular

A 2. AD banks may also allow importers and exporters to book forward contracts on the basis of a declaration of an exposure and based on past performance upto the average of the previous three financial years' (April to March) actual import/export turnover or the previous year's actual import/export turnover, whichever is higher, subject to the following conditions:

- a) The forward contracts booked in the aggregate during the year and outstanding at any point of time should not exceed the eligible limit i.e the average of the previous three financial years' (April to March) actual import/ export turnover or the previous year's actual import/export turnover, whichever is higher. Contracts booked in excess of 25 per cent of the eligible limit will be on deliverable basis and cannot be cancelled. These limits shall be computed separately for import/export transactions.
- b) Any forward contract booked without producing documentary evidence will be marked off against this limit.
- c) Importers and exporters should furnish a declaration to the AD banks regarding amounts booked with other authorised dealers category-I under this facility.
- d) An undertaking may be taken from the customer to produce supporting documentary evidence before the maturity of the forward contract.
- e) Outstanding forward contracts higher than 50 per cent of the eligible limit may be permitted by the AD bank on being satisfied about the genuine requirements of their constituents after examination of the following documents:
 - I. A certificate from the Chartered Accountant of the customer that all guidelines have been adhered to while utilizing this facility.
 - II. A certificate of import/export turnover of the customer during the past three years duly certified by their Chartered Accountant/bank in the format given in Annex-VI.
- f) In the case of an exporter, the amount of overdue bills should not be in excess of 10 per cent of the turnover, to avail the above facility.
- g) AD banks are required to submit a monthly report (as on the last Friday of every month) on the limits granted and utilized by their constituents under this facility in the format given in Annex-IX. The report may be forwarded to The Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Forex Markets Division, Central Office, Mumbai-400 001.

NOTE: Limits specified in paragraph A.2 pertain to forward contracts booked on the basis of declaration of an exposure. When forward contracts are booked by the AD bank after verification of documentary evidence, these limits are not applicable and such contracts may be booked up to the extent of the underlying.

Risk Management and Inter Bank Dealings

Attention of Authorised dealers is invited to A.P.(DIR Series) Circular No.19 dated January 24, 2002 and subsequent amendments referred to in the following paragraphs. It has been decided to permit the following further relaxations:

3. Booking of forward contracts based on past performance

In terms of our circular No. EC.CO.FMD/453/02.03.75/2001-02 dated December 1, 2001, Authorised dealers are permitted to offer forward contracts to their exporter/importer customers upto the limit/s worked out on the basis of last 3 years' average import/export performance. This is subject to the condition that at any point of time forward contracts so booked and outstanding shall not exceed 25 per cent of the eligible limit, within a cap of USD 50 million.

It has been decided to enhance the cap to USD 100 million. Accordingly, Authorised dealers may permit their customers to book forward contracts upto the eligible limit, subject to the condition that forward contracts outstanding at any point of time shall not exceed 25 per cent of the eligible limit, within the cap of USD 100 million. It may be noted that the eligible limits are to be computed separately for import and export transactions. All other conditions remain unchanged.

(Also Refer A.P.(DIR Series) Circular No.93 dt 05-04-03)

4. Booking and cancelling of forward contracts

Authorised dealers were permitted, vide circulars EC.CO.FMD.790/02.03.75/2001-02 dated March 26, 2002 and EC.CO.FMD.2/02.03.75/2002-03 dated July 31, 2002, to allow resident entities to rebook cancelled contracts covering all transactions subject to certain conditions. While detailed instructions were issued for calculating the eligible limit, it was indicated that irrespective of the eligibility, there would be a cap of USD 100 million per financial year for a customer.

It has been decided to withdraw this cap. Accordingly, Authorised dealers are free to offer this facility of rebooking of cancelled contracts **to all foreign exchange exposures falling due within one year. However, this facility may be made available only to customers who submit details of exposure to the authorised dealers as per the revised format enclosed.**

Forward contracts booked to cover exposures falling due beyond one year and long term foreign currency-rupee swaps, once cancelled, cannot be rebooked. Authorised dealers may continue to offer this facility without any restrictions in respect of export transactions.

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.

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. FEMA.25/RB-2000 dated 3rd 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

Booking of Forward Contracts Based on Past Performance

Attention of authorised dealers is invited to circular No. EC.CO.FMD/453/02.03.75/2001-02 dated December 1, 2001 and paragraph 3 of A.P.(DIR Series) Circular No.63 dated December 21, 2002 on the captioned subject. Authorised dealers are permitted to offer forward contracts to their importer/exporter constituents on the basis of last 3 years average import/export performance subject to condition that forward contracts outstanding at any point of time shall not exceed 25 per cent of the eligible limit, within the cap of USD 100 million.

2. In order to facilitate large corporates with proven track record and large import/export turnover to effectively and actively manage currency risks arising out of genuine exposures, Reserve Bank on application would consider permitting higher limits for booking forward contracts on the basis of past performance without submission of documentary evidence. Such forward contracts, booked under the enhanced limit, will be on a deliverable basis.

3. Corporates desirous of availing of higher limits may forward their applications, through an authorised dealer, to the Chief General Manager, Reserve Bank of India, Exchange Control Department, Forex Markets Division, Central Office, Mumbai-400 001 (Fax No. 22611427, e-mail ecdcfmd@rbi.org.in) justifying the need for the higher limits. Details of the import/export turnover of the past three years, delayed realisations/payments during these years and existing limits, duly authenticated by the authorised dealer, may also be furnished in the enclosed format.

December 18, 2006

To,

All Authorised Dealer Category I Banks

Madam / Sir,

Deferred Payment Protocols dated April 30, 1981 and December 23, 1985
between Government of India and erstwhile USSR

Attention of Authorised Dealer Category I (AD Category I) banks is invited to A. P. (DIR Series) Circular No. 01 dated July 6, 2006, wherein the rupee value of the special currency basket was indicated as Rs. 60.4958 effective from May 31, 2006.

2. AD Category I banks are advised that a further revision has taken place on October 17, 2006 and accordingly, the rupee value of the special currency basket has been fixed at Rs. 58.6627 with effect from October 20, 2006.
3. AD Category I banks 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 Sections 10 (4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

To

All Category - I Authorised Dealer Banks

Madam/Sir,

Liberalised Remittance Scheme of USD 50,000 for Resident Individuals

Attention of Authorised Dealer Category I (AD – Category I) banks is invited to the A.P. (DIR Series) Circular No. 64 dated February 4, 2004, Foreign Exchange Management (Current Account Transactions) Rules, 2000 (Rules) as amended from time to time and A.P. (DIR Series) Circular No.66 dated January 13, 2003.

In terms of the above mentioned Rules and directions –

- a resident individual is permitted to remit up to USD 25,000 per calendar year under the Liberalised Remittance Scheme of USD 25,000 (the Scheme) for any current or capital account transactions or a combination of both subject to specified terms and conditions including remittance facility not being made available for certain purposes,
- in terms of the Current Account Transactions Rules
 - a resident individual is permitted to remit upto USD 5000 per remitter/ donor per annum towards gift ,
 - a resident individual is permitted to remit upto USD 5000 per remitter/ donor per annum towards donation,
- a resident individual is permitted to invest in overseas companies (a) listed on a recognised stock exchange abroad and (b) which has the shareholding of at least 10 per cent in an Indian company listed on a recognised stock exchange in India (as on 1st January of the year of the investment).

2. With a view to simplifying the procedures and providing greater flexibility in foreign exchange transactions, the Liberalised Remittance Scheme of USD 25,000 (the Scheme) is liberalised further by enhancing the limit of USD 25,000

per **calendar** year to USD 50,000 per **financial** year (April- March) for any current or capital account transactions or a combination of both. In addition, as a measure of rationalization, it has also been decided that

- limit of USD 50,000 under the Scheme would also include remittances towards gift and donation by a resident individual.
- investment by resident individual in overseas companies would be subsumed under the Scheme of USD 50,000. The requirement of 10 per cent reciprocal shareholding in the listed Indian companies by such overseas companies has been dispensed with.

Accordingly, AD – Category I banks may allow remittance of USD 50,000 per financial year (April- March) by a resident individual under the revised Scheme. The other terms and conditions as stipulated in the A. P. (DIR Series) Circulars No. 64 dated February 4, 2004 and No. 80 dated March 18, 2004 would continue as hitherto.

3. In addition, the existing facility of release of exchange by Authorised Persons up to USD 10,000 or its equivalent in one calendar year on a declaration basis for one or more private visits to any country (except Nepal and Bhutan) will continue to be available on a self-declaration basis. However, the facility would be now available on a **financial** year (April-March) basis.

4. As indicated in A.P (DIR Series) Circular No.80 dated March 18, 2004, soliciting of deposits etc. under the Scheme by entities which do not have an operational presence in India, gives rise to supervisory concerns. It is therefore clarified that all banks, both Indian and foreign, including those not having an operational presence in India should seek prior approval from the Reserve Bank for the schemes being marketed by them in India to residents either for soliciting foreign currency deposits for their foreign/overseas branches or for acting as agents for overseas mutual funds or any other foreign financial services company.

5. The resident individual seeking to make the remittance should furnish an Application –cum- Declaration in the revised format as at Annex-1.

6. AD - Category I banks may arrange to furnish information on the number of applicants and total amount remitted under the Scheme, on a quarterly basis, in the Format at Annex-2, to the Chief General Manager-in-Charge, Foreign Exchange Department, Foreign Investments Division (EPD), Reserve Bank of India, Central Office, Mumbai-400001 within 10 days of the reporting quarter. A soft copy of the statement (in Excel format) may also be sent by e-mail.

7. Necessary amendments to (i) Foreign Exchange Management (Current Account Transactions) Rules, 2000 (ii) Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000 and (iii) Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2000 are being notified separately.

8. AD - Category I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

9. The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

Annex-1

[A.P.(DIR Series) Circular No.24
dated December 20, 2006]

**Application cum Declaration for purchase of foreign exchange under the
Liberalised Remittance Scheme of USD 50,000**
(To be completed by the applicant)

I. Details of the applicant

- a. Name
- b. Address.....
- c. Account No.....
- d. PAN No.....

II. Details of the foreign exchange required

- 1. Amount (Specify currency).....
- 2. Purpose

III. Source of funds:**IV. Nature of instrument**

- Draft.....
- Direct remittance.....

V. Details of the remittance made under the Scheme in the financial year (April- March) 200...

Date :..... Amount :.....

VI. Details of the Beneficiary

- 1. Name
- 2. Address
- 3. Country
- 4*. Name and address of the bank.....
- 5*. Account No.....

(* Required only when the remittance is to be directly credited to the bank account of the beneficiary)

This is to authorize you to debit my account and effect the foreign exchange remittance/issue a draft as detailed above. (strike out whichever is not applicable).

Declaration

I,(Name), hereby declare that the total amount of foreign exchange purchased from or remitted through, all sources in India during the financial year as per item No. V of the Application, is within the limit of USD 50,000/-(US Dollar Fifty Thousand only), which is the limit prescribed by the Reserve Bank for the purpose and certify that the source of funds for making the said remittance belongs to me and will not be used for prohibited purposes.

Signature of the applicant
(Name)

Certificate by the Authorised Dealer

This is to certify that the remittance is not being made by/ to ineligible entities and that the remittance is in conformity with the instructions issued by the Reserve Bank from time to time under the Scheme.

Name and designation of the authorised official:

Place:

Date:

Signature
Stamp and seal

Annex-2

[A.P.(DIR Series) Circular No.24
dated December 20, 2006]

Format

Statement indicating the details of remittances made by resident individuals
under the Liberalised Remittance Scheme for the quarter ended ----- 200--

Name of the Bank:

Sl.No.	Purpose of remittance	No. of applicants	Amount remitted in USD
1.	Deposit		
2.	Purchase of immovable property		
3.	Investment in equity/debt		
4.	Gift		
5.	Donation		
6.	Others		
Total			

Name and designation of the authorised official:

Place:

Date:

Signature
Stamp and seal

RBI/2006-07/218

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

December 22, 2006

To,

All Category – I Authorised Dealer Banks

Madam / Sir,

**Foreign investment in Infrastructure Companies in Securities Markets
- Amendment to the Foreign Direct Investment Scheme**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Schedule I to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, notified vide FEMA Notification No. 20/2000-RB dated May 3, 2000, as amended from time to time.

2. It has been decided in consultation with Government of India to allow foreign investment in Infrastructure Companies in Securities Markets, namely stock exchanges, depositories and clearing corporations, in compliance with SEBI Regulations and subject to the following conditions :

- i) Foreign investment upto 49 per cent will be allowed in these companies with a separate Foreign Direct Investment (FDI) cap of 26 per cent and Foreign Institutional Investment (FII) cap of 23 per cent;
- ii) FDI will be allowed with specific prior approval of FIPB; and
- iii) FII will be allowed only through purchases in the secondary market.

3. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 are being issued separately.

5. The directions in this circular have been issued under Sections 10(4) and 11(1) of Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

January 08, 2007

To,
All Category - I Authorised Dealer Banks
Madam / Sir,

Liberalisations in Project and Service Exports

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Regulation 18 of Foreign Exchange Management (Export of Goods and Services) Regulations, 2000 notified vide Notification No. FEMA 23/2000-RB dated 3rd May 2000, as amended from time to time and the Memorandum of Instructions on Project & Service Exports (PEM) of October 2003 issued vide A. P. (DIR Series) Circular No. 32 dated October 28, 2003.

2. With a view to simplifying the procedures and providing greater flexibility to project exporters and exporters of services in conducting their overseas transactions, the guidelines stipulated vide paragraphs B.10 (i) (f), D.1 (i), D.3 and D.4(iv) of the PEM have been modified as set out below :

(i) Inter-Project Transfer of Machinery

At present, exporters executing turnkey / construction contracts abroad are required to dispose off the equipment, machinery, vehicles, etc., purchased abroad and / or to arrange their import into India after completion of the contracts. In case, the machinery, etc., is to be used for another overseas project, the market value (not less than book value) should be recovered from the project to which equipment / machinery has been transferred.

On a review, the stipulation regarding recovery of market value (not less than book value) of the machinery, etc., from the transferee project is withdrawn with immediate effect. Further, exporters may use the machinery / equipment for performing any other contract secured by them in any country subject to the satisfaction of the sponsoring AD Category - I bank(s) / Exim Bank / Working Group. The reporting requirement for transfer of machinery / equipment will continue as hitherto, and would be monitored by the AD Category - I bank(s) / Exim Bank / Working Group.

(ii) Inter-Project Transfer of Funds

At present, Project / Service exporters, as specified in the PEM, may maintain a single foreign currency account for more than one project being executed in the same country subject to the conditions as may be stipulated by the AD Category - I bank(s) / Exim Bank / Working Group. Further, the facility of temporary inter-project transfer of funds to meet cash flow deficits is available subject to approval from and reporting to the exporter's banker monitoring the project and with condition of re-transfer of the fund to the lending project as soon as possible.

It has now been decided that, henceforth, AD Category - I bank(s) / Exim Bank / Working Group may permit exporters to open, maintain and operate one or more foreign

currency account/s in a currency/currencies of their choice with inter-project transferability of funds in any currency or country. The Inter-project transfer of funds will be monitored by the AD Category - I bank(s) / Exim Bank / Working Group.

3. **Deployment of Temporary Cash Surpluses**

At present, Project / Service exporters are required to approach the Reserve Bank for overseas deployment of their temporary cash surpluses. It has now been decided that, henceforth, Project / Service exporters may deploy their temporary cash surpluses, generated outside India, in the following instruments / products, subject to monitoring by the AD Category - I bank(s) / Exim Bank / Working Group :

- (a) investments in short-term paper abroad including treasury bills and other monetary instruments with a maturity or remaining maturity of one year or less and the rating of which should be at least A-1/AAA by Standard & Poor or P-1/Aaa by Moody's or F1/AAA by Fitch IBCA etc. ,
- (b) deposits with branches / subsidiaries outside India of an AD Category - I bank in India.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

January 09, 2007

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit to USD 10 million to the
Banco de Comercio Exterior de Colombia S.A. (Bancoldex), Colombia

The Export-Import Bank of India (Exim Bank) has concluded an agreement dated August 31, 2006 with Banco de Comercio Exterior de Colombia S.A. (Bancoldex), Republic of Colombia, making available to the latter, a Line of Credit (LOC) for USD 10 million (USD Ten million only). The credit is available for financing export of goods from India, which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase Exim Bank may agree to finance under this agreement.

2. The credit agreement under the LOC is effective from November 27, 2006 and the terminal date for opening Letters of Credit will be November 26, 2007 (12 months from the effective date of the Credit Agreement) and terminal date for disbursements will be May 26, 2009 (30 months from the effective date of the Credit Agreement).

3. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.

4. While no agency commission shall be payable in respect of exports financed under the above line of credit, 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 exported and which require after sales service. In such cases, commission will have to be paid in Republic of Colombia only, by deduction from the invoice of 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 commission paid. Approval for the payment of commission should be obtained before the relevant shipment is effected. In other cases, (i.e. exports not involving after sales service), if required, the exporter may use his own resources or utilise balances of his EEFC account for payment of commission, in free foreign exchange. Authorised Dealer Category - I (AD Category - I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

5. AD Category - I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,
(M. Sebastian)
Chief General Manager

January 15, 2007

To,

All Authorised Dealer Category – I Banks

Madam / Sir,

**Exim Bank's Line of Credit of USD 2.10 million
to the Government of the Cooperative Republic of Guyana**

Export-Import Bank of India (Exim Bank) has concluded an agreement with the Government of the Cooperative Republic of Guyana, making available to the latter a Line of Credit (LOC) up to an aggregate sum of USD 2.10 Million (US Dollar Two Million and One Hundred Thousand only) under the credit agreement dated November 07, 2006 to finance setting up a traffic signalling system by M/s. CMS Traffic System Ltd. (an Indian Company) in Georgetown, Guyana. The credit is available for financing export of equipment, goods and services from India, which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by Exim Bank. Out of the total credit, not less than 85 per cent shall be utilised for financing purchase of 'Eligible Indian Goods' as defined in the Credit Agreement.

2. The credit agreement under the LOC is effective from December 15, 2006. The terminal date for opening Letters of Credit will be December 14, 2008 (24 months from the effective date) and the terminal date for disbursements will be June 14, 2009 (30 months from the effective date).

3. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.

4. No agency commission is payable under the above line of credit. However, if required, the exporter may use his own resources or utilise balances of his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category - I (AD Category - I) banks may allow such remittance after

realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

5. AD Category - I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

January 31, 2007

To,

All Category - I Authorised Dealer banks and Authorised Banks

Madam / Sir,

**Foreign Exchange Management (Deposit) Regulations, 2000 –
Loans to Non Residents / third party against security of Non Resident (External) Rupee Accounts
(NR (E) RA) / Foreign Currency Non Resident (Bank) (FCNR(B)) deposits**

Attention of Authorised Dealer Category I (AD Category - I) banks and authorised banks (the banks) is invited to para 6 (a), (b) and (c) of Schedule 1 and para 9 of Schedule 2 to Foreign Exchange Management (Deposit) Regulations, 2000 notified vide Notification No. FEMA 5 / 2000-RB dated May 3, 2000, as amended from time to time, in terms of which the banks maintaining NR(E)RA and FCNR (B) deposits are permitted to grant loans against security of such deposits to the depositors in India and abroad and also to third parties subject to conditions mentioned therein.

2. The Third Quarter Review of Annual Statement on Monetary Policy for the Year 2006-07 (para 86), has observed that keeping in view the objective of making these facilities available to individual Non-Resident Indians (NRIs) and considering the prevailing monetary conditions, there is merit in avoiding upward pressure on asset prices in sensitive sectors through utilisation of this facility. Therefore, the banks are prohibited from granting fresh loans or renewing existing loans in excess of Rupees 20 lakh against NR(E)RA and FCNR(B) deposits either to the depositors or third parties.

3. Accordingly, the banks should not grant fresh loans or renew existing loans in excess of Rupees 20 lakh against the NR(E)RA and FCNR(B) deposits, either to depositors or to third parties, with immediate effect. The banks are also advised not to undertake artificial slicing of the loan amount to circumvent the ceiling.

4. Necessary amendments to the Foreign Exchange Management (Deposit) Regulations, 2000 are being notified separately.

5. AD Category - I banks and authorised banks may bring the contents of the circular to the notice of their constituents concerned.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,
(Salim Gangadharan)
Chief General Manager-in-Charge

February 5, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit (LOC) of USD 10 million to Eastern and Southern African Trade and Development Bank (PTA Bank)

Export-Import Bank of India (Exim Bank) has concluded an agreement dated October 9, 2006 with Eastern and Southern African Trade and Development Bank (PTA Bank), Kenya, making available a Line of Credit (LOC) for USD 10 million (USD Ten million only). The credit is available for financing export of eligible goods and services from India to any PTA bank member countries (viz., Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe). The goods and services under the Agreement are those which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this agreement.

2. The credit agreement is effective from December 28, 2006 and under the LOC, the terminal date for opening Letters of Credit will be December 27, 2009 (36 months from the effective date of Credit Agreement) and terminal date for disbursements will be June 27, 2010 (42 months from the effective date).

3. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.

4. While no agency commission shall be payable in respect of exports financed under the above line of credit, Reserve Bank may consider, on merit, requests for payment of commission up to a maximum extent of 5 per cent of

the f.o.b. / c&f / c.i.f. value in respect of goods exported and which require after sales service. In such cases, commission will have to be paid in PTA bank member countries only, by deduction from the invoice of 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 the payment of commission should be obtained before the relevant shipment is effected. In other cases, (i.e. exports not involving after sales service), if required, the exporter may use his own resources or utilise balances of his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category - I (AD Category - I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

5. AD Category - I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

February 07, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit (LOC) of USD 20 million to
the Government of the Republic of Mozambique**

Export-Import Bank of India (Exim Bank) has concluded an agreement dated August 17, 2006 with the Government of the Republic of Mozambique, making available to the latter, a Line of Credit (LOC) for USD 20 million (USD Twenty million) to facilitate purchase of eligible goods by Buyers in the Borrower's country for the electrification of the Gaza province in Mozambique.

2. The credit is available for financing export of Indian goods and services including consultancy services, which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by Exim Bank in terms of this agreement. Goods and services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India or be of Indian origin and the remaining (other than consultancy services) may be procured by the seller from outside India to be eligible for financing out of the Credit.

3. The Credit Agreement under the LOC is effective from December 27, 2006. Under the LOC, the utilisation period will expire at the end of 48 months from the scheduled completion date(s) of contract(s) in case of project exports and August 16, 2012 (72 months from date of execution of Credit Agreement in case of supply contracts).

4. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.

5. No agency commission shall be payable in respect of exports financed under the above line of credit. However, if required, the exporter may use his own resources or utilise balances in his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category-I (AD Category - I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

6. AD Category - I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

7. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

February 08, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Forward cover for Foreign Institutional Investors –
Rebooking of cancelled contracts**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to A. P. (DIR Series) Circular No.50 dated November 16, 2002 read with A. P. (DIR Series) Circular No. 63 dated December 21, 2002 and Regulation 5 of Notification No.FEMA.25/RB-2000 dated May 3, 2000, as amended from time to time. In terms of para 1(b) of Schedule II to the Notification, a registered Foreign Institutional Investor (FII) has been permitted to enter into forward contracts with rupee as one of the currencies, with an AD Category – I bank in India to hedge its exposure in India subject to the condition that forward contracts once cancelled shall not be rebooked but may be rolled over on or before maturity.

2. As announced in the Mid-Term Review of Annual Policy for the Year 2006-07 (para 104), FIIs would be allowed to rebook a part, say, 25 per cent of the cancelled forward contracts, provided such contracts are supported by underlying exposure. The modalities were to be finalised in consultation with the market participants. In view of the concerns expressed by the market participants in monitoring cancellations and rebooking within 25 per cent of the cancelled contracts, it has been decided to link the rebooking of cancelled contracts to the portfolio value. Further, keeping in view the size of the market in India and the large positions held by FIIs, it has been decided to implement the flexibility for rebooking cancelled contracts in a gradual and phased manner.

3. Accordingly, AD Category – I banks may allow FIIs to cancel and rebook forward contracts up to a limit of 2 per cent of the market value of their entire investment in equity and / or debt in India. The limit for calculating the eligibility for rebookings shall be based upon market value of the portfolio as at the beginning of

the financial year (April – March). The outstanding contracts must be duly supported by underlying exposure at all times.

4. The AD Category - I bank has to ensure that (i) total forward contracts outstanding should not exceed the market value of portfolio and, (ii) forward contracts permitted to be rebooked should not exceed 2 per cent of the market value as determined at the beginning of the financial year. The monitoring of forward cover must be done on a fortnightly basis. All other instructions contained in Schedule II of the Notification *ibid*, remain unchanged. The scheme will be reviewed on an ongoing basis.

5. In order to reflect these changes a revised reporting format is being introduced. The AD Category - I banks are advised to report the outstanding forward covers taken by their FII clients in the revised format annexed.

6. AD Category – I banks may bring the contents of this circular to the notice of their constituents concerned.

7. Necessary amendments to Notification No.FEMA.25/RB-2000 dated May 3, 2000 [Foreign Exchange Management (Foreign Exchange Derivatives Contracts) Regulations, 2000] are being notified separately.

8. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-In-Charge

Statement – Details of Forward cover undertaken by FII clients

Month –

Part A – Details of forward cover (without rebooking) outstanding

Name of FII

Current Market Value (USD mio)

Eligibility for Forward cover	Forward Contracts Booked		Forward Contracts Cancelled		Total forward cover outstanding
	During the month	Cumulative Total – Year to Date	During the month	Cumulative total – Year to date	

Part B – Details of transactions permitted to be cancelled and rebooked

Name of FII

Market Value as determined at the beginning of the year (USD mio)

Eligibility for Forward cover	Forward Contracts Booked		Forward Contracts Cancelled		Total forward cover outstanding
	During the month	Cumulative Total – Year to Date	During the month	Cumulative total – Year to date	

Name of the AD Category – I bank :
 Signature of the Authorised official :
 Date :
 Stamp :

RBI/2006-2007/268

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

February 28, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Liberalisation of Export and Import procedures

As announced in the Mid-term Review of Annual Policy for the Year 2006-07 (para 93), the Reserve Bank constituted an Internal Task Force to review the exchange and payments regime. The Task Force has suggested some rationalisation and procedural simplification in areas related to trade. Accordingly, in order to facilitate external trade and provide greater flexibility to the Authorised Dealer Category - I (AD Category - I) banks, the following relaxations have been made in the areas of exports and imports and foreign currency accounts :

A. EXPORTS

I. Extension of Time for Realisation of Export Proceeds

In terms of A. P. (DIR Series) Circular No. 20 dated January 28, 2002, read with A. P. (DIR Series) Circular No. 31 dated April 21, 2006, AD Category - I banks have been delegated powers to extend the period of realisation of export proceeds in certain cases beyond six months, upto a period of three months at a time, where the invoice value of the export does not exceed USD one million or its equivalent. It has now been decided to authorise AD Category - I banks to allow further extension of time and also to remove the ceiling of USD one million on the invoice value.

Accordingly, AD Category I banks may now extend the period of realisation of export proceeds, beyond six months from the date of export, **up to a period of six months, at a time, irrespective of the invoice value of the export** subject to the following conditions :

- (a) The export transactions covered by the invoices are not under investigation by Enforcement Directorate / Central Bureau of Investigation or other investigating agencies,
- (b) The AD Category - I bank is satisfied that the exporter has not been able to realise export proceeds for reasons beyond his control,
- (c) The exporter submits a declaration that the export proceeds will be realised during the extended period,
- (d) While considering extension beyond one year from the date of export, the total outstanding of the exporter does not exceed USD one million or 10 per cent of the average export realisations during the preceding three financial years, whichever is higher,
- (e) The date up to which extension has been granted is indicated in the 'Remarks' column of the XOS statement as hitherto,

In cases where the exporter has filed suits abroad against the buyer, extension may be granted irrespective of the amount involved / outstanding.

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

II. Write-off of Unrealised Export bills

In terms of A. P. (DIR Series) Circular No. 30 dated April 4, 2001 read with A. P. (DIR Series) Circular No. 40 dated December 5, 2003, Status Holder exporters are permitted to write-off outstanding bills upto an annual limit of 5 per cent of their average annual realisations during the preceding three calendar years, subject to certain conditions. Furthermore, all exporters, including Status Holder exporters, are allowed to write off 10 per cent of the export proceeds due during the calendar year, subject to certain conditions.

With a view to rationalise the existing facility, it has been decided that Status Holder exporters may write-off outstanding export dues to the extent of (i) 5 per cent of their average annual realisation during the preceding three financial years or (ii) 10 per cent of the export proceeds due during the financial year, **whichever is higher**.

III. Repatriation of Funds in Case of On-site Software Contracts

In terms of A. P. (DIR Series) Circular No. 54 dated June 29, 2002, the overseas office / branch of software exporter company / firm is obliged to repatriate to India 100 per cent of the contract value of each off-site contract and at least 30 per cent of the contract value of each on-site contract.

In order to increase the competitiveness in the Indian IT Sector, the requirement of repatriation of 30 per cent of the contract value in respect of on-site contracts by software exporter company / firm has been dispensed with. The company should, however, repatriate the profits of on-site contract after the completion of the said contract.

IV. Reduction in Invoice Value

In terms of para C.12 of A. P. (DIR Series) circular No. 12 dated September 9, 2000 read with A. P. (DIR Series) Circular No. 40 dated December 5, 2003, AD Category - I banks are allowed to approve reduction in the invoice value upto 10 per cent of the invoice subject to conditions mentioned therein. Further, in terms of para C.14 of A. P. (DIR Series) Circular No. 12 dated September 9, 2000, prior approval of Reserve Bank is not required if, after goods have been shipped, they are to be transferred to a buyer other than the original buyer in the event of default by the latter, provided the reduction in value, if any, involved does not exceed 10 per cent and the realisation of export proceeds is not delayed beyond the period of six months from the date of export.

It has been decided to allow reduction in value up to 25 per cent of the invoice. Accordingly, AD Category – I banks may allow reduction in the invoice value upto 25 per cent of the invoice subject to the conditions mentioned in A. P. (DIR Series) Circular No. 12 dated September 9, 2000.

B. IMPORTS

Import Bills – Credit Report on the Overseas Supplier

In terms of para A 12 (ii) of A. P. (DIR Series) Circular No. 106 dated June 19, 2003 read with A. P. (DIR Series) Circular No. 66 dated February 6, 2004, AD Category - I banks are required to obtain credit report on the overseas supplier from their banker / reputed credit agency before

processing import bills received directly at the request of importer clients from the overseas supplier.

Henceforth, credit report on the overseas supplier (where the import documents are received directly) need not be obtained in cases where the invoice value does not exceed USD 100,000, provided that the AD Category - I bank is satisfied about the bonafides of the transaction and track record of the importer constituent.

C. GENERAL

Different Time Base Prescribed in RBI Directives

In the various Directions / Circulars / Notifications issued under FEMA from time to time, Reserve Bank has prescribed different time frames viz. calendar year, financial year, previous year, etc., for considering eligibility for various trade related facilities.

To simplify matters, henceforth, 'financial year' (April to March) is to be reckoned as time base for all transactions pertaining to trade related issues. To mitigate the mismatch in the time period due to change of time base from calendar / previous year to financial year, AD Category – I bank may, up to March 31, 2007 only, reckon the time base which is beneficial to its constituent/s.

2. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
3. The directions in this circular have been issued under Sections 10 (4) and 11 (1) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(M. Sebastian)
Chief General Manager

March 02, 2007

To

All Category – I Authorised Dealer Banks

Madam / Sir,

Advance Remittance for Import of Rough Diamonds

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to paragraph A.6 of the Annexure to A. P. (DIR Series) Circular No.106 dated June 19, 2003 and A.P. (DIR Series) Circular No.15 dated September 17, 2003, in terms of which AD Category - I banks have been permitted to make advance remittance up to USD 1,000,000/- (USD One Million) or its equivalent, without a bank guarantee / Standby letter of credit, subject to the conditions specified for import of goods into India.

2. The Expert Committee on Gems and Jewellery Sector, constituted by the Ministry of Finance, Government of India has recommended that a more liberal approach may be adopted on advance payment for import of rough diamonds. Based on the recommendations, the Gems and Jewellery Export Promotion Council (GJEPC) approached the Reserve Bank for allowing import of rough diamonds from five mining companies of rough diamonds, viz., i) RIO TINTO, UK; ii) BHP Billiton, Australia; iii) ENDIAMA, E. P. Angola; iv) ALROSA, Russia; and v) GOKHARAN, Russia, in addition to the Diamond Trading Company Pvt. Ltd., UK, in respect of which advance payments without bank guarantee, could be permitted.

3. With a view to liberalising the procedure further and facilitate import of rough diamonds, AD Category - I banks are, henceforth, permitted to allow advance remittance without any limit and without bank guarantee or standby letter of credit, by an importer (other than a Public Sector Company or a Department / Undertaking of the Government of India / State Government/s), for import of rough diamonds into India from the undernoted mining companies, viz.

- i) Diamond Trading Company Pvt. Ltd., UK,
- ii) RIO TINTO, UK,
- iii) BHP Billiton, Australia,
- iv) ENDIAMA, E. P. Angola,
- v) ALROSA, Russia, and
- vi) GOKHARAN, Russia.

4. While allowing the advance remittance, AD Category - I banks may ensure the following :

- (i) The importer should be a recognised processor of rough diamonds as per a list to be approved by GJEPC in this regard and should have a good track record of export realisation;
- (ii) AD Category - I banks should undertake the transaction based on their commercial judgment and after being satisfied about the bonafides of the transaction;
- (iii) Advance payments should be made strictly as per the terms of the sale contract and should be made directly to the account of the company concerned, that is, to the ultimate beneficiary and not through numbered accounts or otherwise. Further, due caution may be exercised to ensure that remittance is not permitted for import of conflict diamonds;
- (iv) KYC and due diligence exercise should be done by the AD Category - I banks for the Indian importer entity and the overseas company; and
- (v) AD Category - I banks should follow up submission of the Bill of Entry / documents evidencing import of rough diamonds into the country by the importer, in terms of the Act / Rules / Regulations / Directions issued in this regard.

5. In case of an importer entity in the Public Sector or a Department / Undertaking of the Government of India / State Government/s, AD Category - I banks may permit advance remittance subject to the above conditions and a specific waiver of bank guarantee from the Ministry of Finance, Government of

India where the advance payments is equivalent to or exceeds USD 100,000/- (USD one hundred thousand only).

6. AD Category - I banks are required to submit a report of all such advance remittances made without a bank guarantee or standby letter of credit, where the amount of advance payment is equivalent to or exceeds USD 5,000,000/- (USD Five million only), to The Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Trade Division, Central Office, Amar Bhawan, Sir. P. M. Road, Fort, Mumbai – 400 001, on a half yearly basis, as at the end of September and March every year, in the format annexed. The deadline for submission of the report would be 15 calendar days after the close of each half year.

7. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

8. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

Annex

[A. P. (DIR Series) Circular No. 34 dated March 02, 2007]

Statement of Advance Remittance without bank guarantee or standby letter of credit where the amount of advance is equivalent to or more than USD 5 million for import of Rough Diamonds for the period ended

Name of the AD Category – I Bank :

AD Code (14 digit) :

Sl. No.	Name of the Company	Name of the Importer Entity and IEC No.	Amount of Advance Payment made without BG / Standby LC	Whether document for evidence of import submitted
1.	Diamond Trading Company Pvt. Ltd., UK			
2.	RIO TINTO, UK			
3.	BHP Billiton, Australia			
4.	ENDIAMA E. P. Angola			
5.	ALROSA, Russia			
6.	GOKHARAN, Russia			

Signature of the authorised official of the bank :

Date :

Stamp :

April 05, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit (LOC) of USD 25 million to
the Government of the Republic of Guinea Bissau**

Export-Import Bank of India (Exim Bank) has concluded an agreement dated January 13, 2007 with Government of the Republic of Guinea Bissau, making available to the latter, a Line of Credit (LOC) of USD 25 million (USD Twenty five million only) for financing projects at Guinea Bissau viz. i) US \$ 10 million for an electricity project, ii) US \$ 5 million for the food processing / agricultural sector, and (iii) the balance amount of US \$ 10 million for project(s) proposed by the Government of the Republic of Guinea Bissau and as may be agreed by Government of India / Exim Bank, and whose purchase may be agreed to be financed by Exim Bank under this Agreement to the extent of at least 85 per cent of the amount of the Credit and which are eligible for export under the Foreign Trade Policy of the Government of India.

