

**Exchange Earners' Foreign Currency (EEFC)
Account Scheme**

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 0001.

AP (DIR Series) Circular No.6

August 14, 2000

To
All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Exchange Earners' Foreign Currency (EEFC)
Account Scheme**

Attention of authorised dealers is invited to the Reserve Bank Notification No. FEMA 10/2000-RB dated 3rd May, 2000.

2. EEFC Account Scheme was introduced in 1992, which enabled exporters and other exchange earners to retain a portion of their receipts in foreign exchange with an authorised dealer in India. At present a 100% Export Oriented Unit or a unit in (a) Export Processing Zone and (b) Software Technology Park and (c) Electronic Hardware Technology Park may credit upto 70% and any other person resident in India upto 50% of inward remittances to the EEFC Account.

On a review of the Scheme, it has been decided as under :

- (i) Authorised dealers should initiate steps to scale down the balances in EEFC accounts to 50% of the amounts held as on 11th August, 2000. Authorised dealers may accordingly direct their constituents to convert into rupees the excess balances latest by 23rd August 2000 and ensure such conversion. Where amounts are held in term deposits the excess amount may be sold forward by the depositor to coincide with the maturity date of deposit. Compliance in regard to conversion/forward sales should be reported to the Chief General Manager, Exchange Control Department, Export Division, Reserve Bank of India, Central Office, Amar Building, Mumbai – 400 001 on or before 25th August 2000.
- (ii) With effect from 14th August 2000 (a) 100% Export Oriented Unit or a unit in (a) Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology Park may credit 35 per cent, and any other person resident in India may credit upto 25 per cent of their eligible inward remittances as indicated in the Schedule to the Notification referred to above.
- (iii) Currently EEFC accounts may be opened, held and maintained in the form of current or savings or term deposit account in cases where the account holder is an individual, and in the form of current or term deposit account in all other cases. It has now been decided that EEFC accounts can be maintained only in the form of current or savings account by an individual or in the form of current account by others with immediate effect. The balances in the existing term deposit less forward sales, will have to be converted into Current/Savings deposits on the date of maturity.

- (iv) In terms of AD(MA Series) Circular No.19 dated June 2, 1999 read with AD(MA Series) Circular No. 5 dated April 22, 2000, authorised dealers are permitted to grant credit facilities, both fund and non-fund based, against the security of funds held in EEFC accounts. It has now been decided, that no credit facilities either fund based or non-fund based should be permitted against the security of balances held in EEFC accounts, by the authorised dealers. Existing facilities may however be allowed to continue till the maturity of existing contract. No extension of time limit should be permitted for repayment of the existing credit facilities.

3. Amendments to the FEMA Notifications are being issued separately.

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

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

Yours faithfully,

B. Maheshwaran
Chief General Manager