2. The Credit Agreement under the LOC is effective from March 15, 2007. Under the LOC, the terminal utilisation period will expire at the end of 48 months from the scheduled completion date(s) of contract(s) in case of project exports and January 12, 2013 (72 months from date of execution of Credit Agreement i. e. January 13, 2007) in case of other supply contracts.

3. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.

4. No agency commission shall be payable in respect of exports financed under the above line of credit. However, if required, the exporter may use his own resources or utilise balances of his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category - I (AD Category - I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

5. AD Category - I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

6. The Directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

April 05, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit (LOC) of USD 7.50 million to
the Government of Jamaica**

Export-Import Bank of India (Exim Bank) has concluded an agreement dated January 19, 2007 with the Government of Jamaica, making available to the latter, a Line of Credit (LOC) of USD 7.50 million (USD Seven million five hundred thousand only) to finance purchase of water pumps by National Water Commission, Jamaica which are eligible for export under the Foreign Trade Policy of the Government of India and which may be agreed to be financed by Exim Bank in terms of this Agreement. Out of the total credit, not less than 85 per cent shall be utilised for financing purchase of eligible goods from India or be of Indian origin.

2. The credit agreement under the LOC is effective from March 2, 2007. The terminal date for opening of Letters of Credit will be March 1, 2009 (24 months from the effective date) and the terminal date for disbursement will be January 18, 2013 (72 months from the date of execution of the Credit Agreement i.e. January 19, 2007)
3. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.
4. No agency commission shall be payable in respect of exports financed under the above line of credit. However, if required, the exporter may use his own resources or utilise balances of his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category - I (AD Category - I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.
5. AD Category-I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

6. The Directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

April 05, 2007

To,

All Category – I Authorised Dealer Banks

Madam / Sir,

Export of Goods and Services
Refund of Export Proceeds - Liberalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to paragraph D.2 of the Annexure to A. P. (DIR Series) Circular No.12 dated September 9, 2000, in terms of which refund of export proceeds may be allowed by AD Category - I banks provided such goods are re-imported into India on account of poor quality etc. and evidence of re-import has been submitted.

2. With a view to further liberalising the procedure, it has been decided that AD Category - I banks, through whom the export proceeds were originally realised, may henceforth, consider requests for refund of export proceeds of goods exported from India and being re-imported into India on account of poor quality. While permitting such transactions, AD Category - I banks are required to :

- i) exercise due diligence regarding the track record of the exporter;
- ii) verify the bonafides of the transactions;
- iii) obtain from the exporter a certificate issued by DGFT / Custom authorities that no incentives have been availed by the exporter against the relevant export or the proportionate incentives availed, if any, for the relevant export have been surrendered;
- iv) obtain an undertaking from the exporter that the goods will be re-imported within three months from the date of remittance; and
- v) ensure that all procedures as applicable to normal imports are adhered to.

3. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-In-Charge

April 05, 2007

To,

All Authorised Dealer Banks

Madam / Sir,

**Foreign Exchange Management Act (FEMA), 1999 Current Account Transaction Rules –
Amendment**

Attention of Authorised Dealer (AD) banks is invited to Foreign Exchange Management (Current Account Transactions) Rules, 2000 notified vide Notification No. G.S.R. 381(E) dated 3rd May 2000, as amended from time to time (the Rules).

2. Government of India has made certain amendments to the Rules vide Notification G.S.R. 512(E) dated July 28, 2005, a copy of which is annexed.

3. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

[A. P. (DIR Series) Circular No. dated April , 2007]

**GAZETTE OF INDIA
EXTRAORDINARY
PART II -- Section 3 -- Sub-section (i)
PUBLISHED BY AUTHORITY**

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NEW DELHI, THURSDAY, JULY 28, 2005

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MINISTRY OF FINANCE
(Department of Economic Affairs)

NOTIFICATION
New Delhi, the 27th July 2005

G.S.R.512(E).-- In exercise of the powers conferred by Sub-section (1) and clause (a) of Sub-section (2) of Sub-Section (2) of Section 46 read with Section 5 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Central Government, hereby makes the following amendments in the Foreign Exchange Management (Current Account Transactions) Rules, 2000, namely :--

1. (1) These rules may be called the Foreign Exchange Management (Current Account Transactions) Amendment Rules, 2005.
- (2) They shall come into force from the date of their publication in the Official Gazette.
2. In the Foreign Exchange Management (Current Account Transactions) Rules, 2000,
 - (a) in Schedule I, brackets, words and figures "(see Rule 3)" the following words, brackets and figure shall be substituted, namely :-- "Transactions which are Prohibited (see rule 3)",
 - (b) in Schedule II, for the brackets, words and figure "(see Rule 4)", the following words, brackets and figure shall be substituted, namely:-- "Transactions which require prior approval of the Central Government (see Rule 4)".

[No.F.1/2/FM/01]

(U.K. SIHNA)
Joint Secretary

Note : The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3(i) *vide* Number G.S.R.381(E), dated the 3rd May, 2000 and subsequently amended last *vide* G.S.R.608(E) dated 13th September, 2004.

April 16, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit (LOC) of USD 11 million to
the Government of the Republic of Senegal**

Export-Import Bank of India (Exim Bank) has concluded an agreement dated January 15, 2007 with Government of the Republic of Senegal, making available to the latter, a Line of Credit (LOC) of USD 11 million (USD Eleven million only) for financing Indian exports to Senegal to support the women poverty alleviation programme and acquisition of 400 vehicles from India which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by Exim Bank under this Agreement. Out of the total credit, not less than 85 per cent shall be utilised for financing purchase of eligible goods from India or be of Indian origin.

2. The Credit Agreement under the LOC is effective from February 20, 2007. Under the LOC, the terminal utilisation period will expire at the end of 48 months from the scheduled completion date(s) of contract(s) in case of project exports and January 14, 2013 (72 months from date of execution of Credit Agreement i. e. January 15, 2007) in case of other supply contracts.

3. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.

4. No agency commission shall be payable in respect of exports financed under the line of credit. However, if required, the exporter may use his own resources or utilise balances of his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category - I (AD Category - I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

5. AD Category - I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

6. The Directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangaharan)
Chief General Manager-in-Charge

April 20, 2007

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Reporting under FDI Scheme - Revised Form FC-GPR

Attention of Authorised Dealer Category-I (AD Category - I) banks is invited to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000 (the Notification), as amended from time to time. In terms of para 9 (1) B of Schedule I to the Notification, Indian companies are required to report the details of Foreign Direct Investment (FDI) in Form FC-GPR to the Regional Office of RBI within whose jurisdiction the Registered Office of the Company operates, within 30 days of issue of shares.

2. In order to capture the details of FDI in a comprehensive manner, Form FC-GPR has been revised in consultation with the Government of India. Accordingly, the details of FDI should, henceforth, be reported in the revised Form FC-GPR, enclosed as Annex.

3. As per the revised format, details of FDI are required to be furnished in Part A and B. Part A has to be filed by the Company, through AD Category – I bank, to the concerned Regional Office of RBI. Part B, which is an annual report of all investments made in the company during a financial year, is required to be submitted directly by the Company to the Director, Balance of Payment Statistical Division, Department of Statistical Analysis & Computer Services, Reserve Bank of India, C 9, 8th floor, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051, by 30th June every year.

4. The AD Category – I bank in India, receiving the remittance should obtain a KYC report in respect of the foreign investor from the overseas bank remitting the amount. If the AD Category – I bank receiving the remittance is different from the AD Category – I

bank forwarding Form FC-GPR, the latter should file Form FC-GPR along with a certificate from the former of having received the inward remittance and the KYC report.

5. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000 will be issued separately.

6. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

7. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

FC-GPR**PART - A**

(To be filed by the company through its Authorised Dealer Category – I bank with the Regional Office of the RBI under whose jurisdiction the Registered Office of the company making the declaration is situated as and when fresh investment in the Company is received, along with the following documents:

- i) *A certificate from the Company Secretary of the company accepting investment from persons resident outside India*
- ii) *A certificate from Statutory Auditors or Chartered Accountant indicating the manner of arriving at the price of shares issued to the persons resident outside India (as specified in para 9 B of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000.)*

PAN Number

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Date of issue /transfer of
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3	Details of the foreign collaborator																																																															
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	Constitution (specify whether Foreign National/Foreign Company/ FVCI / FII / NRI / PIO / others)	<table border="1"> <tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> </table>																																																														
4	Particulars of Shares / Convertible Debentures Issued																																																															
(a)	Nature and date of issue																																																															
		<i>Nature of issue</i>	<i>Date of issue</i>	<i>Number of shares/ convertible debentures</i>																																																												
	01	IPO / FPO																																																														
	02	Preferential allotment / private placement																																																														
	03	Rights																																																														
	04	Bonus																																																														
	05	Conversion of ECB																																																														
	06	Conversion of royalty (including lump sum payments)																																																														
	07	ESOPs																																																														
	08	Others (please specify)																																																														
		Total																																																														

(b)	Type of security issued					
	Nature of security	Number	Maturity	Face value	Issue Price per share	Amount of inflow*
	Equity					
	Convertible Debentures (CDs)					
	(a) Compulsorily CDs					
	(b) Optionally CDs					
	(c) Partially CDs					
	Preference shares (PS)					
	(a) Convertible PS					
	(b) Non-Convertible PS					
	Units of VCFs					
	Others					
	Total					

- i) In case the issue price is greater than the face value please give break up of the premium received
- ii) * In case the issue is against conversion of ECB or royalty, a Chartered Accountant's Certificate certifying the amount of the outstanding on the date of conversion

(c)	Break up of premium	Amount
	Control Premium	
	Non competition fee	
	Others*	
	Total	

***please specify the nature**

(d)	Total inflow (in Rupees) on account of issue of shares to non-residents (including premium, if any) vide (i) Remittance through AD: (ii) Debit to NRE/FCNR A/c with Bank _____ (iii) Others Date of reporting of (i) above to RBI under Para 9 (1) A (i) of Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended from time to time.	
(e)	Disclosure of fair value of shares issued**	
	We are a listed company and the market value of a share as on date of the issue is *	
	We are an un-listed company; and the fair value of a share is*	

** before issue of shares

*(Please indicate as applicable)

5. Post issue pattern of shareholding						
	Equity			Preference Shares/Convertible Debentures		
Investor category	No. of shares	Amount (Face Value) Rs.	%	No. of shares	Amount (Face Value) Rs.	%
a) Non-Resident						
Foreign Nationals						
Foreign Companies						
FIIIs						
FVCIs						
NRIs/PIOs						
Sub Total						
b) Resident						
Total						

DECLARATION TO BE FILED BY THE AUTHORISED REPRESENTATIVE OF THE INDIAN COMPANY:

We hereby declare that:

1. We comply with the procedure for issue of shares as laid down under the FDI scheme as indicated in Notification No. FEMA 20/2000-RB dated 3rd May 2000 as amended from time to time
2. The investment is within the sectoral policy/cap permissible under the Automatic Route of RBI and we fulfill all the conditions laid down for investments under the Automatic Route namely (strike off whichever is not applicable)

- a) Foreign entity(ies)-(other than individuals), to whom we have issued shares have existing joint venture or technology transfer or trade mark agreement in India in the same field. (Conditions stipulated in Press Note 1 of 2005 Series dated January 12, 2005 have been complied with).

OR

- b) Foreign entity(ies)-(other than individuals), to whom we have issued shares do not have any existing joint venture or technology transfer or trade mark agreement in India in the same field.
- c) We are/ are not an SSI unit & the investment limit of 24 % of paid-up capital has been observed/ requisite approvals have been obtained.
- d) Shares have been issued on rights basis and the shares are issued to non-residents at a price that is not lower than that at which shares have been issued to residents.

OR

- e) Shares issued are bonus shares.

OR

- f) Shares have been issued under a scheme of merger and amalgamation of two or more Indian companies or reconstruction by way of demerger or otherwise of an Indian company, duly approved by a court in India.

OR

- g) Shares are issued under ESOP and the conditions regarding this issue have been satisfied

3. Shares have been issued in terms of SIA/FIPB approval No. ----- dated -----
-----.

(Delete whichever is not applicable under signature)

(Signature of the Applicant)* : _____

(Name in Block Letters) : _____

(Designation of the signatory): _____

Place:

Date:

(* To be signed by Authorised signatory of the Company)

**CERTIFICATE TO BE FILED BY THE COMPANY SECRETARY OF THE INDIAN COMPANY
ACCEPTING THE INVESTMENT:**

(As per Para 9 (1) (B) (i) of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 3, 2000)

In respect of the abovementioned details, we certify the following :

1. All the requirements of the Companies Act, 1956 have been complied with.
2. Terms and conditions of the Government approval, if any, have been complied with.
3. The company is eligible to issue shares under these Regulations.
4. The company has all original certificates issued by AD Category – I banks in India, evidencing receipt of amount of consideration in accordance with paragraph 9 (1) (B) of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 3, 2000.

(Name & Signature of the Company Secretary)
(Seal)

FC-GPR

PART-B

(i) This is an annual report to be submitted by 30th of June every year, pertaining to all investments by way of direct/portfolio/re-invested earnings/others in the Indian company made during the preceding financial year (April to March).

(i.e. the report in Part B submitted by 30th June 2007 will pertain to the investments made during the financial year April 2006 to March 2007).

(ii) To be submitted to the Director, Balance of Payment Statistical Division, Department of Statistical Analysis & Computer Services, Reserve Bank of India, C9, 8th Floor, Bandra-Kurla Complex, Bandra (E), Mumbai – 400051; Tel: 2657 1265, 2657 2513)

PAN Number

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Date

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No.	Particulars	(In Block Letters)																																																																																
1.	Name	<table border="1"> <tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> </table>																																																																																
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	Registration No. given by the Registrar of Companies	<table border="1"> <tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> </table>																																																																																
2.	Name of the Contact Person: Tel. E-mail: Fax: Web site (if any):																																																																																	
3.	Account closing date:																																																																																	
4.	Details of changes if any, with regard to information furnished earlier (Change in name of company / Change of location, activities, etc.)																																																																																	

5. Foreign Direct Investment (FDI)				
	Amount in Lakhs of Rupees			
	Foreign Liabilities In India [#]		Foreign Assets Outside India ^{##}	
	Outstanding at March end of Previous Year	Outstanding at March end of Current Year	Outstanding at March end of Previous Year	Outstanding at March end of Current Year
5.0 Equity Capital				
5.1 Other Capital ^{\$}				
5.2 Disinvestments during the year				
5.3 Retained earnings during the year				
6. Portfolio and Other Investment (PIS)				
<i>[Please furnish here the outstanding investments other than those mentioned under FDI above]</i>				
	Amount in Lakhs of Rupees			
	Foreign Liabilities In India		Foreign Assets Outside India	
	Outstanding at March end of Previous Year	Outstanding at March end of Current Year	Outstanding at March end of Previous Year	Outstanding at March end of Current Year
6.0 Equity Securities				
6.1 Debt Securities				
6.1.1 Bonds and Notes				
6.1.2 Money Market Instruments				
6.2 Disinvestments in India during the year				
7. Financial Derivatives (notional value)				
8. Other Investment				
8.1 Trade Credit				
8.1.1 Short Term				
8.1.2 Long Term				
8.2 Loans	see note [@] below			
8.3 Others				
8.3.1 Short Term				
8.3.2 Long Term				

[#] Please furnish the outstanding investments of **non-resident investors (Direct Investors)** who were holding **10 % or more** ordinary shares of **your Company** on the reporting date.

^{##} Please furnish here your investments outside the country in each of which **your Company** held **10 per cent or more** ordinary shares of that non-resident enterprise on the reporting date.
Use March-end market price/exchange rate.

^{\$} Other Capital transactions between the non-resident direct investor and investee / reporting company includes: i) Short Term Borrowing from overseas investors, ii) Long Term Borrowing from overseas investors, iii) Trade Credit, iv) Suppliers Credit, v) Financial Leasing, vi) Control Premium, vii) Non-Competition Fee in case of transactions not involving issue of shares, viii) Non-cash acquisition of shares against technical transfer, plant and machinery, goodwill, business development and similar considerations and ix) investment in immovable property made during the year.

@Note: As the details of the Loans availed by your company are collected through Authorised Dealers separately by Foreign Exchange Department of the RBI in ECB returns, the details of external loans availed by your company need not be filled in. However, the external loans extended by your company to WOS/JVs outside India should be reported.

9.	Persons employed during the year	
	Directly	
	Indirectly	
	Total	

Signature of the Applicant * : _____

Name in Block Letters : _____

Designation of the signatory : _____

Place:

Date:

(* To be signed by Authorised signatory of the Company)

April 20, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Direct Investment- Rationalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Notification No.FEMA120/RB-2004 dated July 7, 2004, [Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 as amended from time to time (the Notification)]. In order to rationalise the existing provisions, the following changes have been effected in the Regulations governing overseas investments.

1. Investment in a foreign security by swap or exchange of shares of an Indian company

In terms of Regulation 8 of the Notification *ibid*, an Indian party is permitted to acquire shares of a foreign company, engaged in a bonafide business activity, in exchange of ADRs / GDRs issued to the latter in accordance with the scheme for issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, and the guidelines issued there under from time to time by the Central Government. This is further subject to certain conditions, valuation norms and reporting to the Reserve Bank. Such acquisitions shall, henceforth, be considered as an accepted mode of overseas direct investment and shall be subsumed under the limit specified in Regulation 6 of the Notification *ibid*.

2. Pledge of shares of the overseas JV / WOS to an overseas lender

In terms of Regulation 18 of the Notification *ibid*, an Indian party is permitted to transfer by way of pledge, shares held in a JV / WOS outside India, as a security for availing of fund based or non-fund based facilities for itself or for the JV / WOS, to an AD Category – I bank in India.

In order to provide operational flexibility to Indian parties for availing fund based and non-fund based facilities overseas, Indian parties are now permitted to transfer by way of pledge, the shares held in overseas JV / WOS, to an overseas lender, provided the lender is regulated and supervised as a bank and the total financial commitments of the Indian party remain within the limit stipulated by Reserve Bank for overseas investments.

3. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. Necessary amendments to Notification No.FEMA120/RB-2004 dated July 7, 2004, [Foreign Exchange Management (Transfer or Issue of Any Foreign Security)] are being notified separately.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

April 23, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Foreign Currency Borrowings by Authorised Dealer Banks

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the announcement made on October 31, 2006, in the Mid Term Review of the Annual Policy for the year 2006-07 regarding overseas foreign currency borrowings by Authorised Dealer Banks (para 97 - annexed).

2. In view of the prevailing market conditions and the likely impact on liquidity, it has been decided to keep the operationalisation of the policy announcement in abeyance.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

Para 97 of the Mid-Term Review of the Annual Policy for the year 2006-07*Banks' Borrowings from Overseas: Enhancement*

With a view to providing further flexibility to authorised dealer banks in seeking access to funds overseas, the following liberalisation is proposed:

- authorised dealer banks may henceforth borrow funds from their overseas branches and correspondent banks (including borrowings for financing export credit, ECBs and overdrafts from their Head Office/Nostro account) up to a limit of 50 per cent of their unimpaired Tier I capital or US \$ 10 million, whichever is higher, as against the earlier overall limit of 25 per cent (excluding borrowings for financing export credit). Short-term borrowings up to a period of one year or less, however, should not exceed 20 per cent of unimpaired Tier I capital within the overall limit of 50 per cent;
- all borrowings in the form of subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital, capital funds raised/augmented by issue of innovative perpetual debt instruments (IPDI) and other overseas borrowing with the specific approval of the Reserve Bank would, however, continue to be outside the limit of 50 per cent; and
- in order to phase in these limits in a non-disruptive manner, banks whose overseas borrowings exceed the revised prudential limit may approach the Reserve Bank with a proposed road-map for complying with these limits.

April 30, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

External Commercial Borrowings (ECB)

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the A. P. (DIR Series) Circular No.17 dated December 4, 2006 relating to External Commercial Borrowings (ECB) and to the announcement made in the Annual Policy statement for the year 2007-08 (para 136).

2. With a view to providing greater flexibility to the corporates in managing their liquidity and interest costs dynamically, the existing limit for prepayment of ECB has been enhanced from USD 300 million to USD 400 million. Accordingly, AD Category - I banks may allow prepayment of ECB up to USD 400 million, without prior approval of the Reserve Bank subject to compliance with the minimum average maturity period as applicable to the loan.

3. The amended ECB policy will come into force with immediate effect and is subject to review.

4. Necessary amendments to FEMA Notification No. 3/2000-RB dated May 3, 2003 [Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000] are being issued separately.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

April 30, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

External Commercial Borrowings (ECB)

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the A. P. (DIR Series) Circular No.17 dated December 4, 2006 relating to External Commercial Borrowings (ECB) and to the announcement made in the Annual Policy statement for the year 2007-08 (para 136).

2. With a view to providing greater flexibility to the corporates in managing their liquidity and interest costs dynamically, the existing limit for prepayment of ECB has been enhanced from USD 300 million to USD 400 million. Accordingly, AD Category - I banks may allow prepayment of ECB up to USD 400 million, without prior approval of the Reserve Bank subject to compliance with the minimum average maturity period as applicable to the loan.

3. The amended ECB policy will come into force with immediate effect and is subject to review.

4. Necessary amendments to FEMA Notification No. 3/2000-RB dated May 3, 2003 [Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000] are being issued separately.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

April 30, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions –
Remittance towards donation by Corporates - Liberalisation**

Attention of Authorised Dealer Category-I (AD Category - I) banks is invited to Foreign Exchange Management (Current Account Transactions) Rules, 2000 (the Rules) notified vide Notification No. G.S.R.381(E) dated 4th May 2000, as amended from time to time. In terms of item No. 4 of Schedule III to the Rules, remittance of donation exceeding USD 5000 per remitter / donor per annum requires prior approval of the Reserve Bank. Further, in terms of A. P. (DIR Series) Circular No.25 dated March 1, 2002, Indian corporates with proven track record desiring to contribute funds from their foreign exchange earnings for setting up chairs in educational institutions outside India and similar such purposes are required to obtain prior approval of Reserve Bank.

2. As announced in the Annual Policy Statement for the year 2007-08 (para 146 (i) i)) and with a view to further liberalise the procedure and provide greater flexibility, AD Category-I banks are now permitted to make remittances on account of donations by corporates for specified purposes as under :

- i. Creation of Chairs in reputed educational institutes;
- ii. Donations to funds (not being an investment fund) promoted by educational institutes; or
- iii. Donation to a technical institution or body or association in the field of activity of the donor Company.

The remittances are subject to a limit of one per cent of the foreign exchange earnings during the previous three financial years or USD 5 million, whichever is less. Applications for remittances for purposes other than those specified above may be forwarded to the Chief General Manager, Reserve Bank of India, Central Office, Foreign Exchange Department, Foreign Investments Division (EPD), 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, (c) purpose of the donation and (d) likely benefits to the corporate.

3. The existing facility for remittance up to USD 5000 per remitter / per donor per financial year towards donations by Indian corporates would continue as hitherto.
4. Necessary amendments to Foreign Exchange Management (Current Account Transactions) Rules, 2000 are being notified separately.
5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
6. The directions contained in this Circular have been issued under Section 10(4) and 11(I) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

April 30, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions – Remittance for consultancy services - Liberalisation

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Foreign Exchange Management (Current Account Transactions) Rules, 2000 notified vide Notification No. G.S.R.381(E) dated 4th May 2000, as amended from time to time. In terms of Rule 5 of the Foreign Exchange Management (Current Account Transactions) Rules, 2000, prior approval of the Reserve Bank is required for drawing foreign exchange 'for remittance exceeding USD 1,000,000 per project, for any consultancy service procured from outside India [item 15 of Schedule III to the Foreign Exchange Management (Current Account Transactions) Rules, 2000].

2. As announced in the Annual Policy Statement for the year 2007-08 (para 146 (i) ii)) and with a view to further liberalise the procedure and provide greater flexibility, it has been decided to raise the limit for remittance for consultancy service procured from outside India by Indian companies executing infrastructure projects from USD 1 million per project up to USD 10 million per project. For this purpose, infrastructure sector is defined as (i) power, (ii) telecommunication, (iii) railways, (iv) road including bridges, (v) sea port and airport, (vi) industrial parks, and (vii) urban infrastructure (water supply, sanitation and sewage projects). Accordingly, AD Category - I banks may allow remittances on behalf of Indian companies in such cases up to USD 10 million per project, after verifying the bonafides of the transaction. In all other cases, the existing limit of USD 1 million, per project, for any consultancy service procured from outside India, will continue.

3. Necessary amendments to Foreign Exchange Management (Current Account Transactions) Rules, 2000 are being notified separately.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

April 30, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Foreign Exchange Management Act (FEMA), 1999 – Current Account Transactions –
Reimbursement of pre-incorporation expenses - Liberalisation**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Foreign Exchange Management (Current Account Transactions) Rules, 2000 notified vide Notification No. G.S.R.381(E) dated 4th May 2000. In terms of Rule 5 of the Foreign Exchange Management (Current Account Transactions) Rules, 2000 (the Rules), prior approval of the Reserve Bank is required for drawing foreign exchange for remittance exceeding USD 100,000 by an entity in India by way of reimbursement of pre-incorporation expenses [item 17 of Schedule III of the Rules].

2. As announced in the Annual Policy Statement for the year 2007-08 (para 146 (i) iii)) and with a view to liberalise the procedure further and providing greater flexibility, it has been decided to allow remittance of foreign exchange towards reimbursement of pre-incorporation expenses incurred in India up to 5 per cent of the investment brought into India or USD 100,000, whichever is higher, on the basis of certification from statutory auditors. Accordingly, AD Category - I banks may permit drawal of foreign exchange by an entity in India by way of reimbursement of pre-incorporation expenses up to the limit mentioned above, on the basis of certification from statutory auditors.

3. Necessary amendments to Foreign Exchange Management (Current Account Transactions) Rules, 2000 are being notified separately.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

April 30, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Opening of foreign currency accounts in India
by ship-manning / crew-management agencies**

Attention of Authorised Dealer Category-I (AD Category - I) banks is invited to Regulation 6 of Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000 notified vide Notification No. FEMA 10/2000-RB dated May 3, 2000, as amended from time to time, in terms of which general permission is available to a shipping or airline company, incorporated outside India or its agent in India to open, hold and maintain a foreign currency account with an AD Category – I bank in India for meeting the local expenses in India of such shipping or airline company.

2. As announced in the Annual Policy Statement for the year 2007-08 (para 146 (i) vi)), it has now been decided to allow ship manning / crew managing agencies that are rendering services to shipping companies incorporated outside India, to open foreign currency accounts in India. Accordingly, AD Category – I banks may allow ship-manning / crew managing agencies in India to open and maintain non-interest bearing foreign currency accounts in India for the purpose of undertaking transactions in the ordinary course of its business, as detailed below :

- a) Credits to such accounts would be only by way of inward remittances through normal banking channels from the overseas principal.
- b) Debits will be towards various expenses in connection with the management of the ships / crew in the ordinary course of its business.
- c) No credit facility (fund based or non-fund based) should be granted against security of funds held in the account.
- d) The bank should meet the prescribed Reserve Requirements in respect of such accounts.
- e) No EEFC facility should be allowed in respect of the remittances received in the account.
- f) The account will be maintained only during the validity period of the agreement.

3. Necessary amendments to Notification No. FEMA 10/2000-RB dated May 3, 2000 [Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000] are being issued separately.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

April 30, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Investment by Venture Capital Funds (VCFs)

Reserve Bank of India, in consultation with the Securities and Exchange Board of India (SEBI), has decided to permit Indian Venture Capital Funds (VCFs), registered with SEBI, to invest in equity and equity-linked instruments of off-shore venture capital undertakings, subject to an overall limit of USD 500 million and SEBI regulations issued in this regard. SEBI have accordingly notified the enabling Venture Capital Funds (Amendment) Regulations 2006 on January 25, 2006 (Annex). Allocations of limits to individual VCFs will be made by SEBI, subject to such terms and conditions as SEBI may deem necessary.

2. Accordingly, Domestic Venture Capital Funds registered with SEBI, desirous of making investments in off-shore Venture Capital Funds may approach SEBI for prior approval in this regard. No separate permission from the Reserve Bank is necessary for such VCFs.

3. Necessary amendments to Notification No. FEMA120/RB-2004 dated July 7, 2004 [Foreign Exchange Management (Transfer or Issue of Any Foreign Security), Regulations, 2004], are being issued separately.

4. Authorised Dealer Category – I (AD Category – I) banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this circular has been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions/approval, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

[Annex to A. P. (DIR Series) Circular No. dated April , 2007]

THE GAZETTE OF INDIA
EXTRAORDINARY
PART II SECTION 3 - SUB-SECTION (ii)
PUBLISHED BY AUTHORITY
SECURITIES AND EXCHANGE BOARD OF INDIA
NOTIFICATION
Mumbai, the 25th January, 2006

**SECURITIES AND EXCHANGE BOARD OF INDIA
(VENTURE CAPITAL FUNDS) (AMENDMENT) REGULATIONS, 2006**

S.O.No. 93(E). In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following Regulations to further amend the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, namely: -

1. (i) These Regulations may be called the Securities and Exchange Board of India (Venture Capital Funds) (Amendment) Regulations, 2006.

(ii) They shall come into force on the date of their publication in the Official Gazette.

2. In the Securities and Exchange Board of India (Venture Capital Funds) Regulation, 1996: -

(i) In regulation 2, -

after clause (m), clause (ma) be inserted-

(ma) "a foreign company" means a foreign company within the meaning of section 591 of the Companies Act, 1956.

(ii) In regulation 12, after clause (b), the following clause, shall be inserted, namely

(ba) venture capital fund may invest in securities of foreign companies subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and the Board from time to time.

**M. DAMODARAN
CHAIRMAN**

Foot notes

(1) The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, the Principal Regulations were published in the Gazette of India on December 4, 1996 vide S.O. No.850(E).

(2) The Regulations were subsequently amended:

(a) On January 5, 1998 by the SEBI (Venture Capital Funds) (Amendment) Regulations, 1998 vide S.O. No.19 (E).

(b) On November 17, 1999 by the SEBI (Venture Capital Funds) (Amendment) Regulations, 1999 vide S.O. No.1118 (E).

(c) On September 15, 2000 by the SEBI (Venture Capital Funds) (Amendment) Regulations, 2000 vide S.O. No.831 (E).

(d) On September 27, 2002 by the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 vide S.O. No.1045 (E).

(e) On April 5, 2004 Securities and Exchange Board of India (Venture Capital Funds) (Amendment) Regulations, 2004 vide S.O. No. 468 (E).

May 04, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Investment by Venture Capital Funds (VCFs)

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to para 2 of A. P. (DIR Series) Circular No. 49 dated April 30, 2007 on Overseas Investment by Indian Venture Capital Funds (VCFs).

2. It is clarified that Domestic Venture Capital Funds registered with SEBI, have been permitted to invest in equity and equity-linked instruments only of off-shore Venture Capital Undertakings. Accordingly, Domestic Venture Capital Funds registered with SEBI, desirous of making investments in off-shore Venture Capital Undertakings may approach SEBI for prior approval. No separate permission from Reserve Bank is necessary for such VCFs.

3. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approval, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

May 08 , 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Liberalised Remittance Scheme for Resident Individuals- Enhancement of limit from USD 50,000 to USD 100,000

Attention of Authorised Dealer Category I (AD – Category I) banks is invited to A. P. (DIR Series) Circular No. 64 dated February 4, 2004 and A. P. (DIR Series) Circular No. 24 dated December 20, 2006 on the Liberalised Remittance Scheme for Resident Individuals (the Scheme).

2. As announced in the Annual Policy Statement for the year 2007-08 (para 137), the existing limit of USD 50,000 per financial year under the Scheme has been enhanced to USD 100,000 per financial year (April- March). Accordingly, AD Category – I banks may allow remittance up to USD 100,000, per financial year, for any permitted current or capital account transactions or a combination of both. The modified Application cum Declaration form is annexed.

3. It is clarified that such remittances are allowed under the Scheme only in respect of permissible current or capital account transactions. All other transactions which are otherwise not permissible under FEMA and those in the nature of remittance for margins or margin calls to overseas exchanges / overseas counterparty are not allowed under the Scheme.

4. It is further clarified that banks should not extend any kind of credit facilities to resident individuals to facilitate remittances under the Scheme.

5. All other conditions mentioned in A. P. (DIR Series) Circular No. 64 dated February 4, 2004 and A. P. (DIR Series) Circular No. 24 dated December 20, 2006 shall remain unchanged.

6. Necessary amendments to Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000 (Notification No. FEMA 16/2000-RB dated 3rd May 2000) are being notified separately.

7. AD - Category I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

8. The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

Annex

[Annex to A. P. (DIR Series) Circular No. 51 dated May 08, 2007]

Application cum Declaration for purchase of foreign exchange under the Liberalised Remittance Scheme of USD 100,000 for Resident individuals

(To be completed by the applicant)

I. Details of the applicant

a. Name

b. Address.....

c. Account No.....

d. PAN No.....

II. Details of the foreign exchange required

1. Amount (Specify currency).....

2. Purpose

III. Source of funds:

IV. Nature of instrument

Draft.....

Direct remittance.....

V. Details of the remittance made under the Scheme in the financial year (April- March) 200...

Date :..... Amount :.....

VI. Details of the Beneficiary

1. Name

2. Address

3. Country

4*. Name and address of the bank.....

5*. Account No.....

(* Required only when the remittance is to be directly credited to the bank account of the beneficiary)

This is to authorize you to debit my account and effect the foreign exchange remittance/issue a draft as detailed above. (strike out whichever is not applicable).

Declaration

I,(Name), hereby declare that the total amount of foreign exchange purchased from or remitted through, all sources in India during the financial year as per item No. V of the Application, is within the limit of USD 100,000/-(US Dollar One lakh only), which is the limit prescribed by the Reserve Bank for the purpose and certify that the source of funds for making the said remittance belongs to me and will not be used for prohibited purposes.

Signature of the applicant

(Name)

Certificate by the Authorised Dealer

This is to certify that the remittance is not being made by/ to ineligible entities and that the remittance is in conformity with the instructions issued by the Reserve Bank from time to time under the Scheme.

Name and designation of the authorised official:

Place:

Signature:

Date: Stamp and Seal

May 08, 2007

To,

All Authorised Dealer Category - I Banks

Madam / Sir,

Booking of Forward Contracts Based on Past Performance

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to A. P. (DIR Series) Circular No.19 dated January 24, 2002, A. P. (DIR Series) Circular No. 63 dated December 21, 2002, A. P. (DIR Series) Circular No. 26 dated November 1, 2004 and A. P. (DIR Series) Circular No. 22 dated December 13, 2006.

2. At present, AD Category - I banks are permitted to allow importers and exporters to book forward contracts on the basis of a declaration of an exposure and based on past performance up to the average of the previous three financial years' (April to March) actual import / export turnover or the previous year's actual import / export turnover, whichever is higher, subject to specified conditions. Further, forward contracts booked in excess of 50 per cent of the eligible limit shall be on a deliverable basis and cannot be cancelled. The aggregate forward contracts booked during the year and outstanding at any point of time should not exceed the eligible limit. The eligible limits are to be computed separately for import / export transactions.

3. As announced in the Annual Policy Statement for the year 2007-08 (para 140), with a view to facilitate dynamic hedging of foreign exchange exposures of exporters and importers, it has been decided to further liberalise the above facility by raising the eligible limit of 50 per cent to 75 per cent. Accordingly, forward contracts booked on the basis of declaration of an exposure by importers / exporters and based on past performance in excess of 75 per cent of the eligible limit shall be on a deliverable basis and cannot be cancelled. All other conditions and reporting requirements prescribed for this facility will remain unchanged.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

May 08, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Investment by Mutual Funds - Liberalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Regulation 6C and Regulation 26 of Notification No.FEMA120/RB-2004 dated July 7, 2004, [Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004] as amended from time to time (the Notification) and A. P. (DIR Series) Circular No. 97 dated April 29, 2003, A. P. (DIR Series) Circular No. 3 dated July 26, 2006 and A. P. (DIR Series) Circular No. 11 dated November 16, 2006.

2. As announced in the Annual Policy Statement for the year 2007-08 (para 135), with a view to providing greater opportunity for investment overseas, the aggregate ceiling for overseas investment by Mutual Funds registered with SEBI, has been increased from USD 3 billion to USD 4 billion with immediate effect. The investments would be subject to the terms and conditions and operational guidelines as issued by SEBI. Monthly reporting requirement to the Reserve Bank, as stipulated vide paragraph 5 of the A. P. (DIR Series) Circular No. 3 dated July 26, 2006, for statistical purpose will continue.

3. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

May 08, 2007

To.

All Category – I Authorised Dealer Banks

Madam / Sir,

Reporting Mechanism- Data of Authorised Dealer Category Branches

In terms of the extant instructions, the Authorised Dealer Category - I (AD Category - I) banks are required to furnish the following information to the Central Office of the Reserve Bank of India and its Regional offices concerned :

- i) An up-to-date list of all its offices/branches which are authorised to transact foreign exchange business, as at the end of December each year, giving their addresses and code numbers, so as to reach the Reserve Bank by the 15th January of the following year; and
- ii) Details of any change in the categorisation of its branches dealing in foreign exchange.

2. In order to make the information on category-wise branches of AD Category - I banks available in public domain, it has been decided that all AD Category - I banks should henceforth, inform any changes in the categorisation of their branches dealing in foreign exchange at the following address:

The Director,
Reserve Bank of India,
Central Office,
Department of Statistical Analysis and Computer Services (DESACS),
Banking Statistics Division,
C-9, 6th Floor, Bandra-Kurla Complex,
Bandra (E), Mumbai 400 051.

3. The above information should be prepared in Proformae I or II, as specified in RBI circulars DBOD No. BL.BC.92/22.06.001/2004-05 dated May 20, 2005 and DBOD No. BL.BC.55/22.01.001/2005-06 dated January 23, 2006, and a soft copy should be emailed. Further, for maintaining the data compatibility, information in Proformae I and II should be prepared using RBIMOF Application package. The RBIMOF Application Software package (RBIMOF.exe) has already been placed on the RBI's website (www.rbi.org.in). The path to access the Application Software package is given in Annex I.

4. Further, in order to facilitate easy access to the information on the category-wise branches of AD Category - I banks, the directory of the scheduled commercial banks has been placed on the RBI website, which could be accessed through the path given in Annex I.

5. AD Category - I banks should ensure that the information of its category-wise branches available on the above link is complete and correct. If any discrepancy is observed in this regard the same may be sent to DESACS within one month from the date of this circular in Proformae I / II, as prescribed in the circulars mentioned above.

6. The Head or Principal office of AD Category - I bank should furnish an Annual Certificate regarding the completeness and correctness of the information on its category-wise branches as at the end of December each year along with a summary statement as per the formats given in Annex II and III to the Chief General Manager, Foreign Exchange Department (Trade Division), Reserve Bank of India, Central Office, Amar Building, 5th Floor, Fort, Mumbai- 400 001, so as to reach by the 15th January of the following year. The first such report may be sent within two months from the date of this circular.

7. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

1. Path to access the Application Software Package

Application Software package (RBIMOF.exe) has been placed on the RBI website (www.rbi.org.in) under Home Page → Notification → FEMA → Electronic Reporting System.

2. Path to access the information on the category-wise branches of AD Category-I banks (Directory of the Scheduled Commercial Bank)

link (<https://reservebank.org.in/cdbmsi/servlet/login/>) Home Page → Database → Database on Indian Economy. On the left hand side click on '**By Subject**' under the head '**Data Query**'. After that click on '**Financial Sector**' → '**Money and Banking**' → '**Banking**' → **Bank wise, AD wise Directory of branches of SCBs.**

Annual Certificate of Authorised Dealer Branches

Name and address of the

IBD of the Bank :

1. We hereby certify that AD Category branch details of our bank in “Bank-wise, AD wise, Directory of branches of SCBs” are updated as on December_____.

2. We have forwarded the list of AD branches to be upgraded/downgraded in the list given in the “Directory of SCBs” in soft copy of Proformae I & II to the Director, Banking Statistics Division, Department of statistical analysis and Computer Services, Reserve Bank of India, Central Office ,C-9,6th Floor, Bandra-Kurla Complex, Bandra(E),Mumbai 400051.

Signature of the

Authorised Official :

Name :

Designation :

[Annex to A. P. (DIR Series) Circular No. 54 dated May 08, 2007]

Regional Office wise Summary Statement

Name and address of the authorised dealer:			
Name of Reserve Bank Office	No. of branches under category		
Sl. No	A	B	C
1. Ahmedabad			
2. Bangalore			
3. Bhopal			
4. Bhubaneswar			
5. Chandigarh			
6. Chennai			
7. Guwahati			
8. Hyderabad			
9. Jaipur			
10. Jammu			
11. Kanpur			
12. Kochi			
13. Kolkata			
14. Mumbai			
15. New Delhi			
16. Panaji			
17. Patna			
18. Srinagar			
Total			

May 09, 2007

To,

All Banks Authorised to Deal in Foreign Exchange

Madam / Sir,

**Upgradation of Non-Resident Deposits–Comprehensive Single Return
(NRD-CSR)- Version 2.1(R) to Version 3.0**

Attention of banks maintaining Non-Resident Deposit (NRD) Accounts is invited to A. P. (DIR Series) Circular No. 99 dated April 30, 2003, in terms of which the data on Non-Resident Deposits is required to be submitted in the CSR format on a monthly basis based on the recommendation of the National Statistical Commission.

2. **Rationale for the new version** – The existing NRD-CSR version 2.1 (R) application package has been revised and **upgraded to version 3.0** due to the following changes that have taken place recently :

- (i) Modification in the IBS format on account of the implementation of the BIS (Bank for International Settlements) System of compilation of International Banking Statistics (IBS) of India;
- (ii) Addition of two new currencies viz. Australian Dollar (AUD) and Canadian Dollar (CAD) and increase in the maturity buckets in the FCNR (B) deposits [cf DBOD. Dir. BC. 22 / 13.03.00/ 2005-06 dated July 26, 2005]; and
- (iii) Need to provide useful tools to the user banks.

Accordingly, NRD-CSR (version 3.0) has been developed to capture the above developments, in a user friendly manner. Further, the Stat Returns have also been modified.

3. **Manner of Submission**

As per the extant guidelines, banks authorised to deal in foreign exchange are submitting Stat 5 for FCNR (B) accounts and Stat 8 for NRE accounts to the Foreign Exchange Department, Reserve Bank of India, Trade Division, Central Office, Amar Building, Mumbai. Effective from April 2007, such banks are required to submit a soft copy of the revised Stat 5 and Stat 8 Returns in Microsoft Excel format, by email. A hard copy of the Returns should be sent at the following address.

The Director,
Reserve Bank of India,
Department of Statistical Analysis & Computer Services (DESACS),
Balance of Payments Statistics Division,
C-9/8, Bandra-Kurla Complex,
Bandra (East),
Mumbai – 400 051.

5. The revised formats of Stat 5 and Stat 8 and the NRD-CSR Version 3.0 Application Software package have been placed on the Reserve Bank's website www.rbi.org.in (under Notification >> FEMA >> Electronic Reporting System). Installation guide and user's guide for the NRD-CSR version 3.0 are available in the zipped file viz. nrdcsr3p0.zip. The revised formats of Stat 5, Stat 8 and the data structure of NRD-CSR are given in Annex – I, II and III, respectively. It may be noted that there is no change in the structure of NRD-CSR format.

6. Co-operative Banks and Regional Rural Banks may submit the hard and soft copies of Stat 5 and Stat 8 Returns, in the revised formats/version, beginning with the data for April 2007, to the Regional Offices of the Foreign Exchange Department, Reserve Bank.

7. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

Annex- III

[Annex to A. P. (DIR Series) Circular No. 55 dated May 09, 2007]

**Non-Resident Deposits - Comprehensive Single Return:
Format for Electronic Reporting (version 3.0)**

Data should be reported in a standard text (ASCII) file with the following format

Format for reporting data by bank head offices to RBI in floppy				
Periodicity : Monthly				
No	Column Description	Type	Position	Remarks
1.	Bank Code	7 N	1 to 7	Bank Working and rest are zero.
2.	Reporting period [of Stock & flows] (YYYYMM)	6 N	8 to 13	Period of Reporting (YYYYMM)
3.	Actual period of data / flows (YYYYMM) [previous to reporting period for back data otherwise same]	6 N	14 to 19	The actual period of the data record. YYYY represents the Year and MM represents the Month
4.	N.R. D. Scheme code	4 A	20 to 23	Left justified. As per code Box 1
5.	Account Type	1 A	24	F for Fixed; R for Recurring; S for Savings; C for Current A/c
6.	Category of Account holder	1 A	25	I for Individual; S for Student
7.	Original Maturity	1 N	26	1 to 9 As per code box 2
8.	Remaining Maturity	1 N	27	1 to 9 As per code box 2
9.	Country (SWIFT code)	2 A	28 to 29	SWIFT Country code
10.	A/c Currency (SWIFT code)	3 A	30 to 32	As per code box 3
11.	Record - type Code	2 A	33 to 34	As per Code Box 4
12.	Record - Amount	15 N	35 to 49	Amount in A/c currency in integer (without decimal point).
13.	No of Account	15 N	50 to 64	Number of account for which amount has been aggregated

Note : (i) The data should be reported only once. Reporting same data repeatedly will lead to inconsistency since each time data is created using the NRD-CSR package, it creates one more file giving Bank name, address & contact details.

(ii) In case file is prepared by bank from **bank's own system**, the details about Bank name, Part I code, postal address, city, pin, name of responsible officer, phone & fax numbers with e-mail id may be reported in the forwarding letter. Further, **to ensure accuracy of the format**, it is advised that banks should use NRD-CSR 3.0 Head Office module and load data in the Input and get NRD-CS Return in the output after checking the data.

Details of codes used in the NRD-CSR electronic reporting format

Code Box: 1		
Non-Resident Deposit Scheme Code		
Sr. No.	Account under the Scheme	Scheme Code
1.	Foreign Currency Non-Resident (FCNR) A/c	FCNR
2.	Non-Resident External (NRE) Rupee Account	NRE
3.	Non-Resident (Non-Repatriable) (NRNR) Rupee A/c	NRNR
4.	Non-Resident Special Rupee (NRSR) Account	NRSR
5.	Non-Resident Ordinary (NRO) Rupee Account	NRO

Note : NRNR and NRSR Accounts have been discontinued.

Code Box: 2		
Maturity Code		
Sr. No.	Maturity Classification	Maturity Code
1.	Up to and inclusive of six months	1
2.	Over six months but less than one year	2
3.	Exactly one year	3
4.	Over one year but less than two years	4
5.	Exactly two years	5
6.	Over two years but less than three years	6
7.	Exactly three years	7
8.	Over three years	8
9.	Unallocated (Savings/Current/Unclaimed Accounts)	9
In case of Savings/Current/Unclaimed Deposit Accounts, the residual maturity cannot be determined. In such cases, the residual maturity should be treated as unallocated (with code 9) .		

Code Box: 3		
Currency Code		
Sr. No.	Currency Name	Currency Code
1.	Australian Dollar	AUD
2.	Canadian Dollar	CAD
3.	Euro	EUR
4.	Great Britain Pound	GBP
5.	Indian Rupees	INR
6.	Japanese Yen	JPY
7.	United States Dollar	USD
Probable currencies acceptable under Non-Resident Deposits during the last few years as per SWIFT Code.		

Code Box 4:

Record Type Code

No.	Record Type	Description of data item on the record	Code
1.	Inflows	Fresh inflow from abroad (total)	FI
2.		High value* amount inflow from abroad (of FI)	HA
3.		Amount of interest reinvested	IR
4.		Amount renewed / transfer from other A/c	PR
5.		Local inflow (for NRO Savings A/c)	LI
6.	Outflows	Amount of principal remitted abroad (total)	PA
7.		High value* amount of principal remitted to abroad (of PA)	HP
8.		Amount of interest remitted abroad (total)	IA
9.		High value* amount of interest remitted to abroad (of IA)	HI
10.		Amount of principal remitted locally	PL
11.		Amount of interest remitted locally	IL
12.		Local withdrawals (gifts, tax, donations etc.)	LW
13.		Transfers to other A/c including renewals	TR
14.	Balances	Opening Balance, including unclaimed	OB
15.		Closing Balance, including unclaimed	CB
16.		Unclaimed Balance	UC
17.		Interest Accrued as on end of Ref. Month	AI
18.		Interest Suspense Balance (Interest Arrears)	SB
19.		Average Interest rate (in terms of Basis Points)	AR

Note : The above codes are to be used for the reporting of data under NRD-CSR System to RBI.

The currency-wise cut-off limits of the high value transaction amounts are as below:

Currency Code	Currency	Amount
AUD	Australian Dollar	30,000
CAD	Canadian Dollar	27,500
EUR	Euro	20,000
GBP	Great Britain Pound	12,500
INR	Indian Rupees	10,00,000
JPY	Japanese Yen	25,00,000
USD	United States Dollar	23,000

May 10, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Issue of ACU Dollar accounting statements

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the Memorandum of Procedure for channelling transactions through Asian Clearing Union (ACU), April 2003.

2. In tune with international best practices and to avoid reconciliation problems, AD Category - I banks are advised to issue regular ACU Dollar account statements to their foreign counterparties as and when a transaction occurs and on a monthly basis.

3. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

May 18, 2007

To,

All Category - I Authorised Dealer banks and Authorised banks

Madam / Sir,

**Foreign Exchange Management (Deposit) Regulations, 2000-
Repatriation of maturity proceeds of FCNR(B) deposits**

Attention of Authorised Dealer Category - I (AD Category – I) and authorised banks is invited to paragraph 11 of Schedule 2 to Notification No. FEMA 5/2000-RB dated May 3, 2000, as amended from time to time, in terms of which the terms and conditions as applicable to Non-Resident (External) Rupee (NRE) accounts in respect of joint accounts, repatriation of funds, opening account during temporary visit, operation by power of attorney, loans / overdrafts against security of funds held in accounts, shall apply mutatis mutandis to Foreign Currency (Non-Resident) Account (Banks) [FCNR (B) accounts].

2. As announced in the Annual Policy Statement for the year 2007-08 [para 146 (ii) (iii)], it has been decided to allow AD Category – I banks and authorised banks to permit remittance of the maturity proceeds of FCNR (B) deposits to third parties outside India, provided the transaction is specifically authorised by the account holder and the authorised dealer is satisfied about the bonafides of the transaction.

3. Necessary amendments to Notification No. FEMA 5/2000-RB dated May 3, 2000, [Foreign Exchange Management (Deposit) Regulations, 2000] are being notified separately.

4. AD Category - I banks and authorised banks may bring the contents of the circular to the notice of their constituents and customers concerned.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

RBI/2006-2007/402

A. P. (DIR Series) Circular No. 58

May 18, 2007

To,

All Persons Authorised to Deal in Foreign Exchange

Madam / Sir,

Foreign Exchange Management (Realisation, Repatriation and Surrender of Foreign Exchange) Regulations, 2000

Attention of Authorised Persons in foreign exchange is invited to Regulations 5 and 6 of Notification No. FEMA 9/2000-RB dated May 3, 2000, as amended from time to time (the Notification), in terms of which different periods, as under, have been stipulated for surrender of received / realised / unspent / unused foreign exchange from the date of receipt / realisation / purchase / acquisition / date of return of the traveler, to an authorised person :

- Foreign exchange due or accrued as remuneration for services rendered, settlement of any lawful obligation, income on assets held outside India, as inheritance, settlement or gift, within seven days from the date of its receipt, and in all other cases, within ninety days from the date of its receipt.
- Foreign exchange acquired or purchased for any purpose but not used it for such purpose or for any other purpose for which purchase or acquisition of foreign exchange is permissible, within a period of sixty days from the date of its acquisition or purchase.
- Unspent balance of foreign exchange drawn for travel purpose, within ninety days from the date of return of the traveler to India, when the unspent balance is in the form of currency notes and coins, and within one hundred eighty days from the date of return of the traveler to India when the unspent foreign exchange is in the form of travelers cheques.

2. As announced in the Annual Policy Statement for the Year 2007-08 [para 146(i) (viii)], it has been decided to prescribe a uniform period for surrender of received / realised / unspent / unused foreign exchange by resident individuals. Accordingly, it will be in order for any resident individual to surrender received / realised / unspent / unused foreign exchange to an authorised person within a period of 180 days from the date of receipt / realisation / purchase / acquisition / date of return of the traveler, as the case may be. In all other cases, the regulations / directions on surrender requirement shall remain unchanged.

3. Necessary amendments Notification No. FEMA 9/2000-RB dated May 3, 2000 [the Foreign Exchange Management (Realisation, Repatriation and Surrender of Foreign Exchange) Regulations, 2000] are being issued separately.

4. Authorised persons in foreign exchange may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

May 18, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Investment by Navratna Public Sector Undertakings (PSUs) in unincorporated entities in oil sector abroad

Authorised Dealer Category - I (AD Category - I) banks are aware that investment in the oil sector (i.e. for exploration and drilling for oil and natural gas, etc.) in an unincorporated entity overseas by an Indian party requires prior approval of the Reserve Bank.

2. Such proposals of Navratna PSUs (status given by the Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, Government of India) are cleared by the competent authority, depending on the amount involved, viz. by (1) Board of Directors of the respective PSU, (2) Empowered Committee of the Secretaries (ECS), and (3) Cabinet Committee on Economic Affairs (CCEA).

3. In view of the existing controls in place, it has now been decided to further liberalise and simplify the procedures and to allow Navratna PSUs to invest in unincorporated entities in oil sector abroad, under the automatic route. Accordingly, AD Category - I banks may allow the remittances by Navratna PSUs towards investment in the oil sector (i.e. for exploration and drilling for oil and natural gas, etc.) in an unincorporated entity overseas after ensuring that the proposal has been approved by the appropriate competent authority, as stated above and is duly supported by a certified copy of the Board Resolution approving such investment. The investments would be subject to the usual reporting requirements.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

May 21, 2007

To

All Category – I Authorised Dealer Banks

Madam / Sir,

**External Commercial Borrowings (ECB) –
End-use and All-in-cost ceilings - Revised**

Attention of Authorised Dealers Category - I (AD Category – I) banks is invited to the A. P. (DIR Series) Circular No.5 dated August 1, 2005 on External Commercial Borrowings (ECB). A review of the ECB guidelines has been undertaken keeping in view the current macroeconomic situation and the experience gained so far by the Reserve Bank in administering the ECB policy.

2. Based on the review, the ECB policy is modified as indicated below:

2. (a) **End-use** - As per the extant ECB policy, utilisation of ECB proceeds is not permitted in real estate. The term 'real estate' excludes development of integrated township as defined by Press Note 3 (2002 Series) dated January 4, 2002. It has now been decided to withdraw the exemption accorded to the 'development of integrated township' as a permissible end-use of ECB. Accordingly, utilisation of ECB proceeds is not permissible in real estate, without any exemption.

2. (b) **All-in-cost ceilings** - With the sovereign credit ratings of India enhanced to investment grade, the all-in-cost ceilings for ECB are modified as follows:

Average Maturity Period	All-in-Cost ceilings over 6 Months LIBOR*	
	Existing	Revised
Three years and up to five years	200 basis points	150 basis points
More than five years	350 basis points	250 basis points

* for the respective currency of borrowing or applicable benchmark.

3. The above changes will apply to ECB both under the automatic route as well as approval route with immediate effect and is subject to review.

4. Necessary amendments to Notification No. FEMA 3/2000-RB dated 3rd May 2000 [Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000] are being issued separately.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. The directions contained in this circular have been issued under Section 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

May 24, 2007

To,

All Category - I Authorised Dealer banks

Madam / Sir,

Payment towards Cash Calls for the purpose of Oil exploration in India

Authorised Dealer Category – I (AD Category – I) banks are aware that agreements are signed between the Ministry of Petroleum and Natural Gas with various consortia, both inland and foreign, for the purpose of exploration of oil and natural gas in India. These oil fields are explored by one of the members of the consortium known as the 'Operator'. The expenditure incurred by the Operator is reimbursed by the members of the consortium as per the production sharing agreement and is termed as Cash Calls. As per the extant guidelines, the payment to Operators towards Cash Calls requires prior approval of the Reserve Bank.

2. As announced in the Annual Policy Statement for the year 2007-08 [para 146 (i) (iv)], with a view to liberalise the procedure, it has been decided to allow AD Category - I banks to permit payment towards cash calls to the Operator for the purpose of oil exploration in India, either by credit to the foreign currency or Rupee account in India as approved by the Reserve Bank wherever applicable, or by remittance overseas, subject to the following conditions :

(i) AD Category - I bank should ensure that the demand made by the Operator for payment towards cash calls is as per the production sharing agreement, a copy of which may be obtained by the AD category – I bank and kept on record;

(ii) AD Category - I bank should obtain No Objection Certificate from the Income Tax Department / Tax paid challans / Chartered Accountant's certificate and Undertaking as per A. P. (DIR Series) Circular No. 56 dated November 26, 2002, wherever applicable; and

(iii) The AD Category - I bank is satisfied about the bonafides of the transaction as stipulated under Section 10(5) of FEMA, 1999.

3. AD Category - I banks may bring the contents of the circular to the notice of their constituents and customers concerned.

4. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

May 24, 2007

To,

All Category - I Authorised Dealer banks

Madam / Sir,

**Opening of Escrow / Special Accounts by Non-Resident Corporates
for open offers / delisting / exit offers**

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to Regulation 10 A (b) of Notification No. FEMA 20/2000-RB dated 3rd May, 2000 [Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000] read with Regulation 3 of Notification No. FEMA 5/2000-RB dated 3rd May 2000, as amended from time to time. In terms of these Regulations, opening of Escrow account and Special account for transfer of shares / convertible debentures of an Indian company through open offer / delisting / exit offer in accordance with the provisions of SEBI [Substantial Acquisition of Shares and Takeovers (SAST)] Regulations, 1997 or any other applicable SEBI Regulations requires prior approval of the Reserve Bank.

2. As announced in the Annual Policy Statement for the year 2007-08 (para 146 (ii) (i)), with a view to provide operational flexibility to non-resident acquirers, it has been decided to permit AD Category – I banks to open Escrow account and Special account in such cases. Accordingly, AD Category – I banks are permitted to open Escrow account and Special account on behalf of non-resident corporates, without prior approval of the Reserve Bank, for acquisition / transfer of shares / convertible debentures through open offers / delisting / exit offers, subject to the relevant SEBI (SAST) Regulations or any other applicable SEBI Regulations / provisions of the Companies Act, 1956 and to the terms and conditions specified in the Annex.

3. Necessary amendments to Notification No. FEMA 5/2000-RB dated 3rd May 2000 [Foreign Exchange Management (Deposit) Regulations, 2000] are being notified separately.

4. AD Category - I banks may bring the contents of the circular to the notice of their constituents and customers concerned.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

Terms and conditions for opening of Escrow Account and Special Account by non-resident corporates for open offers / delisting / exit offers

1. Acquisition / Transfer of shares shall be strictly in accordance with the provisions of Notification No. FEMA 20/2000-RB dated 3rd May, 2000 as amended from time to time and SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 or any other SEBI Regulations as applicable.
2. The accounts shall be non-interest bearing.
3. Escrow Account may be opened in Indian Rupees, jointly and severally for the purpose, with the following permitted credits and debits:
Permitted credits : Foreign Inward Remittance through normal banking channels.
Permitted debits : as per SEBI (SAST) Regulations or any other SEBI Regulations, as applicable.
4. Special Account may be opened in Rupees, jointly and severally for the purpose, with the credit and debits as per SEBI (SAST) Regulations or any other SEBI Regulations, as applicable.
5. The resident mandatee empowered by the overseas acquirer for this purpose, may operate the Escrow Account in accordance with SEBI Regulations, and with the specific approval of the AD Category – I bank with whom the account is opened.
6. No fund based / non-fund based facilities shall be permitted against the balance in the accounts.
7. Requirement of compliance with KYC guidelines issued by RBI shall rest with the AD Category – I bank.
8. Balance in the Escrow Account, if any, may be repatriated at the then prevailing exchange rate (i.e. the exchange rate risk will be borne by the overseas company acquiring the shares), after all the formalities in respect of the said acquisition are completed .
9. In the event, the proposal under the said acquisition/transfer does not materialise, the AD Category – I bank may allow repatriation of the entire amount lying to the credit of the Escrow Account on being satisfied with the bonafides of such remittances.
10. The accounts shall be closed immediately after completing the requirements as outlined above.

May 25, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Import of Equipments by BPO Companies in India
for International Call Centre**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to paragraph A.10.1 of the Annexure to A.P. (DIR Series) Circular No.106 dated June 19, 2003, in terms of which, it is obligatory on the part of the AD Category - I banks through whom the remittance for imports has been made, to ensure that the importer submits the Exchange Control copy of the Bill of Entry for home consumption as evidence of import.

2. Reserve Bank has been receiving requests from Business Process Outsourcing (BPO) companies in India for permission to make remittances towards import and installation of equipments at overseas sites in connection with setting up of their International Call Centres (ICCs). In such cases, the equipments are installed at overseas sites without physical import taking place in India. As a result, the importers are unable to produce evidence of import, requiring specific permission from the Reserve Bank.

3. As announced in the Annual Policy Statement for the year 2007-08 [para 146 (i) (v)], with the objective of rationalising and simplifying the Foreign Exchange Regulations and providing greater flexibility to such transactions, it has been decided that AD Category – I banks may, henceforth, allow BPO companies in India to make remittances towards the cost of equipment to be imported and installed at their overseas sites.

4. The remittances are subject to the following conditions:

- (i) The BPO company should have obtained necessary approval from the Ministry of Communications and Information Technology, Government of India and other authorities concerned for setting up of the ICC.
- (ii) The remittance should be allowed based on the AD Category – I banks' commercial judgment, the bonafides of the transactions and strictly in terms of the contract.
- (iii) The remittance is made directly to the account of the overseas supplier.

5. The AD Category – I banks should also obtain a certificate as evidence of import from the Chief Executive Officer (CEO) or auditor of the importer company that the goods for which remittance was made have actually been imported and installed at overseas sites.

6. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

7. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

RBI/2006-2007/419

A. P. (DIR Series) Circular No. 64

May 25, 2007

To,

All Category - I Authorised Dealer banks / Authorised banks

Madam / Sir,

**Foreign Exchange Management (Deposit) Regulations, 2000-
Operation of NRO account by Power of Attorney Holder**

Attention of Authorised Dealer Category I (AD Category – I) banks and authorised banks (the banks) is invited to paragraph No.7 of Schedule 3 to Notification No. FEMA 5/2000-RB dated May 3, 2000 viz., Foreign Exchange Management (Deposit) Regulations, 2000 (the Notification), as amended from time to time, in terms of which a person resident outside India may open with an AD Category – I / authorised bank, a Non-Resident Ordinary Rupee (NRO) account, jointly with residents.

2. As announced in the Annual Policy Statement for the year 2007-08 [para 146(ii) (ii)], it has been decided to extend the facility of operation of NRO account by Power of Attorney granted in favour of a resident by the non-resident individual account holder. Accordingly, the banks may allow operations on an NRO account in terms of such a Power of Attorney, provided such operations are restricted to (i) all local payments in rupees including payments for eligible investments subject to compliance with relevant regulations made by the Reserve Bank; and (ii) remittance outside India of current income in India of the non-resident individual account holder, net of applicable taxes.

3. The resident Power of Attorney holder is not permitted to repatriate outside India funds held in the account other than to the non-resident individual account holder nor to make payment by way of gift to a resident on behalf of the non-resident account holder or transfer funds from the account to another NRO account.

4. Necessary amendments to Notification No. FEMA 5/2000-RB dated May 3, 2000 [Foreign Exchange Management (Deposit) Regulations, 2000] are being notified separately.

5. AD Category - I banks and authorised banks may bring the contents of the circular to the notice of their constituents and customers concerned.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

May 31, 2007

To

All Category - I Authorised Dealer banks

Madam / Sir,

Remittance on winding up of companies

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to Regulation 3 of Notification No. FEMA 13/2000-RB dated 3rd May 2000 Foreign Exchange Management (Remittance of Assets) Regulations, 2000, in terms of which unless otherwise provided in the Act or rules or regulations no person whether a resident in India or not, shall make remittance of any assets held in India by him or any other person except with the permission of the Reserve Bank. Therefore, as per the existing provisions, remittance of out of the assets of Indian companies under liquidation requires prior approval of the Reserve Bank.

2. As announced in the Annual Policy Statement for the year 2007-08 (para 146 (i) (vii)), as a measure of simplification of procedure, it has been decided to delegate powers to AD Category – I banks to permit remittance out of assets of Indian companies under liquidation under the provisions of the Companies Act, 1956 subject to any order issued by the court winding up the company or the official liquidator or the liquidator in case of voluntary winding up and also subject to tax compliance.

3. Accordingly, AD Category – I banks are now permitted to allow remittance of out of the assets of Indian companies under liquidation under the provisions of the Companies Act, 1956, subject to the following conditions :

(i) AD Category-I bank shall ensure that the remittance is in compliance with the order issued by a court in India / order issued by the official liquidator or the liquidator in the case of voluntary winding up ; and

(ii) no remittance shall be allowed unless the applicant submits :-

(a) No objection or Tax clearance certificate from Income Tax authority for the remittance.

(b) Auditor's certificate confirming that all liabilities in India have been either fully paid or adequately provided for.

(c) Auditor's certificate to the effect that the winding up is in accordance with the provisions of the Companies Act, 1956.

(d) In case of winding up otherwise than by a court, an auditor's certificate to the effect that there is no legal proceedings pending in any court in India against the applicant or the company under liquidation and there is no legal impediment in permitting the remittance.

4. Necessary amendments to Notification No. FEMA 13/2000-RB dated 3rd May 2000 [Foreign Exchange Management (Remittance of Assets) Regulations, 2000] are being notified separately.

5. AD Category - I banks may bring the contents of the circular to the notice of their constituents and customers concerned.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

Salim Gangadharan
Chief General Manager

May 31, 2007

To

All Authorised Dealer Category - I Banks

Madam / Sir,

Risk Management and Inter-Bank Dealings - Commodity Hedging

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to Regulation 6 of Notification No.FEMA.25/RB-2000 dated May 3, 2000, as amended from time to time and A.P. (DIR Series) Circular No.03 dated July 23, 2005. Currently, residents in India are permitted, with prior approval of the Reserve Bank, to enter into contracts in commodity exchanges or markets outside India to hedge the price risk in a commodity, subject to certain terms and conditions. Further, companies listed on a recognised stock exchange can be permitted by selected AD Category – I banks to hedge the price risk in respect of any commodity (except gold, silver, petroleum and petroleum products) in international commodity exchanges / markets. However, hedging the price risk on domestic sale / purchase transactions in the international exchanges / markets is not permitted, even if the domestic price is linked to the international price of the commodity.

2. Commodity Hedging for Domestic Transactions - Select Metals

Reserve Bank has been receiving representations from domestic producers and users of certain metals for permission to hedge the price risk on domestic purchases and sales in international exchanges, like London Metal Exchange (LME), in order to take advantage of greater depth and liquidity in such exchanges.

As announced in the Annual Policy Statement for the year 2007-08 (para 139), it has been decided that AD Category – I banks, which have specifically been authorised by Reserve Bank in this regard, may, henceforth, permit domestic producers / users to hedge their price risk on aluminium, copper, lead, nickel and zinc in international commodity exchanges, based on their underlying economic exposures. Hedging may be permitted up to the average of previous three financial years' (April to March) actual purchases / sales or the previous year's actual purchases / sales turnover, whichever is higher, of the above commodities. Further, only standard exchange traded futures and options (purchases only) may be permitted.

3. Commodity Hedging for Domestic Purchases - Aviation Turbine Fuel (ATF)

AD Category – I banks, which have specifically been authorised by Reserve Bank in this regard, may also permit actual users of aviation turbine fuel (ATF) to hedge their economic exposures in the international commodity exchanges based on their domestic purchases. Reserve Bank has received representations from domestic users of ATF for permission to hedge their economic exposure through OTC products as well since ATF or its close substitutes are not traded on the exchanges. According to the domestic users, the hedging of their exposures to price risk on ATF indirectly through the exchange traded products, such as crude oil, heating oil, etc., may not achieve perfect hedges. Accordingly, if the risk profile warrants, the actual users of ATF may also use OTC contracts. AD Category – I banks should ensure that permission for hedging ATF is granted only against firm orders and the necessary documentary evidence should be retained by them.

4. AD Category – I banks may approach Reserve Bank for permission on behalf of customers who are exposed to systemic international price risk, not covered under para 2 or 3 above.

5. AD Category – I banks should ensure that the entities entering into hedging activities should have Board approved policies which define the overall framework within which derivatives activities should be conducted and the risks controlled. All other conditions and guidelines contained in A.P. (DIR Series) Circular No.03 dated July 23, 2005 should be complied with. All transactions should be routed only through a designated AD Category – I bank.

6. AD Category – I banks that have already been authorised by Reserve bank to grant permission to companies listed on a recognised stock exchange to hedge commodity price risk should also apply afresh in respect of these new facilities.

7. AD Category – I banks which have been granted permission to approve commodity hedging are required to submit a monthly report to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Forex Markets Division, Amar Building, 5th Floor, Mumbai-400 001, within first week of following month, as per format given in the Annex.

8. Applications from customers to undertake hedge transactions not covered under the delegated authority may continue to be forwarded to Reserve Bank by the AD Category – I banks, for approval as hitherto.

9. Necessary amendments to Notification No.FEMA.25/RB-2000 dated 3rd May 2000 [Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000] are being notified separately.

10. AD Category - I banks may bring the contents of the circular to the notice of their constituents and customers concerned.

11. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

Salim Gangadharan
Chief General Manager

June 01, 2007

To,

All Authorised Dealer Category - I banks

Madam / Sir,

**Deferred Payment Protocols dated April 30, 1981 and December 23, 1985
between Government of India and erstwhile USSR**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to A. P. (DIR Series) Circular No. 23 dated December 18, 2006, wherein the rupee value of the special currency basket was indicated as Rs. 58.6627 effective from October 20, 2006.

2. AD Category - I banks are advised that a further revision has taken place on April 16, 2007 and accordingly, the rupee value of the special currency basket has been fixed at Rs. 56.8292 with effect from April 19, 2007.

3. AD Category - I banks 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 Sections 10 (4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

June 01, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Direct Investment - Rationalisation of Forms

Attention of Authorised Dealer Category-I (AD Category - I) banks is invited to Notification No.FEMA120/RB-2004 dated July 7, 2004, [Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000] as amended from time to time.

2. At present, application for overseas direct investment is required to be made in any one of the three forms viz., ODA for direct investments in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) under automatic route, ODI for investments under approval route and ODB for issue of ADRs / GDRs on back to back basis. Further, reporting of remittances is currently required to be made through AD Category -I banks in either of the two forms viz., ODR for remittances made for overseas direct investments and ODG for overseas acquisitions made under ADR / GDR Stock Swap Scheme. Form APR is the Annual Performance Report on the functioning of overseas JV / WOS. The liberalisation in the policy on overseas investments has enabled many Indian corporates to establish presence in overseas markets, redefining the global outreach of Indian entities. However, the reporting framework has not kept pace with the developments and does not capture data comprehensively on overall costs of acquisition, funding patterns, performance indicators, etc.

3. Accordingly, as announced in the Annual Policy for the Year 2007-08 (para 133), with a view to improving the coverage and to ensure monitoring of the flows in a dynamic environment, it has now been decided to revise the existing reporting system. As per the new reporting package, all the forms have been subsumed into one form viz. ODI, comprising of four parts:

Part I - which includes the following:

Section A – Details of the Indian Party

Section B – Details of Investment in New Project

Section C - Details of Investment in Existing Project

Section D – Funding for JV / WOS

Section E – Declaration by the Indian Party

Section F - Certificate by the Statutory Auditors of the Indian Party

Part II - Reporting of Remittances

Part III - Annual Performance Report (APR)

Part IV – Report on Closure / Disinvestment / Voluntary Liquidation / Winding up of JV / WOS.

4. A new system has also been introduced for reporting Closure / Disinvestment / Winding up / Voluntary Liquidation of the overseas JV / WOS under general permission (Part IV of form ODI). The revised ODI form and instructions for filling up the forms are annexed . Reporting in the revised form ODI **will come into effect from June 1, 2007**. The form can also be downloaded from Reserve Bank's website www.rbi.org.in.

5. It is reiterated that the revised form is only a rationalisation of the reporting procedure and there is no change or dilution in the existing eligibility criteria / documentation / limits. Eventually, these reports will be received on line by Reserve Bank.

6. Accordingly, AD Category - I banks may take action as under:

a) In cases of Automatic Route – Parts I and II of form ODI should be submitted to The Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Overseas Investment Division, Amar Bldg. 3rd floor, Sir P. M. Road, Fort, Mumbai 400001.

b) In case of Approval Route – Part I of form ODI, along with the supporting documents, is required to be submitted after scrutiny and with specific recommendations by the designated AD Category - I bank, at the address mentioned above. In case the proposal is approved, Part I will be returned by the Reserve Bank to the AD Category - I bank. After effecting the remittance, the AD Category – I bank should resubmit the same to the Reserve Bank along with Part II of form ODI.

c) In case of disinvestment / closure / winding up / voluntary liquidation under the Automatic Route, in terms of A. P. (Dir Series) Circular No. 29 dated March 27, 2006, a report should be submitted by the designated AD Category - I bank, in Part IV of form ODI. In all other cases of disinvestment, an application along with the necessary supporting documents should be submitted to the Reserve Bank as per the current procedure.

7. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

8. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

ODI Information System

Direct Investment in a Joint Venture (JV)/Wholly Owned Subsidiary Overseas (WOS)
Approval/Reporting of Outward Remittances

Instructions for filling up the Form ODI

(This part should be detached and retained by the applicant)

This set of forms attempts to capture basic information relating to overseas investments by Indian parties (as defined under Notification FEMA 120/RB-2004 dated July 7, 2004, as amended from time to time).

- Part I contains details of the JV/WOS, Indian Parties and the financing pattern of the overseas entity.
- Part II reports remittances certified by AD.
- Part III is the Annual Performance Report, which contains brief particulars of the performance of the overseas entity and
- Part IV is to be used at the time of disinvestment/liquidation/winding up.

Section D of Part I is critical, since information regarding ownership structure and financing pattern have been included here. In addition to details of remittance from India, Part I must report full details of funding through SPVs / subsidiaries overseas, share of foreign partners, etc.

(1) Part I (barring Section C) of the form is required to be filled up by the Indian party seeking to invest in JV / WOS overseas either under Automatic Route or Approval Route and submitted to the designated AD Category – I bank. Part I (Sections C and D) is required to be submitted, whenever the initial capital or financing structure of the JV / WOS reported to the Reserve Bank at the time of the initial remittance / approval undergoes changes by way of expansion, merger, infusion of additional capital, etc.

(2) Under Automatic Route, in case of new proposals, immediately after effecting remittance, the designated AD Category - I bank should forward Part I of the form along with Part II to The Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Overseas Investment Division, (OID), Amar Bldg., Mumbai 400001 for obtaining the Unique Identification Number..

(3) Under Approval Route, Part I of the form, after scrutiny, should be submitted by the AD Category-I bank, along with their recommendations, to the Reserve Bank at the above address. If approved, Part I of the form will be returned to the AD Category – I bank and should be resubmitted by the AD Category – I bank to Reserve Bank immediately after effecting the remittance, along with Part II of form at the address mentioned above.

- (4) In case of supplementary remittances, only Part II of the form, complete in all respects, is required to be submitted by the AD Category - I bank to Reserve Bank. However, if capital structure / financing pattern, etc. of the JV / WOS have changed since reporting at the time of initial investment Part I of the form (barring Sections A and B) need to be submitted along with Part II.
- (5) In case more than one Indian promoter is investing in the same JV / WOS, details of each such promoter should be provided in a single format by the AD designated for the JV / WOS.
- (6) Annual Performance Report (APR) (Part III) should be submitted, through the designated AD Category-I bank, every year within 3 months of the closing of annual accounts of the JV / WOS for as long as the JV/WOS is in existence, at the address above.
- (7) All amounts of foreign currency (FCY) and Indian rupees (INR) **should be in thousands only.**
- (8) When JV / WOS is closed / wound up / disinvested / liquidated, etc., report should be submitted to Reserve Bank at the address above in Part IV of the form within 30 days of the disinvestment.
- (9) Reserve Bank reserves the right to put the information furnished here in the public domain.

For approval by the Reserve Bank, the following documents need to be submitted along with Part I.

- (a) A report from the bankers of the Indian party in a sealed / closed cover.
- (b) The latest Annual Accounts, i.e. Balance Sheet and Profit and Loss Account of the Indian party along with the Directors' Report.
- (c) Additional documents as under, if the application is made for partial / full take over of an existing foreign concern:-
- (i) A copy of the certificate of incorporation of the foreign concern;
 - (ii) Latest Annual Accounts, i.e. the Balance Sheet and Profit and Loss Account of the foreign concern along with Directors' Report; and
 - (iii) A copy of the share valuation certificate from:
 - a Category I Merchant Banker registered with SEBI, or, an Investment Banker / Merchant Banker registered with the appropriate regulatory authority in the host country, where the investment is more than USD 5 million (US Dollars Five million), and
 - in all other cases, by a Chartered Accountant or a Certified Public Accountant.
- (d) A certified copy of the Resolution of the Board of Directors of the Indian party/(ies) approving the proposed investment.

(e) Where investment is in the financial services sector, a certificate from a Statutory Auditor / Chartered Accountant to the effect that the Indian Party :

(i) has earned net profits during the preceding three financial years from the financial service activity;

(ii) is registered with the appropriate regulatory authority in India for conducting the financial services activity;

(iii) has obtained approval for investment in financial sector activities abroad from regulatory authority concerned in India and abroad; and

(iv) fulfilled the prudential norms relating to capital adequacy as prescribed by the regulatory authority concerned in India.

Overseas Investments - Proprietorship concerns / unregistered Partnership firms

Eligible Proprietorship concerns / unregistered Partnership firms may apply in Part I of form ODI through their AD Category – I bank, together with the latter's recommendations, in terms of para 4 of A. P. (Dir Series) Circular No 29 dated March 27, 2006 to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Overseas Investment Division, Central Office, Amar Building, Fort, Mumbai 400 001.

FORM ODI
PART I

For office use only

Date of Receipt -----

Inward No. -----

Section A: Details of Indian Party

(I) Investment under (i) Automatic Route ☐ (ii) Approval Route ☐

(In case there is more than one Indian party, information may be given on separate sheets for each of the parties)

(II) Name of Indian Party

(III) Address of Indian Party

City State Pin

(IV) Contact Person Designation

Tel No. Fax

e-mail

(V) Status of Indian Party: (Please tick appropriate category)

(1) Public Ltd. Company ☐ (2) Private Limited Company ☐

(3) Public Sector Undertaking ☐ (4) Registered Partnership ☐

(5) Proprietorship ☐ (6) Unregistered Partnership ☐

(7) Trust ☐ (8) Society ☐

(9) Others ☐

(VI) Activity code of Indian Party *

* NIC code at 3-digit level

[If the Indian Party is engaged in Financial sector or falls under the category of Proprietorship, Unregistered Partnership or Financial sector, the details are to be furnished in Item VII below].

(VII) Financial particulars of the Indian Party for the last 3 years
(Amt. in Rs. 000s)

Particulars	Year 1 31-3-	Year 2 31-3	Year 3 31-3
Foreign exchange earnings (excluding equity exports to JV/WOS)			
Net profit			
Paid-up Capital			
Net worth of (a) Indian Party			
(b) Group Company@			

@ In terms of Explanation to Regulation 6 (3) of Notification No. FEMA 120/ RB-2004 dated July 7, 2004

(VIII) Particulars of existing Joint Ventures (JV) and Wholly Owned Subsidiaries (WOS) already in operation or under implementation, of the Indian party and its group concerns:

Sr. No.	Name of Indian Party	Unique Identification Number allotted by Reserve Bank
1.		
2.		
3.		

(IX) Whether the proposed investment is (Tick the appropriate box)

(a) New Project ☐ (Please furnish the details in Section B)

(b) Existing Project* ☐ (Please furnish the details in Section C)

* Acquisition of stake in an already existing JV/WOS overseas promoted by an Indian party.

Section B: Details of Investment in New Project

For Reserve Bank use only											
Unique Identification Number											

(I) Purpose of investment (Please tick appropriate category)

(a) Participation in JV ☐ (b) Contribution in WOS ☐

(c) Full acquisition of a foreign concern ☐

(d) Partial acquisition of a foreign concern ☐

(e) Investment in unincorporated entity ☐

(f) Others ☐

(II) Particulars of JV/WOS

(a) Name of JV/WOS

(b) Address of JV/WOS

(c) Name of the country

(d) e-mail

(e) Accounting year followed by JV/WOS

(f)

(III) Activity code of JV/WOS

(IV) Whether JV/WOS is SPV (Y/N)? ☐ #

If Y, Please furnish the details in Section D

Proposed Capital Structure

	[a] Indian Party (ies)	% stake		[b] Foreign partner(s)	% stake
(1)			(1)		
(2)			(2)		
(3)			(3)		

Section C: Details of Investment in Existing Project

Indicate 13 digit Unique Identification Number issued by Reserve Bank												

(I) Purpose of Supplementary Investment (Please tick appropriate category)

- (a) Enhancement of Equity in existing JV/WOS overseas ☐
- (b) Enhancement of Preference Equity/ Convertible Debt ☐
- (c) Grant/ Enhancement of Loan in existing JV/WOS ☐
- (d) Extension/ Enhancement of Guarantees ☐
- (e) Remittances to Unincorporated Entity ☐
- (e) Others ☐

(II) Capital Structure

	[a] Indian Party (ies)	% stake		[b] Foreign partner(s)	% stake
(1)			(1)		
(2)			(2)		
(3)			(3)		

Section D - Funding for JV / WOS

(Amount in FCY 000's)

I Full Value of the Overseas Acquisition	<input type="text"/>
II Estimated cost of overseas acquisition for the Indian Party	<input type="text"/>
III Financial commitment * (in applicable FCY): FYC	<input type="text"/> Amount <input type="text"/>
IV Method of Investment by Indian Party	
(i) Cash Remittance	
(a) EEFC	<input type="text"/>
(b) Market Purchase	<input type="text"/>
(ii) Capitalization of	
(a) Export of plant and machinery	<input type="text"/>
(b) Others (please Specify)	<input type="text"/>
(iii) ADRs /GDRs [raised overseas]	<input type="text"/>
(iv) ECB/FCCB	<input type="text"/>
(v) Swap of shares	<input type="text"/>
(vi) Others (Please specify)	<input type="text"/>
Total A [Indian Party]	<input type="text"/>

V. Whether JV/WOS is SPV (Y/N)

(a) If Y, purpose of SPV:	<input type="text"/>
i) Full value of the overseas acquisition	<input type="text"/>
ii) Direct / Indirect infusion by SPV	<input type="text"/>
ii) Funds raised overseas with guarantee/ counter guarantee from Indian party	<input type="text"/>
iii) Funds raised overseas without guarantee/ counter guarantee from Indian Party	<input type="text"/>
iv) Funds contributed in the form of equity/ preference equity/ shareholder's loans by foreign investors	<input type="text"/>
v) Securitisation	<input type="text"/>
vi) Any other mode (please specify)	<input type="text"/>
Total B	<input type="text"/>

VI. Guarantees/ Other Non fund based Commitments

Note * : Financial Commitment as defined in FEMA 120/RB-2004 dated July 7, 2004 Sec 2(f)- Financial Commitment means amount of Direct Investment by way of contribution to equity, loan and 100 per cent of the amount of guarantee issued by Indian Party to or on behalf of its overseas Joint Venture company or Wholly Owned Subsidiary.

Section E : Declaration by the Indian Party

I (a) Whether the applicant party(ies), its promoters, directors, etc., are under any investigations by any investigative / enforcement agency or regulatory body. If yes, the brief details thereof, including present stage of investigation/ adjudication / manner of disposal of the case .

(b) Whether the promoter Indian party(ies) is(are) presently on Exporters' Caution List of Reserve Bank for non-realization of export proceeds or on the list of defaulters to the Banking System circulated by Reserve Bank. If so, status of the Indian party (ies):

(c) Any other information relevant to this proposal, including any special benefits/ incentives available in the host country for setting up / acquiring the proposed concern.

I/ We hereby certify that the information furnished above are true and correct.

(Signature of authorised official)

Stamp/Seal

Place: _____

Date : _____

Name:-----

Designation-----

List of enclosures:

- | | |
|----|----|
| 1. | 4. |
| 2. | 5. |
| 3. | 6. |

Section F: Certificate by the Statutory Auditors of the Indian Party

It is certified that the terms and conditions contained in Notification No. FEMA 120/RB-2004 dated July 7, 2004, as amended from time to time (Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004) have been complied with by the Indian party in respect of the investment under report. In particular, it is certified that:

- (i) the investment is not in real estate oriented or banking business, and
- (ii) the amount of foreign exchange proposed to be purchased for remittance towards the investment together with remittances for all overseas investments already made and exports and other dues capitalized / swap of shares / investment from ECB / FCCB balances for investment abroad under the Automatic Route is within the limit stipulated by the Reserve Bank from time to time. This has been verified with reference to the net worth of the Indian party as on the date of last audited balance sheet, i.e. _____ (date)
- (iii) has complied with the valuation norms prescribed for the investment
- (iv) has complied with the ECB guidelines #
- (v) that the Indian party (a) has made net profits during the preceding three years from the financial services activity, (b) has fulfilled the prudential norms of capital adequacy as prescribed by the regulatory authority in India; (c) has been registered with the appropriate regulatory authority in India for conducting financial services activity and (d) has obtained approval for the investment in financial services sector activities from the regulatory authorities concerned in India and abroad *.

Note : *Applicable only in cases where the investment is in the financial services sector (e.g. insurance, mutual fund, asset management, etc.).

Applicable where investment is funded through ECB/FCCB balances.

(Signature of the Statutory Auditor of the Company)

Name of the firm, Stamp and Registration number

PART II

REPORTING OF REMITTANCES

For office use only

Date of Receipt -----

Inward No. -----

In case investment is in the existing JV/WOS, please indicate Unique Identification No. already allotted :

No.													
-----	--	--	--	--	--	--	--	--	--	--	--	--	--

(I) Name of Indian Company:

(II) Is there any change in Company name since last reporting? (Y/N) ☐

If Yes, specify Old Company Name

DETAILS OF CURRENT REMITTANCES EFFECTED

(Amount in 000's of FCY)

Code of Reporting AD <input type="text"/>		foreign currency**: <input type="text"/>	
(a) From EEFC A/c.			
Equity	Loan	Guarantee (Invoked)	Date of Remittance
(b) By Market Purchases			
Equity	Loan	Guarantee (Invoked)	Date of Remittance
(c) From the ADR/GDR funds			
Equity	Loan	Guarantee (Invoked)	Date of Remittance
(d) By Swap of Shares			
Equity	Loan	Guarantee (Invoked)	Date of Swap
		XXXX	

(e) From ECB/ FCCB balances parked in India/outside India			
Equity	Loan	Guarantee (Invoked)	Date of Transaction
(g) Capitalization of Exports/Other dues@			
Date of capitalization:		Amount:	
(h) Guarantee issued: Date (Fresh / Existing Guarantee Period Extended)		Amount:	
Validity Period			

Note : ** Please indicate name of the foreign currency (FCY) as per SWIFT code.

@ Please specify the other dues being capitalized viz., royalty, technical know-how fee, consultancy fees, etc.

We hereby confirm that the remittance
(strike out whichever is not applicable)

i) has been allowed under the Automatic Route based on the certification given by the Statutory Auditors confirming compliance with the prescribed terms and conditions by the Indian party ;

ii) is in accordance with the terms and conditions of the approval letter issued by the Reserve Bank ; and

iii) in respect of the invoked guarantee remittance has been made after satisfying that the claim is in conformity with the terms and conditions of the guarantee issued to/on behalf of the JV/WOS abroad.

Place:

Date:

(Signature of authorised official of the bank)

Name :
Designation :
Tel. No. :
FAX No. :

Stamp /Seal

PART III

ANNUAL PERFORMANCE REPORT (APR)

(To be submitted certified by a Chartered Accountant through the designated AD Category – I bank every year within 3 months of the closing of annual accounts of the JV / WOS as long as the JV/WOS is in existence)

I. Date of APR : _____

II. Unique Identification Number :

--	--	--	--	--	--	--	--	--	--	--	--	--

(Please indicate 13 digit Unique Identification number issued by RBI)

III. Changes in capital structure since last reporting

	Amount (new)	% share (new)
Indian		
Foreign		

IV. Operational details of the JV/ WOS for the last two years

(Amount in 000's FCY)

	Previous Year	Current Year
i) Net Profit / (Loss)		
ii) Dividend		
iii) Net worth		

V. Repatriation from the JV/WOS

Foreign exchange earnings from Joint Ventures (JV) and Wholly Owned Subsidiaries (WOS)

	During the last year ended	Since commencement of business
(i) Profit		
(ii) Dividend		
(iii) Retained Earnings*		
(iv) Investments into India		
(v)Others**(Please specify)		

*(Represent part of the profits of the JV/WOS which is retained and reinvested in the JV/WOS).

** (Royalties, technical know-how fees, consultancy fees, etc.)

VI. Investment in step down subsidiaries since last reporting

Country	
Name of JV/WOS	
Amount of Investment	

Place: _____

Date : _____

(Signature of authorised official)

Stamp/Seal

Name:-----

Designation-----

(Signature of the Statutory Auditor of the Company)

Name of the firm, Stamp and Registration number

Signature of the Authorised Official of the bank:**Name :****Designation :**

PART IV

Report on Closure / Disinvestment / Voluntary Liquidation /Winding Up of JV / WOS

To be submitted by the designated AD Category –I bank
(All Amounts in FCY, in thousands)

Name and Address of the AD Category – I bank: _____

AD Code: _____

Unique Identification Number allotted by the Reserve Bank

--	--	--	--	--	--	--	--	--	--	--	--	--

Whether APRs submitted regularly? (Y/N) ☐

Date of submission and period to which last APR relates: _____

Details of Investment

Equity	Loan	Guarantees Issued

Details of Remittances

Equity	Loan	Guarantees Invoked

Changes in the capital Structure since the last APR

Equity	Loan	Guarantees Issued

Amount Repatriated on disinvestments

Equity	Loan

It is certified that (Strike out whichever is not applicable)

I. (a) the sale is effected through a stock exchange where the shares of the overseas Joint Venture (JV) or Wholly Owned Subsidiary (WOS) are listed;

(b) if the shares are not listed on the stock exchange, and the shares are disinvested by a private arrangement, the share price is not less than the value certified by a Chartered Accountant /Certified Public Accountant as the fair value of the shares based on the latest audited financial statements of the Joint Venture or Wholly Owned Subsidiary;

(c) The overseas concern has been in operation for at least one full year and the Annual Performance Report for that year has been submitted to the Reserve Bank;

(d) The Indian party is not under investigation by CBI/ED/SEBI/IRDA or any other regulatory authority in India.

Place
Date:

(Signature of authorised official of the bank)

Name:
Designation :
Tel.No. :
FAX No. :

Stamp /Seal

Jun 5, 2007.

To

All Category - I Authorised Dealer Banks

Madam / Sirs,

**Exim Bank's Line of Credit (LOC) of USD 8 million
to the Government of Seychelles**

Export-Import Bank of India (Exim Bank) has concluded an agreement dated July 10, 2006 with Government of Seychelles, making available to the latter, a Line of Credit (LOC) for USD 8 million (USD Eight million only), for financing purchase of essential commodities, which are eligible for export under the Foreign Trade Policy of the Government of India and the purchase of which goods may be agreed to be financed by Exim Bank under this Agreement.

2. The Credit Agreement under the LOC is effective from April 25, 2007. Under the LOC, the last date for opening Letter of Credit / Disbursements is 72 months from the effective date of Credit Agreement.

3. Shipments under the credit will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.

4. No agency commission shall be payable in respect of exports financed under the above line of credit. However, if required the exporter may use his own resources or utilize balances of his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category-I (AD Category-I) banks may allow such remittance after realisation of full payment of contract value subject to compliance with prevailing instructions on payment of agency commission.

5. AD Category - I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005.

6. The Directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

Salim Gangadharan
Chief General Manager

June 7, 2007.

To

All Authorised Dealer Category - I Banks

Madam / Sirs,

**Deferred Payment Protocols dated April 30, 1981 and December 23, 1985
between Government of India and erstwhile USSR**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to A.P. (DIR Series) Circular No. 67 dated June 01, 2007, wherein the rupee value of the special currency basket was indicated as Rs.56.8292 effective from April 19, 2007.

2. AD Category-I banks are advised that a further revision has taken place on April 26, 2007 and accordingly, the rupee value of the special currency basket has been fixed at Rs.54.9580 with effect from May 03, 2007.

3. AD Category-I banks 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 sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

Salim Gangadharan
Chief General Manager

June 8, 2007

RBI/2006-2007/432
A.P. (DIR Series) Circular No.71

To

All Category- I Authorised Dealer Banks

Madam / Sirs,

Data on Project Export Finance

Attention of Authorised Dealers Category I (AD Category-I) banks is invited to para B.7 of 'Memorandum of Instructions on Project and Service Exports' (PEM) issued vide AP (DIR Series) Circular No.32 dated October 28, 2003, which, inter alia, delegated powers to Authorised Dealers / EXIM Bank to accord post award approval for projects not exceeding USD 100 million, subject to the fulfillment of the conditions stipulated therein. Proposals exceeding USD 100 million are considered by the Working Group.

2. At present, consolidated data in respect of the project exports by the Indian banking system is not available at one place as the data on post-award approval is maintained by the concerned Project Approving Authority. In order to facilitate compilation of consolidated data on project export contracts / supply contracts on deferred payments on an all India basis, AD Category-I banks are advised to henceforth send a copy of post award approvals for project export contracts / supply contracts on deferred payment basis, as and when such approvals are accorded by them, to the Export-Import Bank of India, Centre-I, 21st Floor, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005. The data in *Xls format (Annex) should also be mailed to EXIM Bank.

3. AD - Category I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. The Directions contained in this circular have been issued under Sections 10 (4) and 11 (1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

Salim Gangadharan
Chief General Manager

[Annex to A.P. (DIR Series) Circular No.71 dated June 8, 2007]

Details of post-award approvals conveyed by _____ (Name of Bank)

[illegible]

* TK= Turnkey Contracts

CC= Construction Contracts

Def.Cr. Sup = Supply contracts on deferred payment terms or on cash terms where facilities are required

June 8, 2007.

To

All Category- I Authorised Dealer Banks

Madam / Sirs,

Investment by Mutual Funds in Overseas Securities - Liberalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Regulation 6C and Regulation 26 of Notification No.FEMA.120/RB-2004 dated 7 July 2004, as amended, from time to time, AP (Dir Series) Circular No. 97 dated April 29, 2003 and AP.(DIR Series) Circular No. 3 dated July 26, 2006.

2. Presently, Mutual Funds, registered with SEBI, are permitted to invest in ADRs/GDRs of Indian companies, rated debt instruments and also in the equity of overseas companies listed on a recognised stock exchange overseas. To enable the Mutual Funds to tap a larger investible stock overseas, it has been decided that they may also invest in

i) Overseas mutual funds that make nominal investments (say to the extent of 10% of net asset value) in unlisted overseas securities;

ii) Overseas exchange traded funds that invest in securities; and

iii) ADRs/GDRs of foreign companies.

3. Monthly reporting requirement to the Reserve Bank as stipulated vide A.P. (DIR Series) Circular No.3 dated July 26, 2006 would continue for statistical purposes with modifications to include the above three categories of investments. The revised format is annexed.

4. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 will be issued separately.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

Salim Gangadharan
Chief General Manager

[illegible]

June 8, 2007.

To

All Category - I Authorised Dealer banks

Madam/Sir,

Foreign Investments in Preference Shares—Revised Guidelines

1. Attention of Authorised Dealers is invited to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA 20 / 2000 -RB dated May 3, 2000 as amended from time to time. In terms of Schedule 1 of the notification, a person resident outside India can purchase equity/ preference/ convertible preference shares and convertible debentures issued by an Indian company.

2. Government of India, Ministry of Finance vide Press Note dated April 30, 2007 (Annex), has notified the revised guidelines for foreign investment in preference shares, which have come into effect from that date :

(a) Foreign investment coming as fully convertible preference shares would be treated as part of share capital. This would be included in calculating foreign equity for purposes of sectoral caps on foreign equity, where such caps have been prescribed.

(b) Foreign investment coming as any other type of preference shares (non- convertible, optionally convertible or partially convertible) would be considered as debt and shall require conforming to ECB guidelines / ECB caps.

(c) Any foreign investment as non-convertible or optionally convertible or partially convertible preference shares as on and up to April 30, 2007 would continue to be outside the sectoral cap till their current maturity.

(d) Issue of preference shares of any type would continue to conform to the guidelines of RBI/SEBI and other statutory bodies and would be subject to all statutory requirements.

3. Accordingly, it is clarified that with effect from May 1, 2007, only preference shares which are fully and mandatorily convertible into equity within a specified time would be reckoned as part of share capital and eligible to be issued to persons resident outside India under the Foreign Direct Investment Scheme in terms of Regulation 5 (1) of Foreign Exchange Management (Transfer and Issue of shares by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000.

4. Foreign investments in other types of preference shares (i.e. non-convertible, optionally convertible or partially convertible) for issue of which, funds have been received on or after May 1, 2007 would be considered as debt and shall conform to External Commercial Borrowings (ECB) guidelines / caps. Accordingly, all the norms applicable for ECBs, viz. eligible borrowers, recognised lenders, amount and maturity, end use stipulations, etc. would apply. Since these

: 2 :

instruments would be denominated in rupees, the rupee interest rate will be based on the swap equivalent of LIBOR plus the spread as permissible for ECBs of corresponding maturity.

5. It is further clarified that companies which have received funds from outside India for issue of partially/optionally convertible or redeemable preference shares on or up to April 30, 2007 may issue such instruments. Further, the existing investments in such preference shares which are not fully convertible may continue till their current maturity.

6. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 are being notified separately.

7. AD Category - I banks may bring the contents of the circular to the notice of their constituents concerned.

8. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

Salim Gangadharan
Chief General Manager

[A.P. (DIR Series) Circular No.73 dated 08.06.2007]

Government of India
Ministry of Finance
Department of Economic Affairs

PRESS NOTE - GUIDELINES FOR FOREIGN INVESTMENT IN PREFERENCE SHARES

In supersession of Press Note [F.No.17/3/97-NRJ] dated 31st July, 1997 containing the guidelines for Indian Companies for mobilizing foreign investment through issue of preference shares for financial projects / industries, the following guidelines are prescribed with immediate effect:

1. Foreign investment coming as fully convertible preference shares would be treated as part of share capital. This would be included in calculating foreign equity for purposes of sectoral caps on foreign equity, where such caps have been prescribed.
2. Foreign investment coming as any other type of preference shares {non- convertible, optionally convertible or partially convertible) would be considered as debt and shall require conforming to ECB guidelines / ECB caps.

Any foreign investment as non-convertible or optionally convertible or partially convertible preference shares as on and up to today (30/4/ 2007) would continue to be outside the sectoral cap till their current maturity.

Issue of preference shares of any type would continue to conform to the guidelines of RBI/SEBI and other statutory bodies and would be subject to all statutory requirements.

Department of Economic Affairs, Ministry of Finance New Delhi: Vaisakha 10, 1929; April 30, 2007

June 8, 2007.

To

All Category - I Authorised Dealer banks

Madam/Sir,

Foreign Investments in Debentures —Revised Guidelines

1. Attention of Authorised Dealers is invited to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA 20 / 2000 -RB dated May 3, 2000 as amended from time to time. In terms of Schedule 1 of the notification, a person resident outside India can purchase equity/ preference/ convertible preference shares and convertible debentures issued by an Indian company.
2. It has been noticed that some Indian companies are raising funds under the FDI route through issue of hybrid instruments such as optionally convertible/ partially convertible debentures which are intrinsically debt-like instruments. Routing of debt flows through the FDI route circumvents the framework in place for regulating debt flows into the country. It is clarified that henceforth, only instruments which are fully and mandatorily convertible into equity, within a specified time would be reckoned as part of equity under the FDI Policy and eligible to be issued to persons resident outside India under the Foreign Direct Investment Scheme in terms of Regulation 5 (1) of Foreign Exchange Management (Transfer and Issue of shares by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000.
3. FIIs, registered with SEBI, would be eligible to invest as hitherto in listed non-convertible debentures/ bonds issued by Indian companies in terms of RBI/SEBI norms on investment in rupee debt instruments, including the ceilings prescribed from time to time.
4. It is further clarified that companies which have already received funds from outside India for issue of partially/optionally convertible instruments on or before June 7, 2007 may issue such instruments. Further, the existing investments in instruments which are not fully and mandatorily convertible into equity may continue till their current maturity.
5. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 are being notified separately.
6. AD Category - I banks may bring the contents of the circular to the notice of their constituents concerned.

: 2 :

7. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

Salim Gangadharan
Chief General Manager

June 14, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Direct Investment- Liberalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Notification No.FEMA120/RB-2004 dated July 7, 2004, [Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 as amended from time to time (the Notification). As announced in the Annual Policy Statement for the Year 2007-08 (paras 132,133 and 134), the Regulations governing overseas investments have further been liberalised as under :

1. Enhancement of limit for Overseas Direct Investment (para 132)

In terms of Regulation 6 of the Notification *ibid*, the total overseas investment of an Indian party in all its Joint Ventures (JVs) and / or Wholly Owned Subsidiaries (WOSs) abroad engaged in any bonafide business activity should not exceed 200 per cent of its net worth. In order to provide greater flexibility to Indian parties (companies incorporated in India or created under an Act of Parliament) for investments abroad, the existing limit of 200 per cent of the net worth of the Indian party has been enhanced to 300 per cent of the net worth. However, the limit applicable to registered partnership firms for overseas investment will continue to be 200 per cent of their net worth. Accordingly, AD Category – I banks may allow overseas investments under the Automatic Route up to 300 per cent of the net worth of the Indian party (other than registered partnership firms), as on the date of the last audited balance sheet.

2. Financial Commitment for overseas investment – guarantees issued by an Indian Party to or on behalf of the JV WOS (para 132)

In terms of Regulation 2(f) of the Notification *ibid*, "financial commitment" means the amount of direct investment by way of contribution to equity, loan and 50 per cent of the amount of guarantees issued by an Indian party to or on behalf of its overseas Joint Venture Company (JV) or Wholly Owned Subsidiary (WOS). As a measure of rationalisation of the extant norms, it has been decided to reckon 100 per cent of the amount of guarantees issued by an Indian party for determining the "financial commitment" for overseas investment by an Indian party. Accordingly, "financial commitment" for overseas investment by an Indian party would, henceforth, mean direct investment by way of contribution to equity, loan and the total amount of guarantees by the investing company / promoter company / group company / sister concern or associate company /

partnership firm in India. The revised norms will be applicable, with immediate effect, for both new and existing investments.

3. Portfolio Investment by Listed Indian Companies (para 134)

In terms of Regulation 6B of the Notification *ibid*, listed Indian companies are permitted to invest up to 25 per cent of their net worth in the equity of listed foreign companies, which are listed on a recognised stock exchange and having shareholding of at least 10 per cent in Indian companies listed on a recognised stock exchange in India and rated bonds / fixed income securities issued by overseas companies, under the portfolio investment scheme. In order to provide greater opportunities to listed Indian companies for portfolio investments, the existing limit of 25 per cent has been enhanced to 35 per cent of the net worth of the investing company as on the date of its last audited balance sheet. All other terms and conditions stipulated in Regulation 6B of the Notification shall remain unchanged.

4. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. Necessary amendments to Notification No.FEMA120/RB-2004 dated July 7, 2004, [Foreign Exchange Management (Transfer or Issue of Any Foreign Security)] are being notified separately.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

June 19, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Hedging of Overseas Direct Investments By Residents - Liberalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to A. P. (DIR Series) Circular No. 47 dated December 12, 2003, in terms of which resident entities having overseas direct investments (in equity and loan) are permitted to hedge the exchange risk arising out of such investments by entering into forward / option contracts with AD Category – I banks, subject to verification of such exposure. Such contracts must be completed by delivery or rolled over on the due date and not cancelled.

2. As announced in the Annual Policy Statement for the Year 2007-08 (para 141), with a view to provide greater flexibility to residents with overseas direct investments (in equity and loan), it has been decided to allow cancellation of such forward contracts. Accordingly, AD Category – I banks may allow cancellation of forward contracts entered into by residents for overseas direct investments (in equity and loan) for hedging the exchange risk. Further, 50 per cent of the cancelled contracts may be allowed to be rebooked. All other conditions and guidelines contained in A. P. (DIR Series) Circular No. 47 dated December 12, 2003 remain unchanged.

3. Necessary amendments to Notification No.FEMA25/RB-2000 dated 3rd May 2000, [Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000] are being notified separately.

4. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

June 29, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Advance Remittance for Import of aircrafts /
helicopters / other aviation related purchases**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to A. P. (DIR Series) Circular No.15 dated September 17, 2003 in terms of which AD Category - I banks have been permitted to make advance remittance up to USD 1,000,000 (USD one million) or its equivalent, without bank guarantee or an unconditional, irrevocable standby Letter of Credit, for import of goods into India, subject to specified conditions.

2. With a view to further liberalising and simplifying the procedure for import of goods into India, it has been decided, as a sector specific measure, to allow airline companies, which have been permitted by the Directorate General of Civil Aviation to operate as a schedule air transport service, to make advance remittance without bank guarantee, up to USD 50 million. Accordingly, AD Category – I banks may, henceforth, allow advance remittance, without bank guarantee or an unconditional, irrevocable standby Letter of Credit, up to USD 50 million, for direct import of each aircraft / helicopter / other aviation related purchases.

3. The remittances for the above transactions shall be subject to the following conditions :

a) The AD Category - I banks should undertake the transactions based on their commercial judgment and after being satisfied about the bonafide of the transactions. KYC and due diligence exercise should be done by the AD Category - I banks for the Indian importer entity and the overseas manufacturer company as well.

b) Advance payments should be made strictly as per the terms of the sale contract and are made directly to the account of the manufacturer (supplier) concerned.

c) AD Category - I bank may frame their own internal guidelines to deal with such cases, with the approval of their Board of Directors.

d) In the case of a Public Sector Company or a Department / Undertaking of Central / State Governments, the AD Category - I bank shall ensure that the requirement of bank guarantee has been specifically waived by the Ministry of Finance, Government of India for advance remittances exceeding USD100,000.

e) Physical import of goods into India is made within six months (three years in case of capital goods) from the date of remittance and the importer gives an undertaking to furnish documentary evidence of import within fifteen days from the close of the relevant period. It is clarified that where advance is paid as milestone payments, the date of last remittance made in terms of the contract will be reckoned for the purpose of submission of documentary evidence of import.

f) Prior to making the remittance, the AD Category – I bank may ensure that the requisite approval of the Ministry of Civil Aviation / DGCA / other agencies in terms of the extant Foreign Trade Policy has been obtained by the company for import.

g) In the event of non-import of aircraft and aviation sector related products, AD Category - I bank should ensure that the amount of advance remittance is immediately repatriated to India.

4. Prior approval of the concerned Regional Office of the Reserve Bank will be required in case of any deviation from the above stipulations or for cases which are not covered under the provisions of this circular.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager