

	<p style="text-align: center;">RESERVE BANK OF INDIA Foreign Exchange Department Central Office Mumbai - 400 001</p>	
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RBI/2010-11/112
A.P. (DIR Series) Circular No. 01
(Last Circular of 2009-10 is 57)

July 13, 2010

To

All Category - I Authorised Dealer 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.55 dated June 15, 2010](#), wherein the Rupee value of the special currency basket was indicated as Rs.63.0402 effective from May 31, 2010.

2. AD Category-I banks are advised that a further revision has taken place on June 21, 2010 and accordingly, the Rupee value of the special currency basket has been fixed at Rs.60.8816 with effect from June 24, 2010.

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,

(G.Jaganmohan Rao)

Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/ 122

A.P. (DIR Series) Circular No. 02

July 21, 2010

To

All Category - I Authorised Dealer 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 13, 2010](#), wherein the Rupee value of the special currency basket was indicated as Rs.60.8816 effective from June 24, 2010.

2. AD Category-I banks are advised that a further revision has taken place on July 02, 2010 and accordingly, the Rupee value of the special currency basket has been fixed at Rs.62.788607 with effect from July 07, 2010.

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,

(G.Jaganmohan Rao)

Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/123
A.P. (DIR Series) Circular No.03

July 22, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Export of Goods and Services - Unrealised export bills –
Write-off - Surrender of export incentives**

Attention of Authorised Dealer Category – I (AD Category –I) banks is invited to [A.P. \(DIR Series\) Circular No. 12 dated September 09, 2000](#), [A.P. \(DIR Series\) Circular No. 30 dated April 04, 2001](#), [A.P. \(DIR Series\) Circular No. 61 dated December 14, 2002](#), [A.P. \(DIR Series\) Circular No. 40 dated December 05, 2003](#) and [A.P. \(DIR Series\) Circular No. 33 dated February 28, 2007](#), in terms of which the AD Category –I banks have been permitted to accede to the requests for "write-off" made by the exporters, subject to the conditions, inter alia, that the exporter had to surrender proportionate export incentives, if availed of, in respect of the relative shipments.

2. It has since been announced in the Foreign Trade Policy (FTP) 2009-14 and specified in Para. 2.25.4 of Handbook of Procedures – Vol. I (2009-2014) (extracts annexed), issued by the Department of Commerce, Ministry of Commerce and Industry that realisation of export proceeds shall not be insisted upon, under any of the Export Promotion Schemes under the Foreign Trade Policy (FTP), subject to the following conditions:-

- i) the write-off on the basis of merits is allowed by the Reserve Bank or by the AD Category – I banks on behalf of the Reserve Bank, as per the extant guidelines;
- ii) the exporter produces a certificate from the Foreign Mission of India concerned, about the fact of non-recovery of export proceeds from the buyer; and

iii) this would not be applicable in self-write-off cases.

The above relaxation is applicable for the exports made with effect from August 27, 2009.

3. It is clarified that since the Drawback scheme is governed by the provisions of the Customs Act, 1962 and the Rules made there under, the provisions contained in para. 2.25.4 of the Handbook of Procedure – Vol. I. of the Foreign Trade Policy (FTP) (2009-2014) would not be applicable to the Duty Drawback scheme. Therefore, the drawback amount has to be recovered even if the claim is settled by the Export Credit Guarantee Corporation of India Limited (ECGC) or the write –off is allowed by the Reserve Bank.

4. Accordingly, the AD Category –I banks are advised not to insist on the surrender of the proportionate export incentives, other than under the Duty Drawback scheme, if availed of, by the exporter under any of the Export Promotion Schemes under the FTP 2009-14, subject to the fulfilment of conditions as stated in Para 2 above.

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,

G. Jaganmohan Rao
Chief General Manager

Annex
[Annex to A.P. (DIR Series) Circular No.03
dated July 22, 2010]

Extract of Para. 2.25.4 of the Handbook of Procedure – Vol. I –
2009 – 2014 of Foreign Trade Policy (FTP)

"Realization of export proceeds shall not be insisted under any of the Export Promotion Schemes under this Foreign Trade Policy (FTP), if the Reserve Bank of India (RBI) writes off the requirement of realization of export proceeds on merits and the exporter produces a certificate from the concerned Foreign Mission of India about the fact of non-recovery of export proceeds from the buyer. However, this would not be applicable in self-write off cases."

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RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/124
A.P.(DIR Series) Circular No.04

July 22, 2010

To
All Category - I Authorised Dealer Banks

Madam / Sir,

External Commercial Borrowings (ECB) Policy –Take-out Finance

Attention of Authorized Dealer Category - I (AD Category - I) banks is invited to the [A.P. \(DIR Series\) Circular No. 5 dated August 1, 2005](#) and [A.P \(DIR Series\) Circular No. 39 dated March 29, 2010](#) relating to the External Commercial Borrowings (ECB).

2. As per the extant norms, refinancing of domestic Rupee loans with ECB is not permitted. However, keeping in view the special funding needs of the infrastructure sector, it has been decided to review the ECB policy and put in place a scheme of take-out finance. Accordingly, it has been decided to permit take-out financing arrangement through ECB, **under the approval route**, for refinancing of Rupee loans availed of from the domestic banks by eligible borrowers in the **sea port and airport, roads including bridges and power sectors** for the development of new projects, subject to the following conditions:

- i. The corporate developing the infrastructure project should have a tripartite agreement with domestic banks and overseas recognized lenders for either a **conditional** or **unconditional** take-out of the loan within three years of the scheduled Commercial Operation Date (COD). The scheduled date of occurrence of the take-out should be clearly mentioned in the agreement.
- ii. The loan should have a minimum average maturity period of seven years.
- iii. The domestic bank financing the infrastructure project should comply with the extant prudential norms relating to take-out financing.
- iv. The fee payable, if any, to the overseas lender until the take-out shall not exceed 100 bps per annum.

- v. On take-out, the residual loan agreed to be taken- out by the overseas lender would be considered as ECB and the loan should be designated in a convertible foreign currency and all extant norms relating to ECB should be complied with.
- vi. Domestic banks / Financial Institutions will not be permitted to guarantee the take-out finance.
- vii. The domestic bank will not be allowed to carry any obligation on its balance sheet after the occurrence of the take-out event.
- viii. Reporting arrangement as prescribed under the ECB policy should be adhered to.

Eligible borrowers may, accordingly, apply to the Reserve Bank for necessary approval before entering into take-out finance arrangement.

- 3. All other aspects of ECB policy, such as, USD 500 million limit per company per financial year under the automatic route, eligible borrower, recognised lender, end-use, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.
- 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



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/147

A.P. (DIR Series) Circular No. 05

July 30, 2010

To

All Category – I Authorised Dealer Banks

Madam / Sir,

**Guidelines on trading of Currency Options on
Recognised Stock / New Exchanges**

Attention of Authorised Dealers Category – I (AD Category – I) banks is invited to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 dated May 3, 2000 [[Notification No. FEMA/25/RB-2000 dated May 3, 2000](#)], as amended from time to time and A.P. (DIR Series) Circular No. 05 dated August 6, 2008 in terms of which persons resident in India were permitted to participate in the currency futures market in India subject to directions contained in the Currency Futures (Reserve Bank) Directions, 2008.

2. In order to expand the existing menu of exchange traded hedging tools, it was announced in the Monetary Policy Statement 2010-11 (para 62) that recognised stock exchanges would be permitted to introduce plain vanilla currency options on spot US Dollar/ Rupee exchange rate for residents. Accordingly, it has been decided to permit trading of currency options on spot USD-INR rate in the currency derivatives segment of the stock exchanges, recognized by the Securities and Exchange Board of India (SEBI). The currency options market would function subject to the directions, guidelines, instructions, rules, etc issued by the Reserve Bank and the SEBI from time to time.

3. Persons resident in India are permitted to participate in the currency options market, subject to the directions contained in the Exchange Traded Currency Options (Reserve Bank) Directions, 2010, [Notification No.FED.01 / ED

(HRK)-2010 dated July 30, 2010] (Directions) issued by the Reserve Bank of India, a copy of which is annexed (Annex-I).

4. Necessary amendments to Foreign Exchange Management (Foreign Exchange Derivatives Contracts) Regulations, 2000 (Notification No. FEMA.25/RB-2000 dated May 3, 2000) (Regulations) have been notified in the Official Gazette vide G.S.R. No. 635(E) dated July 27, 2010, a copy of which is annexed (Annex-II).

5. The above Directions have been issued under Section 45W of the Reserve Bank of India Act, 1934 and the above Regulations have been issued under clause (h) of sub-Section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999).

6. 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

Annex – I
[A.P. (DIR Series) Circular No. 05 dated July 30, 2010]

Exchange Traded Currency Options (Reserve Bank) Directions, 2010
Notification No. FED.01 / ED (HRK) - 2010 dated July 30, 2010

The Reserve Bank of India having considered necessary in public interest and having regard to the need for regulating the financial system of the country to its advantage, in exercise of its powers conferred by section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf, hereby gives the following directions to all the persons dealing in currency options on recognised stock exchanges.

1. Short title and commencement of the directions

These directions may be called the Exchange Traded Currency Options (Reserve Bank) Directions, 2010 and they shall come into force with effect from July 30, 2010.

2. Applicability

These directions shall apply to currency options traded on a stock exchange recognised under Section 4 of the Securities Contract (Regulation) Act, 1956.

3. Permission

(i) Currency option contracts are permitted in US Dollar - Indian Rupee spot rate, or any other currency pairs, as may be approved by the Reserve Bank from time to time.

(ii) Only 'persons resident in India', as defined in section 2(v) of the Foreign Exchange Management Act, 1999 (Act 42 of 1999) are permitted to buy or sell exchange traded currency options to hedge an exposure to foreign exchange rate risk or otherwise.

4. Features of currency option contracts

Standardized exchange traded currency options shall have the following features:

a) The underlying for the currency option shall be US Dollar – Indian Rupee (USD-INR) spot rate.

- b) The options shall be premium styled European call and put options.
- c) The size of each contract shall be USD 1000.
- d) The premium shall be quoted in Rupee terms. The outstanding position shall be in USD.
- e) The maturity of the contracts shall not exceed twelve months.
- f) The contracts shall be settled in cash in Indian Rupees.
- g) The settlement price shall be the Reserve Bank's Reference Rate on the date of expiry of the contracts.

5. Participants

- i) No person other than 'a person resident in India', as defined in section 2(v) of the Foreign Exchange Management Act, 1999 (Act 42 of 1999) shall participate in the exchange traded currency options market.
- ii) Notwithstanding sub-paragraph (i), no scheduled bank or such other agency falling under the regulatory purview of the Reserve Bank under the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949 or any other Act or instrument having the force of law shall participate in the exchange traded currency options market without the permission from the respective regulatory Departments of the Reserve Bank.
- iii) Entities falling under the regulatory purview of any other regulators established by law shall participate in the exchange traded currency options market only with the prior permission of their regulators concerned and participation of such entities as members or clients shall be in accordance with the guidelines issued by the regulator concerned.

6. Membership

- i) Members registered with the SEBI for trading in currency futures market shall be eligible to trade in the exchange traded currency options market of a recognised stock exchange. Membership for both trading and clearing, in the exchange traded currency options market shall be subject to the guidelines issued by the SEBI.

ii) Banks authorized by the Reserve Bank under section 10 of the Foreign Exchange Management Act, 1999 as 'AD Category - I bank' are permitted to become trading and clearing members of the exchange traded currency options market of the recognized stock exchanges, on their own account and on behalf of their clients, subject to fulfilling the following minimum prudential requirements:

- a) Minimum net worth of Rs. 500 crores.
- b) Minimum CRAR of 10 per cent.
- c) Net NPA should not exceed 3 per cent.
- d) Made net profit for last 3 years.

The AD Category - I banks, which fulfil the prudential requirements, should lay down detailed guidelines with the approval of their Boards for trading and clearing of the exchange traded currency options contracts and management of risks.

iii) AD Category - I banks, which do not meet the above minimum prudential requirements and AD Category - I banks, which are Urban Co-operative banks or State Co-operative banks, can participate in the exchange traded currency options market only as clients, subject to approval therefor from the respective regulatory Departments of the Reserve Bank.

7. Position limits

- i) The position limits for various classes of participants for the currency options shall be subject to the guidelines issued by the SEBI.
- ii) The AD Category - I banks shall operate within prudential limits, such as Net Open Position (NOP) and Aggregate Gap (AG) limits. The option position of the banks, on their own account, in the exchange traded currency options shall form part of their NOP and AG limits.

8. Risk Management measures

The trading of exchange traded currency options shall be subject to maintaining initial, extreme loss and calendar spread margins and the Clearing Corporations / Clearing Houses of the exchanges should ensure maintenance of such margins

by the participants on the basis of the guidelines issued by the SEBI from time to time.

9. Surveillance and disclosures

The surveillance and disclosures of transactions, in the exchange traded currency options market, shall be carried out in accordance with the guidelines issued by the SEBI.

10. Authorisation to the Exchanges / the Clearing Corporations for dealing in Currency Options

Recognized stock exchanges and their respective Clearing Corporations / Clearing Houses shall not deal in or otherwise undertake the business relating to the exchange traded currency options unless they hold an authorisation issued by the Reserve Bank under section 10 (1) of the Foreign Exchange Management Act, 1999.

11. Powers of Reserve Bank

The Reserve Bank may from time to time modify the eligibility criteria for the participants and participant-wise position limits, prescribe margins and / or impose specific margins for identified participants, fix or modify any other prudential limits, or take such other actions as deemed necessary in public interest, in the interest of financial stability and orderly development and maintenance of the foreign exchange market in India.

(H.R.Khan)
Executive Director

Annex – II
[A.P. (DIR Series) Circular No. 05 dated July 30, 2010]

Notification No. FEMA 210 /RB-2010

dated July 19, 2010

**Foreign Exchange Management (Foreign Exchange Derivative Contracts)
 (Amendment) Regulations, 2010**

In exercise of the powers conferred by clause (h) of sub-section (2) of section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000, (Notification No. FEMA 25/RB-2000 dated May 3, 2000) namely:-

1. Short Title and Commencement

- (i) These Regulations may be called the Foreign Exchange Management (Foreign Exchange Derivative Contracts) (Amendment) Regulations, 2010.
- (ii) They shall come into force from the date of their publication in the Official Gazette.

2. Amendment of the Regulations

In the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 (Notification No. FEMA 25/RB-2000 dated May 3, 2000), for Regulation 5A, the following shall be substituted, namely:--

“5A. Permission to a person resident in India to enter into currency futures or currency options

A person resident in India may enter into currency futures or currency options on a stock exchange recognized under section 4 of the Securities Contract (Regulation) Act, 1956, to hedge an exposure to risk or otherwise, subject to such terms and conditions as may be set forth in the directions issued by the Reserve Bank of India from time to time.”

(Salim Gangadharan)
Chief General Manager-in-Charge

Footnote:-

- 1. The principal regulations were published in the Official Gazette vide GSR No.411(E) dated May 8, 2000 in Part II, Section 3, sub-section (i) and subsequently amended vide -

GSR No.756(E) dt. 28.9.2000,
GSR No.264(E) dt. 09.4.2002,
GSR No.579(E) dt. 19.8.2002,
GSR No.222(E) dt. 18.3.2003,
GSR No.532(E) dt. 09.7.2003,
GSR No.880(E) dt. 11.11.2003,
GSR No.881(E) dt. 11.11.2003,
GSR No.750(E) dt. 28.12.2005,
GSR No.222(E) dt. 19.4.2006,
GSR No.223(E) dt. 19.4.2006,
GSR No.760(E) dt. 07.12.2007,
GSR.No.577(E) dt. 05.08.2008,
GSR.No.440(E) dt. 23.06.2009 and
GSR.No.895(E) dt. 14.12.2009

Published in the Official Gazette of Government
of India- Extraordinary – Part-II, Section 3,
Sub-section(i) dated 27.07.2010-G.S.R. No.635(E)



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/154
A.P. (DIR Series) Circular No. 06

August 09, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Establishment of Branch Offices (BO) / Liaison Offices (LO) in India
by Foreign Entities – Delegation of Powers**

Attention of Authorised Dealer Category – I banks is invited to paragraph 5 (i) of A.P. (DIR Series) Circular No.24 dated December 30, 2009 wherein it was stipulated that the Annual Activity Certificates (AACs) as at the end of March 31, shall be submitted by the Branch Office / Liaison Office (BO/ LO), on or before April 30 every year, to the designated AD Category-I bank and a copy to the Directorate General of Income Tax (International Taxation), New Delhi.

2. In view of the difficulties expressed by some Liaison Offices / Branch Offices in submitting the AACs within the prescribed period, it has been decided to review the current calendar for the same. Accordingly, the AACs from the Auditors, as at end of March 31, along with the audited Balance Sheet may be submitted on or before September 30 of that year. In case the annual accounts of the LO/ BO are finalized with reference to a date other than March 31, the AAC along with the audited Balance Sheet may be submitted within six months from the due date of the Balance Sheet.

3. All the other instructions of A.P. (DIR Series) Circular No.24 dated December 30, 2009 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. 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,

(G. Jaganmohan Rao)

Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/158
A.P. (DIR Series) Circular No.07

August 09, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Buyback / Prepayment of Foreign Currency Convertible Bonds (FCCBs)

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to the [A.P. \(DIR Series\) Circular No. 44 dated March 29, 2010](#) in terms of which Indian companies were allowed to buyback their Foreign Currency Convertible Bonds (FCCBs) under the approval route, up to June 30, 2010, subject to the issuers complying with all the terms and conditions of buyback/ prepayment of FCCBs.

2. On a review of the policy and in view of the representations received from the issuers of FCCBs, it has been decided to consider applications, under the approval route, for buyback of FCCBs until June 30, 2011, subject to the issuers complying with all the terms and conditions of buyback/ prepayment of FCCBs, as mentioned in the [A.P. \(DIR Series\) Circular No.39 dated December 08, 2008](#) and [A.P. \(DIR Series\) Circular No.65 dated April 28, 2009](#). Accordingly, the applications, complying with the conditions may be submitted, together with the supporting documents, through the designated AD Category - I bank, to the Chief General Manager-in-Charge, Reserve Bank of India, Foreign Exchange Department, External Commercial Borrowings Division, Central Office, 11th Floor, Central Office Building, Shahid Bhagat Singh Road, Mumbai-400 001.

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



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/167
A.P. (DIR Series) Circular No.08

August 12, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

External Commercial Borrowings (ECB) Policy – Liberalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to para 2 (iv) of the [A.P. \(DIR Series\) Circular No. 46 dated January 02, 2009](#) relating to External Commercial Borrowings (ECB) Policy.

2. At present, entities in the services sectors viz., Hotels, Hospitals and Software are allowed to avail of ECB up to USD 100 million per financial year under the Automatic Route, for foreign currency and/or Rupee capital expenditure for permissible end-uses. On a review, it has now been decided to consider applications from the corporates in the Hotel, Hospital and Software sectors to avail of ECB beyond USD 100 million under the Approval Route, for foreign currency and / or Rupee capital expenditure for permissible end-uses. The proceeds of the ECB should not be used for acquisition of land.

3. The modifications to the ECB guidelines will come into force with immediate effect. All other norms of the extant ECB policy relating to eligible borrower, recognized lender, end-use, all-in-cost ceiling, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements would continue to apply in the case of ECBs availed of by the aforesaid sectors under the Automatic Route as indicated above.

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



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/185
A.P. (DIR Series) Circular No.10

August 30, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 15 million
to the Government of the Kingdom of Cambodia

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated March 1, 2010 with the Government of the Kingdom of Cambodia making available to the latter, a Line of Credit (LOC) of USD 15 million (USD fifteen million) for financing eligible goods and services including consultancy services from India for the purpose of financing strengthening the capacity of transmission line project between Kratie and Steung Treng in Cambodia. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining 15 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from July 29, 2010 and the date of execution of Agreement is March 1, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (February 29, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

3. Shipments under the LOC will have to be declared on GR / SDF Forms as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.
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,
(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/185
A.P. (DIR Series) Circular No.10

August 30, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 15 million
to the Government of the Kingdom of Cambodia

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated March 1, 2010 with the Government of the Kingdom of Cambodia making available to the latter, a Line of Credit (LOC) of USD 15 million (USD fifteen million) for financing eligible goods and services including consultancy services from India for the purpose of financing strengthening the capacity of transmission line project between Kratie and Steung Treng in Cambodia. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining 15 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from July 29, 2010 and the date of execution of Agreement is March 1, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (February 29, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

3. Shipments under the LOC will have to be declared on GR / SDF Forms as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.
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,
(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/186
A.P. (DIR Series) Circular No.11

August 30, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 67.40 million
to the Government of the Democratic Socialist Republic of Sri Lanka

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated March 10, 2010 with the Government of the Democratic Socialist Republic of Sri Lanka making available to the latter, a Line of Credit (LOC) of USD 67.40 million (USD sixty seven million four hundred thousand) for financing eligible goods and services including consultancy services from India for the purpose of financing upgradation of the Southern Railway corridor from Colombo to Matara in Sri Lanka. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining 15 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from August 16, 2010 and the date of execution of Agreement is March 10, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (March 09, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

3. Shipments under the LOC will have to be declared on GR / SDF Forms as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.
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,

(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/198
A.P. (DIR Series) Circular No. 12

September 14, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit (LOC) of USD 25 million to the Eastern and Southern African Trade and Development Bank (PTA Bank)

Export-Import Bank of India (Exim Bank) has concluded an agreement dated July 27, 2010 with the Eastern and Southern African Trade and Development Bank (PTA Bank), Kenya making available to the latter, a Line of Credit (LOC) of USD 25 million (USD twenty five million). The credit is available for financing export of eligible goods and services from India to any PTA Bank regional 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 August 25, 2010 and under the LOC, the terminal date for opening Letters of Credit will be August 24, 2013 (36 months from the effective date of the Credit Agreement) and terminal date for disbursements will be February 24, 2014 (42 months from the effective date of the Credit Agreement).

3. Shipments under the LOC will have to be declared on GR / SDF Forms as per instructions issued by the 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 merits, 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 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 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 or log on to www.eximbankindia.in.

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,
(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/199
A.P. (DIR Series) Circular No. 13

September 14, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Reporting under Foreign Direct Investment (FDI) Scheme

Attention of Authorised Dealer Category-I (AD Category - I) banks is invited to para 9 of Schedule 1 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, and [A.P. \(DIR Series\) Circular No. 44 dated May 30, 2008](#).

2. In terms of para 9 of Schedule 1 to the Notification, Indian companies are required to report, the details of the amount of consideration received for issue of FDI instruments, viz. equity shares, fully and mandatorily convertible preference shares and debentures under the FDI scheme, in the Advance Reporting Format along with the KYC report on the non-resident investor, to the Regional Office of the Reserve Bank in whose jurisdiction the Registered Office of the company operates, within 30 days of receipt of the amount of consideration. Further, the Indian company is required to issue the FDI instruments to the non-resident investor within 180 days of the receipt of the inward remittance and report the same in Form FC-GPR, to the Regional Office concerned of the Reserve Bank, within 30 days from the date of issue of shares.

3. FDI is an important component of the Balance of Payments (BoP) statistics, which is being compiled and published on a quarterly basis. Any delay in submission of the FDI data results in under-reporting of FDI in the BoP statistics. Further, delay in reporting of the FDI transactions (receipt of advance consideration and issue of FDI compliant instruments) and issuance of shares/ refund of advance consideration

beyond 180 days of receipt of the same without the Reserve Bank's approval are considered as violations under the provisions of the Foreign Exchange Management Act, 1999 (FEMA). Therefore, AD Category - I banks are advised to sensitise and impress upon their clients the importance of strict adherence to the FDI reporting requirements including the KYC report. In this regard, AD Category-I banks may make suitable internal arrangements to monitor / track the inward remittances reported through Advance Reporting Format and the subsequent issue of shares or refund of share application money by the companies.

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



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/ 231

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

October 13, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit of USD 21.72 million
to the Government of the Republic of Ghana**

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated May 6, 2010 with the Government of the Republic of Ghana making available to the latter, a Line of Credit (LOC) of USD 21.72 million (USD twenty one million seven hundred and twenty thousand) for financing eligible goods and services including consultancy services from India for (i) improved fish harvesting and fish processing project, and (ii) waste management equipment and management support project in the Republic of Ghana. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining 15 per cent goods and services (other than consultancy services) may be procured by the seller from outside India for the purpose of Eligible Contract.

2. The Credit Agreement under the LOC is effective from September 3, 2010 and the date of execution of the Agreement is May 6, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (May 05, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

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

4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.

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,

(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/ 233

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

October 13, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit of USD 21.80 million
to the Government of the Islamic Republic of Mauritania**

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated February 09, 2010 with the Government of the Islamic Republic of Mauritania making available to the latter, a Line of Credit (LOC) of USD 21.80 million (USD twenty one million eight hundred thousand) for financing eligible goods and services including consultancy services from India for the purpose of financing (i) Potable drinking water project (USD 6.80 million); and (ii) Agriculture development project (USD 15 million) in Mauritania. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining 15 per cent goods and services (other than consultancy services) may be procured by the seller from outside India for the purpose of Eligible Contract.

2. The Credit Agreement under the LOC is effective from September 03, 2010 and the date of execution of Agreement is February 09, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of

project exports and 72 months (February 08, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

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

4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.

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,

(G. Jaganmohan Rao)
Chief General Manager



**RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001**

**RBI/2010-11/278
A.P. (DIR Series) Circular No. 16**

November 16, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Reporting Mechanism – Data of Authorised Dealer Category-I Branches

Attention of Authorised Dealer Category - I (AD Category – I) banks is invited to the [A.P. \(DIR Series\) Circular No. 54 dated May 08, 2007](#).

2. In terms of the extant guidelines, all AD Category - I banks are required to inform any changes in the categorisation of their branches dealing in foreign exchange to:

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

The above information should be prepared in Proforma 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 e-mailed. Further, for maintaining the data compatibility, information in Proforma I and II should be prepared using RBIMOF Application package. The RBIMOF Application Software package (RBIMOF.exe) is available on the Reserve Bank's website (www.rbi.org.in).

3. Further, the path to access the directory of the scheduled commercial banks given in Annex-I of the above mentioned circular is changed and therefore, the revised access path to generate the report on the Directory of AD Category branches is given in the Annex-II. The path to access the Application Software package is given in Annex I. In case of any assistance / clarification, AD banks may communicate by [e-mail](#).

4. All the other instructions contained in [A.P. \(DIR Series\) Circular No. 54 dated May 08, 2007](#) shall remain unchanged.

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,

(G. Jaganmohan Rao)
Chief General Manager

**[Annex-I to A.P. (DIR Series) Circular No.16
dated November 16, 2010]**

Path to access the RBIMOF Application Software Package (RBIMOF.exe)

The Application Software package viz. RBIMOF.exe is available on the RBI website (www.rbi.org.in) under Home Page → Notification → FEMA → Electronic Reporting System → Reporting Mechanism → Data of Authorised Dealers Category Branches.

**[Annex-II to A.P. (DIR Series) Circular No.16
dated November 16, 2010]**

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

- i) The website address is <http://dbie.rbi.org.in/>
- ii) After logging on the website, either select the tab 'Data Series' or click on the link "To view Data Series – click here".
- iii) In order to select the following options, Double click on the same.

Select the option 'Corporate Categories' → Reports → By subject → Financial sector → Money and Banking → Banking. Double click on the report titled **"Directory of AD Category Branches"**.

Select the required Bank name from the list and click on the '>' box.

The name of the bank should appear on the right hand panel. Now, click on the button "Run Query".

The list of the AD Category branches pertaining to that particular bank will get generated. Use the navigation keys to go to the next page. In case the file is to be saved, then click on the tab "Document" → Save report to my computer. The report can be saved either in PDF or in Excel format.

- iv) The report can also be seen by selecting the tab 'Data Series' then the tab 'Corporate Categories' → By Frequency → Daily → Financial sector → Banking. Click on the report titled as **"Directory of AD Category Branches"**. Then follow the procedure mentioned in para iii above.

- v) The report can also be seen under the tab 'Corporate Categories' → 'For Banks' Use'. Click on the report titled as **"Directory of AD Category Branches"**. Then follow the procedure mentioned in para iii above.



**RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001**

**RBI/2010-11/281
A.P. (DIR Series) Circular No. 17**

November 16, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Processing and Settlement of Export related receipts
facilitated by Online Payment Gateways**

Of late, Online Payment Gateways have emerged as a popular mode of facilitating e-commerce transactions. Some of these Online Payment Gateway Service Providers (OPGSPs) have also been facilitating cross-border transactions. We have recently reviewed the service model provided by these OPGSPs with reference to the provisions of the Foreign Exchange Management Act (FEMA), 1999. It was observed that a few OPGSPs have not only facilitated conclusion of the transactions but also allowed exporters to retain the export proceeds abroad without repatriation resulting in violation of the provisions of FEMA, 1999. Acknowledging however the importance of the services provided by the OPGSPs to the exporters, particularly in facilitating small value export transactions, it has been considered necessary to issue a set of guidelines to cover such e-commerce arrangements.

2. Accordingly, it has been decided to allow the Authorised Dealer Category- I (AD Category-I) banks to offer the facility of repatriation of export related remittances by entering into standing arrangements with OPGSPs, subject to the following conditions:

(i) The AD Category-I banks offering this facility shall carry out the due diligence of the OPGSP.

(ii) This facility shall only be available for export of goods and services of value not exceeding USD 500 (US Dollar five hundred).

(iii) AD Category-I banks providing such facilities shall open a NOSTRO collection account for receipt of the export related payments facilitated through such arrangements. Where the exporters availing of this facility are required to open notional accounts with the OPGSP, it shall be ensured that no funds are allowed to be retained in such accounts and all receipts should be automatically swept and pooled into the NOSTRO collection account opened by the AD Category-I bank.

(iv) A separate NOSTRO collection account may be maintained for each OPGSP or the bank should be able to delineate the transactions in the NOSTRO account of each OPGSP.

(v) The following debits will only be permitted to the NOSTRO collection account opened under this arrangement:

- a) Repatriation of funds representing export proceeds to India for credit to the exporters' account;
- (b) Payment of fee/commission to the OPGSP as per the predetermined rates / frequency/ arrangement; and
- (c) Charge back to the importer where the exporter has failed in discharging his obligations under the sale contract.

(vi) The balances held in the NOSTRO collection account shall be repatriated and credited to the respective exporter's account with a bank in India immediately on receipt of the confirmation from the importer and, in no case, later than seven days from the date of credit to the NOSTRO collection account.

(vii) AD Category -I banks shall satisfy themselves as to the bonafides of the transactions and ensure that the purpose codes reported to the Reserve Bank in the online payment gateways are appropriate.

(viii) AD Category -I banks shall submit all the relevant information relating to any transaction under this arrangement to the Reserve Bank, as and when advised to do so.

(ix) Each NOSTRO collection account should be subject to reconciliation and audit on a quarterly basis.

(x) Resolution of all payment related complaints of exporters in India shall remain the responsibility of the OPGSP concerned.

(xi) OPGSPs who are already providing such services as per the specific holding-on approvals issued by the Reserve Bank shall open a liaison office in India within three months from the date of this circular, after duly finalizing their arrangement with the AD-Category-I banks and obtaining approval from the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Fort, Mumbai 400 001 for this purpose.

In respect of all new arrangements, the OPGSP shall open a liaison office with the approval of the Reserve Bank before operationalising the arrangement.

3. AD Category-I banks desirous of entering into such an arrangement/s should approach the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Fort, Mumbai 400 001, for obtaining one time permission in this regard and thereafter report the details of each such arrangement as and when entered into.

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

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

1999) and are without prejudice to permissions / approvals, if any required under any law.

Yours faithfully,

(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/287

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

A.P. (FL/RL Series) Circular No.01

November 25, 2010

To,

All Authorized Persons

Madam/ Sir,

Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/ Combating the Financing of Terrorism (CFT)/ Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009- Money changing activities

Attention of the Authorized persons is invited to the [A.P. \(DIR Series\) Circular No. 17 \[A.P.\(FL/ RL Series\) Circular No. 04\] dated November 27, 2009](#) on Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/ Combating the Financing of Terrorism (CFT)/ Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by the Prevention of Money Laundering (Amendment) Act, 2009 in respect of money changing activities.

Suspicion of money laundering/terrorist financing

2. With a view to preventing the system of purchase and/ or sale of foreign currency notes/ Travellers' Cheques by Authorised Persons (APs) from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing, it is clarified that whenever there is suspicion of money laundering or terrorist financing or when other factors give rise to a belief that the customer does not, in fact, pose a low risk, APs should carry out full scale customer due diligence (CDD) before undertaking any money changing transaction.

Filing of STR

3. In terms of the instructions contained in Para 4.3 (iv) of the circular dated November 27, 2009 referred to above, APs should not undertake any transaction where they are unable to apply appropriate customer due diligence measures. Similarly, in terms of instructions contained in Para 4.4 (g) of the circular dated November 27, 2009, relationship with a business entity/ies like a company/ firm / trusts and foundations should be established only after conducting due diligence by obtaining and verifying prescribed suitable documents. When a business relationship is already in existence and it is not possible to perform customer due diligence on the customer in respect of the business relationship, APs should terminate the business relationship and make a Suspicious Transaction Report to FIU-IND. It is clarified that in the circumstances when an AP believes that it would no longer be satisfied that it knows the true identity of the customer (individual/ business entity), the AP should also file an STR with FIU-IND.

Politically Exposed Persons (PEPs)

4. In terms of instructions contained in Para 4.5 (iii) of the circular dated November 27, 2009 referred to above, the decision to undertake a transaction with a PEP should be taken at a senior level which should be clearly spelt out in the Customer Acceptance Policy. APs should also subject such transactions to enhanced monitoring on an ongoing basis. Similarly, where a customer subsequently becomes a PEP after a business relationship has already been established, enhanced CDD should be performed on such customers and decision to continue business relationship with the PEP should be taken at a sufficiently senior level. It is clarified that the instructions contained in paragraph 4.5 (iii) of the circular dated November 27, 2009 referred to above are also applicable to individual transactions/ business relationship where a PEP is the ultimate beneficial owner. Further, in regard to individual transactions/ business relationship in case of PEPs, it is reiterated that APs should have appropriate ongoing risk management procedures for identifying and applying enhanced CDD to PEPs, customers who are family members or close relatives of PEPs and individual transactions/ business relationship of which a PEP is the ultimate beneficial owner.

Principal Officer

5. With reference to Para 4.12 of the circular dated November 27, 2009 referred to above, regarding appointment and responsibility of the Principal Officer, it is clarified that the role and responsibilities of the Principal Officer should include overseeing and ensuring overall compliance with regulatory guidelines on KYC/ AML/ CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009, rules and regulations made there under, as amended from time to time.

6. These guidelines would also be applicable mutatis mutandis to all agents/ franchisees of Authorised Persons and it will be the sole responsibility of the franchisers to ensure that their agents/ franchisees also adhere to these guidelines.

7. Authorised Persons should bring the contents of this circular to the notice of their constituents concerned.

8. The directions contained in this Circular are issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Salim Gangadharan)

Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/288

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

A.P. (FL Series) Circular No. 02

November 25, 2010

All Authorised Persons, who are Indian Agents under the Money Transfer Service Scheme.

Madam/ Sir,

Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/ Combating the Financing of Terrorism (CFT)/ Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009- Cross Border Inward Remittance under Money Transfer Service Scheme

Attention of all the Authorised Persons, who are Indian Agents [APs (Indian Agents)] under the Money Transfer Service Scheme (MTSS) is invited to the [A.P. \(DIR Series\) Circular No. 18 \[A.P. \(FL/ RL Series\) Circular No. 05\] dated November 27, 2009](#) on Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/ Combating the Financing of Terrorism (CFT)/ Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by the Prevention of Money Laundering (Amendment) Act, 2009 in respect of cross border inward remittances under the Money Transfer Service Scheme (MTSS).

Suspicion of money laundering/terrorist financing

2. With a view to preventing the system of cross border inward money transfer into India from all over the world under the MTSS from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities, it is clarified that whenever there is suspicion of money laundering or terrorist financing or when other factors give rise to a belief that the customer does not, in fact, pose a low risk, APs (Indian Agents) should carry out full scale customer due diligence (CDD) before making payment of any remittance.

Filing of STR

3. In terms of the instructions contained in Para 5.3 (iv) of the circular dated November 27, 2009 referred to above, AP (Indian Agent) should not make payment of any remittance where it is unable to verify the identity and/ or obtain required documents. It is clarified that in the circumstances when an AP (Indian Agent) believes that it would no longer be satisfied that it knows the true identity of the customer, the AP (Indian Agent) should also file an STR with FIU-IND.

Politically Exposed Persons (PEPs)

4. In terms of the instructions contained in Para 5.5 of the circular dated November 27, 2009 referred to above, the decision to undertake a transaction with a PEP should be taken at a senior level which should be clearly spelt out in the Customer Acceptance Policy. APs (Indian Agents) should also subject such transactions to enhanced monitoring on an ongoing basis. The above norms may also be applied to customers who become PEPs subsequent to establishment of the business relationship. It is clarified that the instructions contained in paragraph 5.5 of the circular are also applicable to transactions where a PEP is the ultimate beneficial owner. Further, in regard to transactions in case of PEPs, it is reiterated that APs (Indian Agents) should have appropriate ongoing risk management procedures for identifying and applying enhanced CDD to PEPs, customers who are family members or close relatives of PEPs and transactions of which a PEP is the ultimate beneficial owner.

Principal Officer

5. With reference to the Para 5.11 of the circular dated November 27, 2009 referred to above, regarding appointment and responsibility of the Principal Officer, it is clarified that the role and responsibilities of the Principal Officer should include overseeing and ensuring overall compliance with regulatory guidelines on KYC/ AML/ CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009, rules and regulations made there under, as amended from time to time.

6. These guidelines would also be applicable mutatis mutandis to all Sub-agents of the Indian Agents under MTSS and it will be the sole responsibility of the APs (Indian Agents) to ensure that their Sub-agents also adhere to these guidelines.

7. Authorised Persons (Indian Agents) should bring the contents of this circular to the notice of their constituents concerned.

8. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the Prevention of Money Laundering Act, (PMLA), 2002 as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Salim Gangadharan)

Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/292

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

A.P. (FL/RL Series) Circular No.03

November 30, 2010

To,

All Authorised Persons

Madam/ Sir,

Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/ Combating the Financing of Terrorism (CFT)/ Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009- Money changing activities

Attention of the Authorized Persons is invited to the [A.P. \(DIR Series\) Circular No. 17 \[A.P.\(FL/ RL Series\) Circular No. 04\] dated November 27, 2009](#) on Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/ Combating the Financing of Terrorism (CFT)/ Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 in respect of money changing activities.

Countries which do not or insufficiently apply the FATF recommendations

2. In F-Part-I, paragraph 4.10 (b) of the circular dated November 27, 2009 referred to above, Authorised Persons (APs) have been advised to take into account the risks arising from the deficiencies in the AML/ CFT regime of certain jurisdictions, as identified in the Financial Action Task Force (FATF) Statement, issued from time to time, while dealing with the individuals or businesses from these jurisdictions. It is advised that APs should, in addition to the FATF Statements, issued from time to time, also consider using publicly available information for identifying countries, which do not or insufficiently apply the FATF Recommendations. Further, it is clarified that APs should also give special attention

to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF recommendations and jurisdictions included in FATF Statements.

3. In terms of F-Part-I, paragraph 4.6 of the circular dated November 27, 2009 referred to above, it is advised that ongoing monitoring is an essential element of effective KYC procedures. In this regard, it is advised that APs should examine the background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations. Further, if the transactions have no apparent economic or visible lawful purpose, the background and purpose of such transactions should, as far as possible, be examined and written findings together with all the documents should be retained and made available to the Reserve Bank/ other relevant authorities, on request.

4. These guidelines would also be applicable mutatis mutandis to all agents/ franchisees of Authorised Persons and it will be the sole responsibility of the Authorised Persons (franchisers) to ensure that their agents/ franchisees also adhere to these guidelines.

5. Authorised Persons should bring the contents of this circular to the notice of their constituents concerned.

6. The directions contained in this Circular are issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries)

Rules, 2005, as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/293

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

A.P. (FL Series) Circular No. 04

November 30, 2010

To

All Authorised Persons, who are Indian Agents under the
Money Transfer Service Scheme.

Madam/ Sir,

Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/ Combating the Financing of Terrorism (CFT)/ Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009- Cross Border Inward Remittance under Money Transfer Service Scheme

Attention of all the Authorised Persons, who are Indian Agents [APs (Indian Agents)] under the Money Transfer Service Scheme (MTSS) is invited to the [A.P. \(DIR Series\) Circular No. 18 \[A.P. \(FL/ RL Series\) Circular No. 05\] dated November 27, 2009](#) on Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/ Combating the Financing of Terrorism (CFT)/ Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 in respect of cross border inward remittances under Money Transfer Service Scheme (MTSS).

Countries which do not or insufficiently apply the FATF recommendations

2. In Annex – I, paragraph 5.10 (b) of the circular dated November 27, 2009 referred to above, Authorised Persons (Indian Agents) [APs (Indian Agents)] have been advised to take into account the risks arising from the deficiencies in AML/ CFT regime of the jurisdictions as identified in the FATF Statement issued from time to time, while dealing with individuals from these jurisdictions. It is advised that

APs (Indian Agents) should, in addition to the FATF Statements issued from time to time, also consider using publicly available information for identifying the countries, which do not or insufficiently apply the FATF Recommendations. Further, it is clarified that APs (Indian Agents) should also give special attention to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF recommendations and jurisdictions included in FATF Statements.

3. In terms of Annex – I, paragraph 5.6 of the circular dated November 27, 2009 referred to above, it is advised that ongoing monitoring is an essential element of effective KYC procedures. In this regard, it is advised that APs (Indian Agents) should examine the background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in the FATF Statements and countries that do not or insufficiently apply the FATF Recommendations. Further, if the transactions have no apparent economic or visible lawful purpose, the background and purpose of such transactions should, as far as possible, be examined and written findings together with all the documents should be retained and made available to the Reserve Bank/ other relevant authorities, on request.

4. These guidelines would also be applicable *mutatis mutandis* to all Sub-agents of the Indian Agents under MTSS and it will be the sole responsibility of the APs (Indian Agents) to ensure that their Sub-agents also adhere to these guidelines.

5. Authorised Persons (Indian Agents) should bring the contents of this circular to the notice of their constituents concerned.

6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the Prevention of Money Laundering Act, (PMLA), 2002 as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and

Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge



**RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001**

**RBI/2010-11/297
A.P. (DIR Series) Circular No. 22**

December 03, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit of USD 72.55 million
to the Government of Lao People's Democratic Republic**

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated September 13, 2010 with the Government of Lao People's Democratic Republic (Lao PDR) making available to the latter, a Line of Credit (LOC) of USD 72.55 million (USD seventy two million five hundred fifty thousand) for financing eligible goods and services including consultancy services from India for the purpose of financing (i) 230 KV double circuit transmission line from Nabon to Thabok and substations (USD 34.68 million) and (ii) Nam Boun 2 hydropower projects (15 MW) (USD 37.86 million) in Lao PDR. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 75 per cent of the contract price shall be supplied by the seller from India, and the remaining 25 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from November 2, 2010 and the date of execution of Agreement is September 13, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (September 12, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

3. Shipments under the LOC will have to be declared on GR / SDF Forms as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.
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,

(G. Jaganmohan Rao)

Chief General Manager



**RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001**

**RBI/2010-11/309
A.P. (DIR Series) Circular No. 23**

December 10, 2010

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit of USD 42 million
to the Government of the Democratic Republic of Congo**

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated August 05, 2010 with the Government of the Democratic Republic of Congo making available to the latter, a Line of Credit (LOC) of USD 42 million (USD forty two million) for financing eligible goods and services including consultancy services from India for the purpose of financing Kakobola Hydroelectric Power Project in Congo. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining 15 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from November 19, 2010 and the date of execution of Agreement is August 05, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (August 04, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

3. Shipments under the LOC will have to be declared on GR / SDF Forms as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.
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,

(G. Jaganmohan Rao)

Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/ 311

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

A.P. (FL/RL Series) Circular No. 05

December 13, 2010

To,

All Authorised Persons

Madam/ Sir,

Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Second Amendment Rules, 2010-Obligation of Authorised Persons

The Government of India vide its Notification No. 10/2010- E.S./ F.No.6/8/2009-E.S. dated June 16, 2010, has amended the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005. A copy of the Notification is enclosed for information and necessary compliance.

2. Any failure to comply with the requirements of the said Rules as amended, to the extent they are applicable to foreign exchange transactions, shall also be treated as failure to comply with the directions issued by the Reserve Bank of India under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

MINISTRY OF FINANCE
(Department of Revenue)
NOTIFICATION
New Delhi, the 16th June, 2010

THE GAZETTE OF INDIA: EXTRAORDINARY Part II- Sec. 3 (i)

G.S.R. 508(E)- In exercise of the powers conferred by sub - section(1) read with clause(h), clause(i), clause(j) clause(k) of sub- section 2 of section 73 of the Prevention of Money Laundering Act, 2002 (15 of 2003), the Central Government, in consultation with Reserve Bank of India, hereby makes the following rules further to amend the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, namely :-

1. (1) These rules may be called Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Second Amendment Rules, 2010.

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

2. In the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005:-

- (a) in rule 2 in sub-rule (1), after clause (g), the following Explanation shall be inserted, namely:-

"Explanation:- Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist act or by a terrorist, terrorist organisation or those who finance or are attempting to financing of terrorism."

- (b) in rule 9, for sub- rule (1A), the following sub- rule shall be substituted, namely:-

"(1A) Every banking company, financial institution and Intermediary, as the case may be, shall determine whether a client is acting on behalf of a beneficial owner, identify the beneficial owner and take all reasonable steps to verify his identity."

(c) in rule 9, for sub- rule (1B), the following sub - rule shall be substituted, namely:-

"(1B) Every banking company, financial institution and Intermediary, as the case may be, shall exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and where necessary, the source of funds."

(d) in rule 9, for sub- rule (1C), the following sub- rule shall be substituted, namely:-

"(1C) No banking company, financial institution and Intermediary, as the case may be, shall allow the opening of or keep any anonymous account or account in fictitious names or account on behalf of other persons whose identity has not been disclosed or cannot be verified."

(e) in rule 9, after sub -rule (1C), the following sub- rule shall be inserted, namely:-

"(1D) When there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained customer identification data, every banking company, financial institution and Intermediary shall review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be."

(f) in rule 10, after sub- rule (3), the following Explanation shall be inserted, namely:-

"Explanation: For the purpose of this rule:-

(i) the expression 'records of the identity of clients' shall include records of the identification data, account files and business correspondence.

(ii) the expression 'cessation of the transactions' means termination of an account or business relationship."

[Notification No. 10/2010- E. S. / F. No. 6/8/2009-E.S.]
S. R. MEENA, Under Secretary

Note - The principal rules were published in the Gazette of India , Extraordinary, Part II , Section 3, sub- section (i) vide number G.S.R. 444(E), dated the 1st July 2005 and subsequently amended by G.S.R.717(E) dated the 13th December 2005, G.S.R. 389(E) dated the 24th May, 2007, G.S.R. 816(E) dated the 12th November 2009 and G.S.R. 76(E) dated the 12th February 2010.



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/319

December 22, 2010

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

A.P. (FL/RL Series) Circular No. 06

To

All Authorized Persons

Madam/ Sir

Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT)/Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009- Money changing activities

Attention of all the Authorised Persons (APs) is invited to Paragraph 4.10 (b) of F-Part-I, Annex to [A.P. \(DIR Series\) Circular No.17 {A.P. \(FL/RL Series\) Circular No.4} dated November 27, 2009](#) in terms of which APs were advised to take into account risks arising from the deficiencies in AML/CFT regime of certain jurisdictions, as identified in FATF Statement (www.fatf-gafi.org), issued from time to time, while dealing with individuals or businesses from these jurisdictions.

2. The Financial Action Task Force (FATF) has issued a further Statement on June 25, 2010 on the subject ([copy enclosed](#)). It may be observed that the statement divides the strategic AML/CFT deficient jurisdictions into two groups as under:

a. Jurisdictions subject to FATF call on its members and other jurisdictions to apply countermeasures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing (ML/TF) risks emanating from the jurisdiction : Iran

b. Jurisdictions with strategic AML/CFT deficiencies that have not committed to an action plan developed with the FATF to address key deficiencies as of June 2010. The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction: Democratic People's Republic of Korea (DPRK), Sao Tome and Principe.

3. Authorised Persons are accordingly advised to take into account risks arising from the deficiencies in AML/CFT regime of these countries, while entering into business relationships and transactions with persons (including legal persons and other financial institutions) from or in these countries/ jurisdictions.

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

5. Please advise your Principal Officer to acknowledge receipt of this circular letter.

6. The directions contained in this Circular have been issued under Sections 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/320

December 22, 2010

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

A.P. (FL Series) Circular No. 07

To,

All Authorised Persons, who are Indian Agents under Money Transfer Service Scheme.

Madam/ Sir

Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/ Combating the Financing of Terrorism (CFT)/ Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 - Cross Border Inward Remittance under Money Transfer Service Scheme

Attention of all Authorised Persons, who are Indian Agents under Money Transfer Service Scheme (MTSS) is invited to Paragraph 5.10 (b) of Annex-I, Annex to [A.P. \(DIR Series\) Circular No.18 {A.P. \(FL Series\) Circular No.5} dated November 27, 2009](#) in terms of which Authorised Persons (Indian Agents) were advised to take into account risks arising from the deficiencies in AML/CFT regime of certain jurisdictions, as identified in FATF Statement (www.fatf-gafi.org) issued from time to time, while dealing with individuals from these jurisdictions.

2. The Financial Action Task Force (FATF) has issued a further Statement on June 25, 2010 on the subject ([copy enclosed](#)). It may be observed that the statement divides the strategic AML/CFT deficient jurisdictions into two groups as under:

a. Jurisdictions subject to FATF call on its members and other jurisdictions to apply countermeasures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing (ML/TF) risks emanating from the jurisdiction : Iran

b. Jurisdictions with strategic AML/CFT deficiencies that have not committed to an action plan developed with the FATF to address key deficiencies as of June

2010. The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction: Democratic People's Republic of Korea (DPRK), Sao Tome and Principe.

3. All Authorised Persons (Indian Agents) are accordingly advised to take into account risks arising from the deficiencies in AML/CFT regime of these countries, while entering into business relationships and transactions with persons (including legal persons and other financial institutions) from or in these countries/ jurisdictions.

4. Authorised Persons (Indian Agents) may bring the contents of this circular to the notice of their constituents concerned.

5. Please advise your Principal Officer to acknowledge receipt of this circular letter.

6. The directions contained in this Circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/321
A.P. (DIR Series) Circular No. 27
A.P. (FL/RL Series) Circular No.08

December 22, 2010

To

All Authorized Persons

Madam/ Sir

Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/ Combating the Financing of Terrorism (CFT)/ Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009- Money changing activities

Attention of the Authorised persons (APs) is invited to Paragraph 4.10 (b) of F-Part-I, of the Annex to [A.P. \(DIR Series\) Circular No.17 {A.P. \(FL/RL Series\) Circular No. 4} dated November 27, 2009](#) in terms of which APs were advised to take into account risks arising from the deficiencies in AML/CFT regime of certain jurisdictions, as identified in FATF Statement (www.fatf-gafi.org), issued from time to time, while dealing with individuals or businesses from these jurisdictions.

2. As part of its ongoing review of compliance with the AML/CFT standards, the Financial Action Task Force (FATF) has identified certain jurisdictions which have strategic AML/CFT deficiencies.

3. FATF, vide its statement dated June 25, 2010 ([copy enclosed](#)) has called upon jurisdictions listed in the statement to complete the implementation of their action plan within the timeframe. The FATF, in the statement, has called upon its members to consider the information given in the statement.

4. The Authorised Persons are accordingly advised to consider the information contained in the enclosed statement.

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

6. Please advise your Principal Officer to acknowledge receipt of this circular letter.

7. The directions contained in this Circular have been issued under Sections 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/322

December 22, 2010

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

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

To,

All Authorised Persons, who are Indian Agents under Money Transfer Service Scheme.

Madam/ Sir

Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT)/Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009- Cross Border Inward Remittance under Money Transfer Service Scheme

Attention of all the Authorised Persons, who are Indian Agents under Money Transfer Service Scheme (MTSS) is invited to Paragraph 5.10 (b) of Annex-I, Annex to [A.P. \(DIR Series\) Circular No.18 {A.P. \(FL Series\) Circular No.5} dated November 27, 2009](#) in terms of which Authorised Persons (Indian Agents) were advised to take into account risks arising from the deficiencies in AML/CFT regime of certain jurisdictions, as identified in FATF Statement (www.fatf-gafi.org) issued from time to time, while dealing with individuals from these jurisdictions.

2. As part of its ongoing review of compliance with the AML/CFT standards, the Financial Action Task Force (FATF) has identified certain jurisdictions which have strategic AML/CFT deficiencies.

3. FATF, vide its statement dated June 25, 2010 ([copy enclosed](#)) has called upon jurisdictions listed in the statement to complete the implementation of their action plan within the timeframe. The FATF, in the statement has called upon its members to consider the information given in the statement.

4. All Authorised Persons (Indian Agents) are accordingly advised to consider the information contained in the enclosed statement.

5. Authorised Persons (Indian Agents) may bring the contents of this circular to the notice of their constituents concerned.

6. Please advise your Principal Officer to acknowledge receipt of this circular letter.

7. The directions contained in this Circular have been issued under Sections 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/323
A.P. (DIR Series) Circular No. 29

December 22, 2010

To

All Banks authorised to deal in Foreign Exchange

Madam / Sir,

Use of International Debit Cards/ Store Value Cards/ Charge Cards/ Smart Cards by resident Indians while on a visit outside India

Attention of all the banks authorised to deal in foreign exchange is invited to paragraph 4 of the [A.P.\(DIR Series\) Circular No. 46 dated June 14, 2005](#) in terms of which they are required to submit a statement as on December 31, each year in case the aggregate forex utilization by the International Debit Card holders exceeds USD 100,000 in a calendar year.

2. It has been decided to discontinue the submission of the statement mentioned above to the Reserve Bank. Accordingly, all the banks authorised to deal in foreign exchange are advised to discontinue the submission of the aforementioned statement from the calendar year 2010 onwards.

3. All other instructions of A.P. (DIR Series) Circular No. 46 dated June 14, 2005 shall continue to remain the same.

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-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/326
A.P. (DIR Series) Circular No. 30

December 23, 2010

To

All Authorised Dealer Category - I Banks

Madam / Sir,

Asian Clearing Union (ACU) Mechanism – Payments for import of Oil or Gas

Attention of Authorised Dealer (AD) banks is invited to Regulation 5 of [Notification No.FEMA.14/2000-RB dated May 3, 2000](#) read with items 7(b) and 7(e) of the Memorandum of Procedure for channelling transactions through the Asian Clearing Union (ACU) in terms of which all eligible current account transactions as defined by the Articles of Agreement of the International Monetary Fund and the export / import transactions between the ACU member countries on deferred payment terms respectively are to be routed through the ACU mechanism.

2. The above provisions have been reviewed and it has now been decided that payment for import of oil or gas should be settled in any permitted currency outside the ACU mechanism.
3. Necessary amendments to the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2000 are being issued separately.
4. Authorised Dealer banks 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 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-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/335

December 27, 2010

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

To

All Authorised Dealer Category - I Banks

Madam / Sir,

Asian Clearing Union (ACU) Mechanism – Indo - Iran trade

Attention of Authorised Dealer Category – I (AD Category-I) banks is invited to Regulations 3 and 5 of [Notification No.FEMA.14/2000-RB dated May 3, 2000](#) read with items 7(b) and 7(e) of the Memorandum of Procedure for channelling transactions through Asian Clearing Union (ACU) in terms of which all eligible current account transactions as defined by the Articles of Agreement of the International Monetary Fund and export / import transactions between ACU member countries on deferred payment terms respectively are to be routed through the ACU mechanism.

2. In view of the difficulties being experienced by importers / exporters in payments to /receipts from Iran, the extant provisions have been reviewed and it has been decided that all eligible current account transactions including trade transactions with Iran should be settled in any permitted currency outside the ACU mechanism until further notice.

3. Necessary amendments to the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2000 are being issued separately.

4. AD Category-I banks may bring the contents of this circular to the notice of their constituents 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 are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge



**RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001**

**RBI/2010-11/338
A.P. (DIR Series) Circular No. 32**

December 28, 2010

To

All Authorised Dealer - Category I banks

Madam / Sir

**Comprehensive Guidelines on Over the Counter (OTC)
Foreign Exchange Derivatives and Overseas Hedging
of Commodity Price and Freight Risks**

Attention of the Authorised Dealer Category - I (AD Category - I) banks is invited to [Notification No. FEMA 25/2000-RB dated May 3, 2000](#), as amended from time to time, which delineates the rules governing foreign exchange derivative contracts. Further, attention is also invited to the Comprehensive Guidelines on Derivatives issued by the Department of Banking Operations and Development (DBOD), Reserve Bank of India, vide their circular [DBOD.No.BP.BC. 86/21.04.157/2006-07 dated April 20, 2007](#) which, among others, covers the broad principles to be followed for undertaking derivative transactions, appropriateness of the user, suitability of the product and risk management practices to be followed.

2. In the light of developments in the domestic and international financial markets, the extant guidelines on OTC foreign exchange derivatives, commodity price and freight risks have been revised in consultation with the banks, corporates and other stake holders. The Comprehensive Guidelines on Foreign Exchange Derivatives and Overseas Hedging of Commodity Price and Freight Risks are furnished in the Annex. The revised guidelines would be effective from February 01, 2011.

3. All the guidelines given in the Comprehensive Guidelines on Derivatives issued vide Circular DBOD.No.BP.BC. 86/21.04.157/2006-07 dated April 20, 2007 and subsequent amendments thereto would also apply, mutatis mutandis, to the foreign exchange derivatives.

4. The 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.

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

Yours faithfully,

(Salim Gangadharan)

Chief General Manager-in-Charge

ANNEX
[Annex to A.P (DIR Series) Circular No.32
dated December 28, 2010]

Comprehensive Guidelines on Foreign Exchange Derivatives and Overseas Hedging of Commodity Price and Freight Risks

The Comprehensive Guidelines on OTC Foreign Exchange Derivatives and Overseas Hedging of Commodity Price Risk and Freight Risk for the reference of the Authorised Dealers and the users of the foreign exchange derivatives are given in this document. The document is divided into the following sections:

- I. Section A - Overview of the guidelines
- II. Section B - Guidelines for persons resident in India (other than AD Category I banks)
- III. Section C - Guidelines for persons resident outside India
- IV. Section D - Guidelines for Authorised Dealers Category I
- V. Section E - Guidelines for Commodity Derivatives
- VI. Section F - Guidelines for Freight Derivatives
- VII. Section G - Reports to the Reserve Bank

Section A

I. Overview

Given below is the description of the categories of persons who are permitted to access the OTC foreign exchange market in India for managing exchange rate and interest rate risks as also the menu of permitted products that can be used for hedging different categories of foreign exchange rate exposures. Additionally, the facilities for residents to hedge commodity price and freight risks overseas have been described under sections E and F below.

II. Persons resident in India (other than AD Category I banks)

1) Contracted Exposures – The following products are permitted to be used:

- i) Forward Foreign Exchange Contracts
- ii) Cross Currency Options (not involving the Rupee)
- iii) Foreign Currency-INR Options
- iv) Foreign Currency-INR Swaps
- v) Cost Reduction Structures
- vi) Cross currency swap, Interest Rate Swap, Coupon Swap, Interest Rate Cap or Collar(purchases), Forward Rate Agreement

2) Probable Exposures based on Past Performance - The following products are permitted to be used:

- i) Forward Foreign Exchange Contracts
- ii) Cross Currency Options (not involving the Rupee)
- iii) Foreign Currency-INR Options
- iv) Cost Reduction Structures

3) Special Dispensation – The following categories are permitted under special dispensation:

- i) **Small and Medium Enterprises (SMEs)¹** - Permitted to book forward foreign exchange contracts without production of underlying documents for hedging their direct /indirect exposure to foreign exchange risk.
 - Product : Forward Foreign Exchange Contracts
- ii) **Resident Individuals** - To hedge their foreign exchange exposures arising out of actual or anticipated remittances, both inward and outward,

¹ SME as defined by the Rural Planning and Credit Department, Reserve Bank of India vide circular [RPCD.PLNS. BC.No.63/06.02.31/2006-07 dated April 4, 2007.](#)

without production of underlying documents, up to a limit of USD 100,000, based on self declaration.

- Product : Forward Foreign Exchange Contracts

III. Persons resident outside India – The following categories are permitted to hedge their contracted foreign exchange exposures:

- i) Foreign Institutional Investors (FIIs)
- ii) Persons having Foreign Direct Investment (FDI) in India
- iii) Non-resident Indians (NRIs)

For these categories, subject to terms and conditions enumerated later, the following products are permitted:

- a) Forward Foreign Exchange Contracts
- b) Foreign Currency-INR Options

IV. Authorised Dealers Category I (AD Category I) - Hedging can be undertaken for the following purposes:

- i) Management of Assets and Liabilities
- ii) Hedging of Gold Price Risk
- iii) Hedging of currency risk on Capital

The products and terms and conditions for each of the purposes are enumerated later.

V. Commodity Derivatives

Residents are permitted to use OTC and exchange-traded commodity derivatives in international markets for hedging their exposures to commodity price risk subject to conditions specified under the relevant para. Applications for commodity hedging by companies/ firms, which are not covered by the delegated authority of AD Category I banks or on behalf of customers who are exposed to systemic international price risk, may be forwarded to the Reserve Bank through the AD Category I bank for permission.

VI. Freight Derivatives

Domestic oil refining and shipping companies are permitted to use OTC and exchange traded freight derivatives in international markets for hedging their exposures to freight risk, subject to conditions specified under the relevant para.

Other companies exposed to freight risk can seek prior permission from the Reserve Bank through their AD Category I banks.

VII. Reports

AD Category I banks are required to submit reports on derivative products, as per the details given in this section.

Section B

Products for Persons Resident in India – Other than Authorised Dealers Category I

The facilities for persons resident in India (other than AD Category I banks) are elaborated under paragraphs B I and B II. **Paragraph B I** describes the products and operational guidelines for the respective product. In addition to the operational guidelines under B I, the general instructions that are applicable across all products for residents (other than AD Category I banks) are detailed under **paragraph B II**.

B I. Products and Operational Guidelines

The product/purpose- wise facilities for persons resident in India (other than AD Category I banks) are detailed under the following subheads:

- 1) Contracted Exposure
- 2) Probable Exposure
- 3) Special Dispensation

1) Contracted Exposures

AD Category I banks have to evidence the underlying documents so that the existence of underlying foreign currency exposure can be clearly established. AD Category I banks, through verification of documentary evidence, should be satisfied about the genuineness of the underlying exposure, irrespective of the transaction being a current or a capital account. Full particulars of the contracts should be marked on the original documents under proper authentication and retained for verification. However, in cases where the submission of original documents is not possible, a copy of the original documents, duly certified by an authorized official of the user, may be obtained. In either of the cases, before offering the contract, the AD Category I banks should obtain an undertaking from the customer and also quarterly certificates from the statutory auditor (for details refer section B para II (b) for General Instructions). While details of the underlying have to be recorded at the time of booking the contract, in the view of logistic issues, a maximum period of 15 days may be allowed for production of the documents. If the documents are not submitted by the customer within 15 days, the contract may be cancelled, and the exchange gain, if any, should not be passed on to the customer. In the event of non-submission of the documents by the customer within 15 days on more than three occasions in a financial year, booking of permissible derivative contracts in future may be allowed only against production of the underlying documents, at the time of booking the contract.

The products available under this facility are as follows:

i) Forward Foreign Exchange Contracts

Participants

Market-makers - AD Category I banks

Users - Persons resident in India

Purpose

- a) To hedge exchange rate risk in respect of transactions for which sale and /or purchase of foreign exchange is permitted under the FEMA 1999, or in terms of the rules/ regulations/directions/orders made or issued there under.
- b) To hedge exchange rate risk in respect of the market value of overseas direct investments (in equity and loan).
 - i) Contracts covering overseas direct investment (ODI) can be cancelled or rolled over on due dates. However, AD Category I banks may permit rebooking only to the extent of 50 per cent of the cancelled contracts.
 - ii) If a hedge becomes naked in part or full owing to contraction (due to price movement/impairment) of the market value of the ODI, the hedge may be allowed to continue until maturity, if the customer so desires. Rollovers on due date shall be permitted up to the extent of the market value as on that date.
- c) To hedge exchange rate risk of transactions denominated in foreign currency but settled in INR, including hedging the economic (currency indexed) exposure of importers in respect of customs duty payable on imports.
 - i) Forward foreign exchange contracts covering such transactions will be settled in cash on maturity.
 - ii) These contracts once cancelled, are not eligible to be rebooked.
 - iii) In the event of any change in the rate(s) of customs duties, due to Government notifications subsequent to the date of the forward contracts, importers may be allowed to cancel and/or rebook the contracts before maturity.

Operational Guidelines, Terms and Conditions

General principles to be observed for forward foreign exchange contracts.

- a) The maturity of the hedge should not exceed the maturity of the underlying transaction. The currency of hedge and tenor, subject to the above restrictions, are left to the customer. Where the currency of hedge is different

from the currency of the underlying exposure, the risk management policy of the corporate, approved by the Board of the Directors, should permit such type of hedging.

- b) Where the exact amount of the underlying transaction is not ascertainable, the contract may be booked on the basis of reasonable estimates. However, there should be periodical review of the estimates.
- c) Foreign currency loans/bonds will be eligible for hedge only after final approval is accorded by the Reserve Bank, where such approval is necessary or Loan Registration Number is allotted by the Reserve Bank.
- d) Global Depository Receipts (GDRs)/American Depository Receipts (ADRs) will be eligible for hedge only after the issue price has been finalized.
- e) Balances in the Exchange Earner's Foreign Currency (EEFC) accounts sold forward by the account holders shall remain earmarked for delivery and such contracts shall not be cancelled. They are, however, eligible for rollover, on maturity.
- f) All non-INR forward contracts can be rebooked on cancellation subject to condition (h) below. Forward contracts, involving the Rupee as one of the currencies, booked by residents to hedge current account transactions, regardless of the tenor, and to hedge capital account transactions, falling due within one year, may be allowed to be cancelled and rebooked subject to condition (h) below. This relaxation of cancellation and rebooking will not be available to forward contracts booked on past performance basis without documents as also forward contracts booked to hedge transactions denominated (or indexed) in foreign currency but settled in INR.
- g) The facility of cancellation and rebooking is not permitted for forward contracts, involving Rupee as one of the currencies, booked by residents to hedge capital account transactions for tenor greater than one year. These forward contract(s) if cancelled with one AD Category I bank can be rebooked with another AD Category I bank, subject to the following conditions:
 - (i) the switch is warranted by competitive rates on offer, termination of banking relationship with the AD Category I bank with whom the contract was originally booked;
 - (ii) the cancellation and rebooking are done simultaneously on the maturity date of the contract; and
 - (iii) the responsibility of ensuring that the original contract has been

cancelled rests with the AD Category I bank who undertakes rebooking of the contract.

- h) The facility of rebooking should not be permitted unless the corporate has submitted the exposure information as prescribed in Appendix B.
- i) Substitution of contracts for hedging trade transactions may be permitted by an AD Category I bank on being satisfied with the circumstances under which such substitution has become necessary. The AD Category I bank may also verify the amount and tenor of the underlying substituted.

ii) Cross Currency Options (not involving Rupee)

Participants

Market-makers - AD Category I banks as approved for this purpose by the Reserve Bank

Users – Persons resident in India

Purpose

- a) To hedge exchange rate risk arising out of trade transactions.
- b) To hedge the contingent foreign exchange exposure arising out of submission of a tender bid in foreign exchange.

Operational Guidelines, Terms and Conditions

- a) AD Category I banks can only offer plain vanilla European options².
- b) Customers can buy call or put options.
- c) These transactions may be freely booked and/ or cancelled subject to verification of the underlying.
- d) All guidelines applicable for cross currency forward contracts are applicable to cross currency option contracts also.
- e) Cross currency options should be written by AD Category I banks on a fully covered back-to-back basis. The cover transaction may be undertaken with a bank outside India, an Off-shore Banking Unit situated in a Special Economic Zone or an internationally recognized option exchange or another AD Category I bank in India. AD Category I banks desirous of writing options, should obtain a one-time approval from the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Forex Markets Division, Central Office, Amar Building 5th Floor, Mumbai, 400001, before undertaking the business.

² A European option may be exercised only at the expiry date of the option, i.e. at a single pre-defined point in time.

iii) Foreign Currency - INR Options

Participants

Market-makers - AD Category I banks, as approved for this purpose by the Reserve Bank.

Users – Persons resident in India

Purpose

- a) To hedge foreign currency exposures in accordance with Schedule I of Notification No. FEMA 25/2000-RB dated May 3, 2000, as amended from time to time.
- b) To hedge the contingent foreign exchange exposure arising out of submission of a tender bid in foreign exchange.

Operational Guidelines, Terms and Conditions

- a) AD Category I banks having a minimum CRAR of 9 per cent, can offer foreign currency– INR options on a back-to-back basis.
- b) For the present, AD category I banks can offer only plain vanilla European options.
- c) Customers can buy call or put options.
- d) All guidelines applicable for foreign currency-INR foreign exchange forward contracts are applicable to foreign currency-INR option contracts also.
- e) AD Category I banks having adequate internal control, risk monitoring/management systems, mark to market mechanism, etc. are permitted to run a foreign currency– INR options book on prior approval from the Reserve Bank, subject to conditions. AD Category I banks desirous of running a foreign currency-INR options book and fulfilling minimum eligibility criteria listed below, may apply to the Reserve Bank with copies of approval from the competent authority (Board/ Risk Committee/ ALCO), detailed memorandum in this regard, specific approval of the Board for the type of option writing and permissible limits. The memorandum put up to the Board should clearly mention the downside risks, among other matters.

Minimum Eligibility Criteria:

- i. Net worth not less than Rs 300 crore
- ii. CRAR of 10 per cent
- iii. Net NPAs not exceeding 3 per cent of the net advances
- iv. Continuous profitability for at least three years

The Reserve Bank will consider the application and accord a one-time approval at its discretion. AD Category I banks are expected to manage the

option portfolio within the Reserve Bank approved risk management limits.

- f) AD banks may quote the option premium in Rupees or as a percentage of the Rupee/foreign currency notional.
- g) Option contracts may be settled on maturity either by delivery on spot basis or by net cash settlement in Rupees on spot basis as specified in the contract. In case of unwinding of a transaction prior to the maturity, the contract may be cash settled based on market value of an identical off-setting option.
- h) Market makers are allowed to hedge the 'Delta' of their option portfolio by accessing the spot and forward markets. Other 'Greeks' may be hedged by entering into option transactions in the inter-bank market.
- i) The 'Delta' of the option contract would form part of the overnight open position.
- j) The 'Delta' equivalent as at the end of each maturity shall be taken into account for the purpose of AGL. The residual maturity (life) of each outstanding option contract can be taken as the basis for the purpose of grouping under various maturity buckets
- k) AD banks running an option book are permitted to initiate plain vanilla cross currency option positions to cover risks arising out of market making in foreign currency-INR options.
- l) Banks should put in place necessary systems for marking to market the portfolio on a daily basis. FEDAI will publish daily a matrix of polled implied volatility estimates, which market participants can use for marking to market their portfolio.
- m) The accounting framework for option contracts will be as per FEDAI circular No.SPL-24/FC-Rupee Options/2003 dated May 29, 2003.

iv) Foreign Currency-INR Swaps

Participants

Market-makers – AD Category I banks in India.

Users –

- i. Residents having a foreign currency liability and undertaking a foreign currency-INR swap to move from a foreign currency liability to a Rupee liability.
- ii. Incorporated resident entities having a rupee liability and undertaking a INR –foreign currency swap to move from rupee liability to a foreign currency liability, subject to certain minimum prudential requirements,

such as risk management systems and natural hedges or economic exposures. In the absence of natural hedges or economic exposures, the INR-foreign currency swap (to move from rupee liability to a foreign currency liability) may be restricted to listed companies **or** unlisted companies with a minimum net worth of Rs 200 crore. Further, the AD Category I bank is required to examine the suitability and appropriateness of the swap and be satisfied about the financial soundness of the corporate.

Purpose

To hedge exchange rate and/or interest rate risk exposure for those having long-term foreign currency borrowing or to transform long-term INR borrowing into foreign currency liability.

Operational Guidelines, Terms and Conditions

- a) No swap transactions involving upfront payment of Rupees or its equivalent in any form shall be undertaken.
- b) The term “long-term exposure” means exposures with residual maturity of one year or more.
- c) Swap transactions may be undertaken by AD Category I banks as intermediaries by matching the requirements of corporate counterparties. While no limits are placed on the AD Category I banks for undertaking swaps to facilitate customers to hedge their foreign exchange exposures, a limit of USD 100 million is placed for net supply of foreign exchange in the market on account of swaps which facilitate customers to assume foreign currency liability. Positions arising out of cancellation of foreign currency-INR swaps by customers need not be reckoned within this cap.
- d) With reference to the specified limits for swap transactions facilitating customers to assume a foreign currency liability, the limit will be reinstated on account of cancellation/ maturity of the swap and on amortization, up to the amounts amortized.
- e) The swap transactions, once cancelled, shall not be rebooked or re-entered, by whichever mechanism or by whatever name called.
- f) AD Category I banks should not offer leveraged swap structures. Typically, in leveraged swap structures, a multiplicative factor other than unity is attached to the benchmark rate(s), which alters the payables or receivables vis-à-vis the situation in the absence of such a factor.
- g) The notional principal amount of the swap should not exceed the outstanding amount of the underlying loan.

h) The maturity of the swap should not exceed the remaining maturity of the underlying loan.

v) Cost Reduction Structures i.e. cross currency option cost reduction structures and foreign currency –INR option cost reduction structures.

Participants

Market-makers - AD Category I banks

Users – Listed companies or unlisted companies with a minimum net worth of Rs. 100 crore (subsidiaries or affiliates of listed companies which follow AS 30/32, having common treasuries and consolidate the accounts with parent companies are exempted from the minimum net worth criteria), which are complying with the following:

- Adoption of Accounting Standards 30 and 32. Companies which are not complying fully with AS 30 and 32 should follow the accounting treatment and disclosure standards on derivative contracts, as envisaged under AS 30/32.
- Having a risk management policy and a specific clause in the policy that allows using the type/s of cost reduction structures.

Purpose

To hedge exchange rate risk arising out of trade transactions and External Commercial Borrowings (ECBs).

Operational Guidelines, Terms and Conditions

- a) Writing of options by the users, on a standalone basis, is not permitted.
- b) Users can enter into option strategies of simultaneous buy and sell of plain vanilla European options, provided there is no net receipt of premium.
- c) Leveraged structures, digital options, barrier options, range accruals and any other exotic products are not permitted.
- d) The portion of the structure with the largest notional, computed over the tenor of the structure, should be reckoned for the purpose of underlying.
- e) The delta of the options should be explicitly indicated in the term sheet.

- f) AD Category I banks may, stipulate additional safeguards, such as, continuous profitability, higher net worth, turnover, etc depending on the scale of forex operations and risk profile of the users.
- g) The maturity of the hedge should not exceed the maturity of the underlying transaction and subject to the same the users may choose the tenor of the hedge. In case of trade transactions being the underlying, the tenor of the structure shall not exceed two years.
- h) The MTM position should be intimated to the users on a periodical basis.

vi) Hedging of Borrowings in foreign exchange, which are in accordance with the provisions of Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000.

Products – Interest rate swap, Cross currency swap, Coupon swap, Cross currency option, Interest rate cap or collar (purchases), Forward rate agreement (FRA)

Participants

Market-makers –

- a) AD Category I banks in India
- b) Branch outside India of an Indian bank authorized to deal in foreign exchange in India
- c) Offshore banking unit in a SEZ in India.

Users –

Persons resident in India who have borrowed foreign exchange in accordance with the provisions of Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000

Purpose

For hedging interest rate risk and currency risk on loan exposure and unwinding from such hedges

Operational Guidelines, Terms and Conditions

- a) The products, as detailed above should not involve the rupee under any circumstances.
- b) Final approval has been accorded or Loan Registration Number allotted by the Reserve Bank for borrowing in foreign currency.
- c) The notional principal amount of the product should not exceed the outstanding amount of the foreign currency loan.

- d) The maturity of the product should not exceed the unexpired maturity of the underlying loan.
- e) The contracts may be cancelled and rebooked freely.

2) Probable exposures based on past performance

Participants

Market-makers – AD Category I banks in India.

Users – Importers and exporters of goods and services

Purpose

To hedge currency risk 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. Probable exposure based on past performance can be hedged only in respect of trades in merchandise goods as well as services.

Products

Forward foreign exchange contracts, cross currency options (not involving the rupee), foreign currency-INR options and cost reduction structures [as mentioned in section B para I 1(v)].

Operational Guidelines, Terms and Conditions

- a) Corporates having a minimum net worth of Rs 200 crores and an annual export and import turnover exceeding Rs 1000 crores and satisfying all other conditions as stipulated in section B para I 1(v) may be allowed to use cost reduction structures.
- b) The contracts booked during the current financial year (April-March) and the outstanding contracts at any point of time should not exceed the eligible limit i.e. the average of the previous three financial years' actual import/export turnover or the previous year's actual import/export turnover, whichever is higher.
- c) Contracts booked in excess of 75 per cent of the eligible limit will be on deliverable basis and cannot be cancelled.
- d) These limits shall be computed separately for import/export transactions.
- e) Higher limits will be permitted on a case-by-case basis on application to the Foreign Exchange Department, Central Office, Reserve Bank of India. The additional limits, if sanctioned, shall be on a deliverable basis.
- f) Any contract booked without producing documentary evidence will be marked

off against this limit. These contracts once cancelled, are not eligible to be rebooked. Rollovers are also not permitted.

g) AD banks should permit their clients to use the past performance facility only after satisfying themselves that the following conditions are complied with:

- i. An undertaking may be taken from the customer that supporting documentary evidence will be produced before the maturity of all the contracts booked.
- ii. Importers and exporters should furnish a quarterly declaration to the AD Category I banks, duly certified by the Statutory Auditor, regarding amounts booked with other AD Category I banks under this facility, as per Appendix M.
- iii. For an exporter customer to be eligible for this facility, the aggregate of overdue bills shall not exceed 10 per cent of the turnover.
- iv. Aggregate outstanding contracts in excess of 50 per cent of the eligible limit may be permitted by the AD Category I bank on being satisfied about the genuine requirements of their customers after examination of the following documents:
 - A certificate from the Statutory Auditor of the customer that all guidelines have been adhered to while utilizing this facility.
 - A certificate of import/export turnover of the customer during the past three years duly certified by their Statutory Auditor in the format given in Appendix K.

h) The past performance limits once utilised are not to be reinstated either on cancellation or on maturity of the contracts.

i) AD Category I banks must arrive at the past performance limits at the beginning of every financial year. The drawing up of the audited figures (previous year) may require some time at the commencement of the financial year. However, if the statements are not submitted within three months from the last date of the financial year, the facility should not be provided until submission of the audited figures.

j) AD Category I banks must institute appropriate systems for validating the past performance limits at pre-deal stage. In addition to the customer declarations, AD Category I banks should also assess the past transactions with the customers, turnover, etc.

k) AD Category I banks are required to submit a monthly report (as on the last Friday of every month) on the limits granted and utilised by their constituents

under this facility as prescribed in Appendix J.

3) Special Dispensation

i) Small and Medium Enterprises (SMEs)

Participants

Market-makers – AD Category I.

Users – Small and Medium Enterprises (SMEs) ³

Purpose

To hedge direct and / or indirect exposures of SMEs to foreign exchange risk

Product

Forward foreign exchange contracts

Operational Guidelines: Small and Medium Enterprises (SMEs) having direct and / or indirect exposures to foreign exchange risk are permitted to book / cancel / rebook/ roll over forward contracts without production of underlying documents to manage their exposures effectively, subject to the following conditions:

- a) Such contracts may be booked through AD Category I banks with whom the SMEs have credit facilities and the total forward contracts booked should be in alignment with the credit facilities availed by them for their foreign exchange requirements or their working capital requirements or capital expenditure.
- b) AD Category I bank should carry out due diligence regarding “*user appropriateness*” and “*suitability*” of the forward contracts to the SME customers as per Para 8.3 of 'Comprehensive Guidelines on Derivatives' issued vide DBOD.No.BP.BC. 86/21.04.157/2006-07 dated April 20, 2007.
- c) The SMEs availing this facility should furnish a declaration to the AD Category I bank regarding the amounts of forward contracts already booked, if any, with other AD Category I banks under this facility.

ii) Resident Individuals

Participants

Market-makers – AD Category I banks

Users: Resident Individuals

Purpose

To hedge their foreign exchange exposures arising out of actual or anticipated

³ SME as defined by the Rural Planning and Credit Department, Reserve Bank of India vide circular [RPCD.PLNS. BC.No.63/06.02.31/2006-07 dated April 4, 2007.](#)

remittances, both inward and outward, can book forward contracts, without production of underlying documents, up to a limit of USD 100,000, based on self declaration.

Product

Forward foreign exchange contracts

Operational Guidelines, Terms and Conditions

- a) The contracts booked under this facility would normally be on a deliverable basis. However, in case of mismatches in cash flows or other exigencies, the contracts booked under this facility may be allowed to be cancelled and re-booked. The notional value of the outstanding contracts should not exceed USD 100,000 at any time.
- b) The contracts may be permitted to be booked up to tenors of one year only.
- c) Such contracts may be booked through AD Category I banks with whom the resident individual has banking relationship, on the basis of an application-cum-declaration in the format given in Appendix G. The AD Category I banks should satisfy themselves that the resident individuals understand the nature of risk inherent in booking of forward contracts and should carry out due diligence regarding “*user appropriateness*” and “*suitability*” of the forward contracts to such customer.

B II. General Instructions for forex derivative contracts entered by Residents in India

While the guidelines indicated above govern specific foreign exchange derivatives, certain general principles and safeguards for prudential considerations that are applicable across the OTC foreign exchange derivatives, are detailed below. In addition to the guidelines under the specific foreign exchange derivative product, the general instructions should be followed scrupulously by the users (residents in India other than AD Category I banks) and the market makers (AD Category I banks).

- a) In case of all forex derivative transactions [except INR- foreign currency swaps i.e. moving from INR liability to foreign currency liability as in section B para I(1)(iv)] is undertaken, AD Category I banks must take a declaration from the clients that the exposure is unhedged and has not been hedged with another AD Category I bank. The corporates should provide an annual certificate to the AD Category I bank certifying that the derivative transactions are authorized and that the Board (or the equivalent forum in case of partnership or proprietary firms) is aware of the same.

- b) In the case of **contracted exposure**, AD Category I banks must obtain:
- i) An undertaking from the customer that the same underlying exposure has not been covered with any other AD Category I bank/s. Where hedging of the same exposure is undertaken in parts, with more than one AD Category I bank, the details of amounts already booked with other AD Category I bank/s should be clearly indicated in the declaration. This undertaking can also be obtained as a part of the deal confirmation.
 - ii) Quarterly certificates from the statutory auditors of the users, that the contracts outstanding at any point of time with all AD Category I banks during the quarter did not exceed the value of the underlying exposures.
- c) Derived foreign exchange exposures are not permitted to be hedged. However, in case of INR- foreign currency swaps, at the inception, the user can enter into one time plain vanilla cross currency option (not involving Rupee) to cap the currency risk.
- d) In any derivative contract, the notional amount should not exceed the actual underlying exposure at any point in time. Similarly, the tenor of the derivative contracts should not exceed the tenor of the underlying exposure. The notional amount for the entire transaction over its complete tenor must be calculated and the underlying exposure being hedged must be commensurate with the notional amount of the derivative contract.
- e) Only one hedge transaction can be booked against a particular exposure/ part thereof for a given time period.
- f) The term sheet for the derivative transactions (except forward contracts) should also necessarily and clearly mention the following:
- i) the purpose for the transaction detailing how the product and each of its components help the client in hedging;
 - ii) the spot rate prevailing at the time of executing the transaction; and
 - iii) quantified maximum loss/ worst downside in various scenarios.
- g) AD Category I banks can offer only those products that they can price independently. This is also applicable to the products offered even on back to back basis. The pricing of all forex derivative products should be locally demonstrable at all times.
- h) The market-makers should carry out proper due diligence regarding 'user appropriateness' and 'suitability' of products before offering derivative products (except forward contracts) to users as detailed in DBOD.No.BP.BC.

86/21.04.157/2006-07 dated April 20, 2007.

- i) AD Category I may share with the user the various scenario analysis encompassing both the possible upside as well as the downsides and sensitivity analysis identifying the various market parameters that affect the product.
- j) The provisions of comprehensive guidelines on Derivatives issued vide DBOD.No.BP.BC. 86/21.04.157/2006-07 dated April 20, 2007 and as amended from time to time are also applicable to forex derivatives.
- k) Sharing of information on derivatives between banks is mandatory and as detailed vide circular DBOD.No.BP.BC.46/08.12.001/2008-09 dated September 19, 2008 and DBOD.No. BP. BC. 94/ 08.12.001/ 2008-09 dated December 8, 2008.

Section C

Facilities for Persons Resident outside India

For persons resident outside India, only capital account transactions as enumerated hereunder, subject to verification of underlying exposure, are permitted to be hedged. Transactions arising out of trade in merchandise goods as well as services with residents or non residents are not permitted to be hedged.

Participants

Market-makers – In respect of FIIs, designated branches of AD Category I banks maintaining accounts of FIIs. In all other cases, AD Category I banks.

Users – Foreign Institutional Investors (FII), Investors having Foreign Direct Investments (FDI) and Non Resident Indians (NRIs).

The purpose, products and operational guidelines of each of the users is detailed below:

i) FII related

Purpose

To hedge currency risk on the market value of entire investment in equity and/or debt in India as on a particular date.

Products

Forward foreign exchange contracts with rupee as one of the currencies and foreign currency-INR options.

Operational Guidelines, Terms and Conditions

- a) The eligibility for cover may be determined on the basis of the declaration of the FII.
- b) AD Category I banks may undertake periodic reviews, at least at quarterly intervals, on the basis of market price movements, fresh inflows, amounts repatriated and other relevant parameters to ensure that the forward cover outstanding is supported by underlying exposures.
- c) If a hedge becomes naked in part or in full owing to contraction of the market value of the portfolio, for reasons other than sale of securities, the hedge may be allowed to continue till the original maturity, if so desired.
- d) The contracts, once cancelled cannot be rebooked except to the extent of 2 per cent of the market value of the portfolio as at the beginning of the financial year. The forward contracts may, however, be rolled over on or before maturity.
- e) The cost of hedge should be met out of repatriable funds and /or inward remittance through normal banking channel.

- f) All outward remittances incidental to the hedge are net of applicable taxes.

ii) FDI related

Purpose

- i) To hedge exchange rate risk on the market value of investments made in India since January 1, 1993, subject to verification of the exposure in India
- ii) To hedge exchange rate risk on dividend receivable on the investments in Indian companies
- iii) To hedge exchange rate risk on proposed investment in India

Products

Forward foreign exchange contracts with rupee as one of the currencies and foreign currency-INR options.

Operational Guidelines, Terms and Conditions

- a) In respect of contracts to hedge exchange rate risk on the market value of investments made in India, contracts once cancelled are not eligible to be rebooked. The contracts may, however, be rolled over.
- b) In respect of proposed foreign direct investments, following conditions would apply:
 - (i) Contracts to hedge exchange rate risk arising out of proposed investment in Indian companies may be allowed to be booked only after ensuring that the overseas entities have completed all the necessary formalities and obtained necessary approvals (wherever applicable) for the investment.
 - (ii) The tenor of the contracts should not exceed six months at a time beyond which permission of the Reserve Bank would be required to continue with the contract.
 - (iii) These contracts, if cancelled, shall not be eligible to be rebooked for the same inflows.
 - (iv) Exchange gains, if any, on cancellation shall not be passed on to the overseas investor.

iii) NRI related

Purpose

- a) To hedge the exchange rate risk on the market value of investment made under the portfolio scheme in accordance with provisions of FERA, 1973 or under notifications issued there under or in accordance with provisions of FEMA, 1999.

- b) To hedge the exchange rate risk on the amount of dividend due on shares held in Indian companies.
- c) To hedge the exchange rate risk on the amounts held in FCNR (B) deposits.
- d) To hedge the exchange rate risk on balances held in NRE account.

Products

- a) Forward foreign exchange contracts with rupee as one of the currencies, and foreign currency-INR options.
- b) Additionally, for balances in FCNR (B) accounts – Cross currency (not involving the rupee) forward contracts to convert the balances in one foreign currency to other foreign currencies in which FCNR (B) deposits are permitted to be maintained.

Operational Guidelines, Terms and Conditions

The operational guidelines as outlined for FIIs would be applicable, with the exception of the provision relating to rebooking of cancelled contracts. All foreign exchange derivative contracts permissible for a resident outside India other than a FII, once cancelled, are not eligible to be rebooked.

Section D

Facilities for Authorised Dealers Category I

i) Management of Assets and Liabilities

Users – AD Category I banks

Purpose - Hedging of interest rate and currency risks of foreign exchange asset-liability portfolio

Products - Interest Rate Swap, Interest Rate Cap/Collar, Currency Swap, Forward Rate Agreement. AD banks may also purchase call or put options to hedge their cross currency proprietary trading positions.

Operational Guidelines, Terms and Conditions

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

- a) An appropriate policy in this regard is approved by the Top Management.
- b) The value and maturity of the hedge should not exceed those of the underlying.
- c) No 'stand alone' transactions can be initiated. If a hedge becomes naked, in part or full, owing to the contraction of the value of portfolio, it may be allowed to continue till the original maturity and should be marked to market at regular intervals.
- d) The net cash flows arising out of these transactions are booked as income/expenditure and reckoned toward foreign exchange position, wherever applicable.

ii) Hedging of Gold Price Risk

Users –

- i. Banks authorised by the Reserve Bank to operate the Gold Deposit Scheme
- ii. Banks, which are allowed to enter into forward gold contracts in India in terms of the guidelines issued by the Department of Banking Operations and Development (including the positions arising out of inter-bank gold deals)

Purpose – To hedge price risk of gold

Products - Exchange-traded and over-the-counter hedging products available overseas.

Operational Guidelines, Terms and Conditions

- a) While using products involving options, it may be ensured that there is no net receipt of premium, either direct or implied.

- b) Authorised banks are permitted to enter into forward contracts with their constituents (exporters of gold products, jewellery manufacturers, trading houses, etc.) in respect of the underlying sale, purchase and loan transactions in gold with them, subject to the conditions specified by the Reserve Bank in this regard. The tenor of such contracts should not exceed six months.

iii) Hedging of currency risk on capital

Users – Foreign banks operating in India

Product – Forward foreign exchange contracts

Operational Guidelines, Terms and Conditions

- a) Tier I capital -
 - i) The capital funds should be available in India to meet local regulatory and CRAR requirements and, hence, these should not be parked in nostro accounts. Foreign currency funds accruing out of hedging should not be parked in Nostro accounts but should remain swapped with banks in India at all times.
 - ii) The forward contracts should be for tenors of one or more years and may be rolled over on maturity. Rebooking of cancelled hedges will require prior approval of the Reserve Bank.
- b) Tier II capital -
 - i) Foreign banks are permitted to hedge their Tier II capital in the form of Head Office borrowing as subordinated debt, by keeping it swapped into rupees at all times in terms of DBOD circular No.IBS.BC.65 /23.10.015/2001-02 dated February 14, 2002.
 - ii) Banks are not permitted to enter into foreign currency-INR swap transactions involving conversion of fixed rate rupee liabilities in respect of Innovative Tier I/Tier II bonds into floating rate foreign currency liabilities.

Section E

Commodity Hedging

Residents in India, engaged in import and export trade or as otherwise approved by the Reserve Bank from time to time, are permitted to hedge the price risk of permitted commodities in the international commodity exchanges/ markets. This facility must not be used in conjunction with any other derivative product. It may be noted that the role of Authorized Dealer banks here is primarily to provide facilities for remitting foreign currency amounts towards margin requirements from time to time, subject to verification of the underlying exposure. In lieu of making a direct remittance towards payment obligations arising out of commodity derivative transactions entered into by customers with overseas counterparties, AD Category I banks may issue guarantees/standby letters of credit to cover these specific payment obligations related to commodity derivatives, subject to the conditions/guidelines in Appendix L. It is clarified that the term Board, wherever used refers to Board of Directors or the equivalent forum in case of partnership or proprietary firms. The facility is divided into following categories:

I) Delegated Route

a. Hedging of price risk on actual Import/Export of commodities

Participants

Users: Companies in India listed on a recognized stock exchange engaged in import and export of commodities

Facilitators: AD Category I banks specifically authorized by the Reserve Bank in this regard.

Purpose: To hedge price risk of the imported/exported commodity

Products: Standard exchange traded futures and options (purchases only) in international commodity exchanges. If risk profile warrants –may use OTC contracts overseas.

Operational Guidelines

AD Category I banks satisfying certain minimum norms, and authorized by the Reserve Bank may grant permission to companies listed on a recognized stock exchange to hedge price risk on import/ export in respect of any commodity(except gold, silver, platinum) in the international commodity exchanges/ markets. The guidelines are given in Appendix H (A & B).

b. Hedging of anticipated imports of crude oil

Participants

Users: Domestic companies engaged in refining crude oil.

Facilitators: AD Category I banks specifically authorized by the Reserve Bank in this regard.

Purpose: To hedge the price risk on crude oil imports on the basis of past performance.

Products: Standard exchange traded futures and options (purchases only) in international commodity exchanges. If risk profile warrants – may use OTC contracts overseas.

Operational Guidelines:

- a) Hedging to be permitted up to 50 per cent of the volume of actual imports during the previous year or 50 per cent of the average volume of imports during the previous three financial years, whichever is higher.
- b) Contracts booked under this facility will have to be regularized by production of supporting import orders during the currency of the hedge. An undertaking may be obtained from the companies to this effect.
- c) All other conditions and guidelines as per Appendix H should be complied with.

c. Hedging of price risk on domestic purchase and sales

(i) Select Metals

Participants

Users: Domestic producers/ users of aluminium, copper, lead, nickel and zinc listed on a recognized stock exchange.

Facilitators: AD Category I banks specifically authorized by the Reserve Bank in this regard

Purpose: To hedge the price risk on aluminium, copper, lead, nickel and zinc based on their underlying economic exposures

Products: Standard exchange traded futures and options (purchases only) in international commodity exchanges.

Operational Guidelines:

- a) 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.

- b) AD Category I banks would require the user to submit a Board resolution certifying Board approved policies which define the overall framework within which derivatives activities should be conducted and the risks controlled.
- c) All other conditions and guidelines as per Appendix H (A & B) should be complied with.

(ii) ATF (Aviation Turbine Fuel)

Participants

Users: Actual domestic users of ATF.

Facilitators: AD Category I banks specifically authorized by the Reserve Bank in this regard.

Purpose: To hedge economic exposures in respect of ATF based on domestic purchases.

Products: Standard exchange traded futures and options (purchases only) in international commodity exchanges. If risk profile warrants – may use OTC contracts overseas.

Operational Guidelines:

- a) AD Category I banks should ensure that permission for hedging ATF is granted only against firm orders.
- b) AD Category I banks should retain necessary documentary evidence.
- c) AD Category I banks would require the user to submit a Board resolution certifying Board approved policies which define the overall framework within which derivatives activities should be conducted and the risks controlled.
- d) All other conditions and guidelines as per Appendix H (A & B) should be complied with.

(iii) Domestic purchases of crude oil and sales of petro-products

Participants

Users: Domestic crude oil refining companies.

Facilitators: AD Category I banks specifically authorized by the Reserve Bank in this regard.

Purpose: To hedge commodity price risk on domestic purchases of crude oil and domestic sales of petroleum products, which are linked to international prices.

Products: Standard exchange traded futures and options (purchases only) in international commodity exchanges. If risk profile warrants – may use OTC contracts overseas.

Operational Guidelines:

- a) The hedging will be allowed strictly on the basis of underlying contracts.
- b) AD Category I banks should retain necessary documentary evidence.
- c) All other conditions and guidelines as per Appendix H (A & B) should be complied with.

d. Hedging of price risk on Inventory

Participants

Users: Domestic oil marketing and refining companies.

Facilitators: AD Category I banks specifically authorized by the Reserve Bank in this regard.

Purpose: To hedge commodity price risk on Inventory.

Products: Over-the-counter (OTC) / exchange traded derivatives overseas with tenor restricted to a maximum of one-year forward.

Operational Guidelines:

- a) Hedge is allowed to the extent of 50 per cent of their inventory based on the volumes in the quarter proceeding the previous quarter.
- b) All other conditions and guidelines as per Appendix H (A & B) should be complied with.

II) Approval Route

Participants

Users: Residents in India, other than companies listed on recognized stock exchanges, engaged in import and export of commodities or customers who are exposed to systemic international price risk.

Facilitators: AD Category I banks

Purpose: To hedge price risk of the imported/exported commodity and systemic international price risk

Products: Standard exchange traded futures and options (purchases only) in international commodity exchanges. If risk profile warrants – may use OTC contracts overseas.

Operational Guidelines:

Applications of companies/ firms which are not covered by the delegated authority of AD Category I may be forwarded to the Reserve Bank for consideration through the International Banking Division of an AD Category I bank concerned along with the latter's specific recommendations. The details of the application are given in Appendix-I.

III) Entities in Special Economic Zones (SEZ)**Participants**

Users: Entities in Special Economic Zones (SEZ)

Facilitators: AD Category I banks

Purpose: To hedge price risk of the imported/exported commodity

Products: Standard exchange traded futures and options (purchases only) in international commodity exchanges. If risk profile warrants – may use OTC contracts overseas.

Operational Guidelines:

AD banks may allow entities in the Special Economic Zones (SEZ) to undertake hedging transactions in the overseas commodity exchanges/markets to hedge their commodity prices on export/import, subject to the condition that such contract is entered into on a stand-alone basis. (The term "standalone" means the unit in SEZ is completely isolated from financial contacts with its parent or subsidiary in the mainland or within the SEZs as far as its import/export transactions are concerned.)

NOTE: The detailed guidelines in respect of Delegated Route and Approval Route are given in the Appendix H and I respectively.

Section F

Freight Hedging

Domestic oil refining companies and shipping companies exposed to freight risk, are permitted to hedge their freight risk by the AD Category I banks authorized by the Reserve Bank. Other companies exposed to freight risk can seek prior permission from the Reserve Bank through their AD Category I bank.

It may be noted that the role of Authorized Dealer banks here is primarily to provide facilities for remitting foreign currency amounts towards margin requirements from time to time, subject to verification of the underlying exposure. This facility must not be used in conjunction with any other derivative product. The facility is divided into following categories:

I) Delegated Route

Participant:

Users: Domestic oil-refining companies and shipping companies.

Facilitators: AD Category I banks, specifically authorized by the Reserve Bank i.e. those who have been delegated the authority to grant permission to listed companies to hedge commodity price risk in the international commodity exchanges / markets, subject to the conditions mentioned therein.

Purpose: To hedge freight risk.

Products: Plain vanilla Over the Counter (OTC) or exchange traded products in the international market / exchange.

Operational Guidelines:

- i) The maximum tenor permissible will be one year forward.
- ii) The exchanges on which the products are purchased must be a regulated entity in the host country.
- iii) AD Category I banks should ensure that the entities hedging their freight exposures have Board Resolutions which certify that the Board approved Risk Management policies, defines the overall framework within which derivative transactions should be undertaken and the risks contained therein. AD Category I banks should approve this facility only after ensuring that the sanction of the company's Board has been obtained for the specific activity and also for dealing in overseas exchanges / markets. The Board approval must include explicitly the authority/ies permitted to undertake the transactions, the mark-to-market policy, the counterparties permitted for OTC

derivatives, etc. and a list of transactions undertaken should be put up to the Board on a half-yearly basis.

- iv) The AD Category I bank must obtain a copy of a Board resolution that certifies that the corporate has a Risk Management Policy, incorporating the above details at the time of permitting the transaction itself and as and when changes made therein.
- v) The underlying exposure for the users is detailed under (a) and (b) below:

(a) For Domestic oil refining companies:

- (i) The freight hedging will be on the basis of underlying contracts i.e., import/export orders for crude oil/petroleum products.
- (ii) Additionally, domestic oil refining companies may hedge their freight risk on anticipated imports of crude oil on the basis of their past performance up to 50 per cent of the volume of actual imports of crude oil during the previous year or 50 per cent of the average volume of imports during the previous three financial years, whichever is higher.
- (iii) Contracts booked under the past performance facility will have to be regularized by production of underlying documents during the currency of the hedge. An undertaking may be obtained from the company to this effect.

(b) For shipping companies:

- (i) The hedging will be on the basis of owned / controlled ships of the shipping company which have no committed employment. The quantum of hedge will be determined by the number and capacity of these ships. The same may be certified by the statutory auditor and submitted to the AD Category I bank.
- (ii) Contracts booked will have to be regularized by production of underlying documents i.e. employment of the ship during the currency of the hedge. An undertaking may be obtained from the company to this effect.
- (iii) AD Category I banks may also ensure that the freight derivatives being entered into by the shipping companies are reflective of the underlying business of the shipping companies.

II) Approval Route

Participants

Users: Companies (other than domestic oil-refining companies and shipping companies) who are exposed to freight risk

Facilitators: AD Category I banks

Purpose: To hedge freight risk

Products: Plain vanilla Over the Counter (OTC) or exchange traded products in the international market / exchange.

Operational Guidelines

- a) The maximum tenor permissible will be one year forward.
- b) The exchanges on which the products are purchased must be a regulated entity in the host country.
- c) Applications of companies/ firms which are not covered by the delegated authority of AD Category I may be forwarded to the Reserve Bank for consideration through the International Banking Division of their AD Category I bank concerned along with the latter's specific recommendations.

Section G

Reports to the Reserve Bank

- i) Authorised Dealers Category I should consolidate the data on cross-currency derivative transactions undertaken by residents and submit half yearly reports (June and December) as per the format indicated in the Appendix A.
- ii) Authorised Dealers Category I should forward details of exposures in foreign exchange as at end of every quarter as per format indicated in Appendix B. The AD banks should submit this report based on bank's books and not based on corporate returns.
- iii) Authorised Dealers Category I should forward details of all swap transactions on a weekly basis in the format given in Appendix C.
- iv) Authorised Dealers Category I should forward details of option transactions (fcy-INR) undertaken on a weekly basis as per the format indicated in Appendix D.
- v) A monthly statement should be furnished before the 10th of the succeeding month, in respect of cover taken by FIIs, indicating the name of the FII / fund, the eligible amount of cover, the actual cover taken, etc. as per the format in Appendix E.
- vi) AD Category I banks are required to submit a quarterly report on the forward contracts booked & cancelled by SMEs and Resident Individuals within the first week of the following month, as per format given in Appendix F. In case of residents such contracts may be booked through AD Category I banks with whom the resident individual has banking relationship, on the basis of an application-cum-declaration in the format given in Appendix G.
- vii) AD Category I 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 the past performance facility in the format given in Appendix J.

All the above mentioned reports are to be sent to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Forex Markets Division, Amar Building, Mumbai - 400 001.

Appendix A

[See section G para (i)]

Cross- currency derivative transactions - statement for the half-year ended....

Product	No. of transactions	Notional principal amount in USD
Interest rate swaps		
Currency swaps		
Coupon swaps		
Foreign currency option		
Interest rate caps or collars (Purchases)		
Forward rate agreement		
Any other product as permitted by Reserve Bank from time to time		

Appendix B

[See section B para I 1(i)(h) and section G para (ii)]

Information relating to exposures in Foreign Currency as on..... Name of the bank.....										Information relating to exposures in Foreign Currency as on.....Name of the bank.....						C. INR/FCY currency swaps based on Rupee Liability (above USD 25 million equivalent be reported)
A. Exposures and Hedges based on Underlying Transactions (USD Million)										B. Exposures and Hedges based on Past Performance (USD Million)						
Sr. No.	Name of Corporate	Trade Related				Non - Trade				Exports			Imports			
		Exposures	Amount hedged	Exposures	Amount hedged	Exposures	Amount hedged	Exposures	Amount hedged	Eligible limits	Cum. Amount hedged	Amount O/S	Eligible limits	Cum. Amount hedged	Amount O/S	
1																
2																
3																
4																
5																
Notes:																
a. Export Bills purchased /discounted/negotiated not to be included																
b. L/C s established/bills under LCs to be retired/ outstanding import collection bills to be included																
c. Data to be submitted based on banks' books and not based on corporate's return																
d. Short term Finance to include Trade Credit (Buyer's credit / supplier's credit) approved by the Bank /PCFC																
e. Non trade exposures to include ECBs , FCCB cases handled by the bank/ FCNR (B) loans etc.																
f. Corporate wise data where the exposures or the hedges undertaken are above USD 25 million or equivalent shall be reported.																
g. All hedges with rupee as one of the legs shall be reported																
h. In the case of option structures, the trade with highest notional amount shall be reported.																
i. Corporate wise data where the eligible limits computed as per RBI guidelines are above USD 25 Million or equivalent shall be reported, in Part B																
j. Under amounts hedged in Part B report the cumulative total of the hedges booked during the financial year																
k. The amount of contracts booked during the previous year and outstanding shall not be included under the amount hedged and amount O/S in Part B.																
l. Only the cases where the bank has sanctioned some PP limits for the corporate shall be reported in Part B																
Please send the report in Excel format by email to 'ecdcfmd@rbi.org.in' copy to 'fedcfmd@rbi.org.in'																

Appendix C

[See section G para (iii)]

Weekly report of Long Term Foreign Currency Rupee Swaps for the week from _____ to _____

Name of the Authorized Dealer Category I bank:-

Date of Transaction	Notional Principal-Currency and Amount	USD equivalent	Customer Name	FC to INR/ INR to FC	Amount covered in the market – Purchase/Sale	Last week's balance	Current Balance

Appendix D

[See section G para (iv)]

Rupee/Fcy Option transactions :

[For the week ended _____]

I. Option Transaction Report

Sr. no	Trade date	Client / C-party Name	Notional	Option Call/ Put	Strike	Maturity	Premium	Purpose*

*Mention balance sheet, trading or client related.

II. Option Positions Report

Currency Pair	Notional Outstanding		Net Portfolio Delta	Net Portfolio Gamma	Net Portfolio Vega
	calls	puts			
USD-INR	USD	USD	USD		
EUR-INR	EUR	EUR	EUR		
JPY-INR	JPY	JPY	JPY		

(Similarly for other currency pairs)

Total Net Open Options Position (INR):

The total net open options position can be arrived using the methodology prescribed in A.P. (DIR Series) Circular No. 92 dated April 4, 2003.

III. Change in Portfolio Delta Report

Change in USD-INR delta for a 0.25% change in spot (\$-appreciation) in INR terms =

Change in USD-INR delta for a 0.25% change in spot (\$-depreciation) in INR terms =

Similarly, Change in delta for a 0.25% change in spot (FCY appreciation & depreciation separately) in INR terms for other currency pairs, such as EUR-INR, JPY-INR etc.

IV. Strike Concentration Report

	Maturity Buckets					
Strike Price	1 week	2 weeks	1 month	2 months	3 months	> 3 months

This report should be prepared for a range of 150 paise around current spot level. Cumulative positions to be given.

All amounts in USD million. When the bank owns an option, the amount should be shown as positive. When the bank has sold an option, the amount should be shown as negative. **All reports may be sent via e-mail by market-makers to fedcofmd@rbi.org.in.** Reports may be prepared as of every Friday and sent by the following Monday.

[See section G para (v)]

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 start of year**

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 :

Appendix F

[See section G para (vi)]

Statement – Details of Forward contracts booked and cancelled

For the Quarter ended –

(USD million)

Category	Forward Contracts Booked		Forward Contracts Cancelled	
	During the Quarter	Cumulative total –Year to Date	During the Quarter	Cumulative total – Year to date
SMEs				
Individuals				

Name of the AD Category – I bank :

Signature of the Authorised official :

Date :

Stamp :

[See section B para I(3)(ii)(c) and section G para (vi)]

Application cum Declaration for booking of forward contracts up to USD 100,000 by 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 forward contracts required

1. Amount (Specify currency pair)

2. Tenor

III. Notional value of forward contracts outstanding as on date

IV. Details of actual / anticipated remittances

1. Amount :

2. Remittance Schedule :

3. Purpose :

Declaration

I,(Name of the applicant), hereby declare that the total amount of foreign exchange forward contracts booked with the ----- (designated branch) of -----(bank) in India is within the limit of USD 100,000/- (US Dollar One lakh only) and certify that the forward contracts are meant for undertaking permitted current and / or capital account transactions. I also certify that I have not booked foreign exchange forward contracts with any other bank / branch. I have understood the risks inherent in booking of foreign exchange forward contracts.

Signature of the applicant

(Name)

Place:

Date:

Certificate by the Authorised Dealer Category – I bank

*This is to certify that the customer(Name of the applicant) having PAN No..... has been maintaining an account(no.) with us since * We certify that the customer meets the AML / KYC guidelines laid down by RBI and confirm having carried out requisite suitability and appropriateness test.*

Name and designation of the authorised official:

Place:

Signature:

Date: Stamp and seal

** month / year*

A. Hedging of Commodity Price Risk in the International Commodity Exchanges/Markets

1. AD category I banks, authorized by the Reserve Bank, can grant permission to companies listed on a recognized stock exchange to hedge the price risk in respect of any commodity (except gold, platinum and silver) in the international commodity exchanges/ markets. AD category I banks satisfying the minimum norms as given below and interested in extending this facility to their customers may forward the application for approval, to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Forex Markets Division, Amar Building, 5th Floor, Fort, Mumbai – 400 001.

2. Minimum norms which are required to be satisfied by the A D Category-I banks:

- i) Continuous profitability for at least three years
- ii) Minimum CRAR of 9%
- iii) Net NPAs at reasonable level but not more than 4 per cent of net advances
- iv) Minimum net worth of Rs 300 crore.

A D Category-I banks may grant permission to corporates only after obtaining approval from the Reserve Bank. Reserve Bank retains the right to withdraw the permission granted to the bank, if considered necessary.

3. Before permitting corporates to undertake hedge transactions, authorized dealer would require them to submit a Board resolution indicating (i) that the Board understands the risks involved in these transactions, (ii) nature of hedge transactions that the corporate would undertake during the ensuing year, and (iii) the company would undertake hedge transaction only where it is exposed to price risk. Authorised Dealers may refuse to undertake any hedge transaction if it has a doubt about the bonafides of the transaction or the corporate is not exposed to price risk. The conditions subject to which ADs would grant permission to hedge and the guidelines for monitoring of the transactions are given below. It is clarified that hedging the price risk on domestic sale/purchase transactions in the international exchanges/markets, even if the domestic price is linked to the international price of the commodity, is not permitted, except certain specified transactions as approved/may be approved by the Reserve Bank. Necessary advice may be given to the customers before they start their hedging activity.

4. Banks which have been granted permission to approve commodity hedging may submit an annual 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 as on March 31 every year, within one month, giving the names of the corporates to whom they have granted permission for commodity hedging and the name of the commodity hedged.

5. Applications from customers to undertake hedge transactions not covered under the delegated authority may continue to be forwarded to the Reserve Bank by the Authorised Dealers Category I, for approval.

Conditions/ Guidelines for undertaking hedging transactions in the international commodity exchanges/ markets

1. The focus of hedge transactions shall be on risk containment. Only off-set hedge is permitted.

2. All standard exchange traded futures and options (purchases only) are permitted. If the risk profile warrants, the corporate/firm may also use OTC contracts. It is also open to the Corporate/firm to use combinations of option strategies involving a simultaneous purchase and sale of options as long as there is no net inflow of premium direct or implied, subject to the guidelines detailed in **Appendix N**. Corporates/firms are allowed to cancel an option position with an opposite transaction with the same broker.

3. The corporate/firm should open a Special Account with the authorised dealer Category-I. All payments/receipts incidental to hedging may be effected by the authorised dealer Category-I through this account without further reference to the Reserve Bank.

4. A copy of the Broker's Month-end Report(s), duly confirmed/countersigned by the corporate's Financial Controller should be verified by the bank to ensure that all off-shore positions are/were backed by physical exposures.

5. The periodic statements submitted by Brokers, particularly those furnishing details of transactions booked and contracts closed out and the amount due/payable in settlement should be checked by the corporate/firm. Unreconciled items should be followed up with the Broker and reconciliation completed within three months.

6. The corporate/firm should not undertake any arbitrage/speculative transactions. The responsibility of monitoring transactions in this regard will be that of the Authorised Dealer Category I.

7. An annual certificate from Statutory Auditors should be submitted by the company/firm to the authorised dealer Category I. The certificate should confirm that the prescribed terms and conditions have been complied with and that the corporate/firm's internal controls are satisfactory. These certificates may be kept on record for internal audit/inspection.

B. Hedging of commodity price risk on petroleum & petroleum Products by domestic crude oil refining companies

1. The hedging has to be undertaken only through AD Category I banks, who have been specifically authorised by the Reserve Bank in terms A. P. (DIR Series) Circular No.03 dated July 23, 2005/para D(I)(a) of this circular, subject to conditions and guidelines as also given in (a) and (b) of this Appendix.

2. While extending the above hedging facilities, AD Category I banks should ensure that the domestic crude oil refining companies hedging their exposures should comply with the following:

- i. to have Board approved policies which define the overall framework within which derivatives activities are undertaken and the risks contained;
- ii. sanction of the company's Board has been obtained for the specific activity and also for dealing in OTC markets;
- iii. the Board approval must include explicitly the mark-to-market policy, the counterparties permitted for OTC derivatives, etc.; and
- iv. domestic crude oil companies should have put up the list of OTC transactions to the Board on a half yearly basis, which must be evidenced by the AD Category I bank before permitting continuation of hedging facilities under this scheme.

3. The AD Category I banks should also ensure "*user appropriateness*" and "*suitability*" of the hedging products used by the customer as laid down in Para 8.3 of 'Comprehensive Guidelines on Derivatives' issued vide our circular DBOD No. BP.BC. 86/21.04.157/2006-07 dated April 20, 2007.

[See section E (II)]

Approval Route

Residents in India, engaged in import and export trade or as otherwise approved by Reserve Bank from time to time, may hedge the price risk of all commodities in the international commodity exchanges/markets. Applications for commodity hedging of companies/ firms which are not covered by the delegated authority of Authorised Dealers Category I may be forwarded to the Reserve Bank for consideration through the International Banking Division of an AD bank along with specific recommendation giving the following details:

1. A brief description of the hedging strategy proposed, namely:
 - a) description of business activity and nature of risk,
 - b) instruments proposed to be used for hedging,
 - c) names of commodity exchanges and brokers through whom risk is proposed to be hedged and credit lines proposed to be availed. The name and address of the regulatory authority in the country concerned may also be given,
 - d) size/average tenure of exposure and/or total turnover in a year, together with expected peak positions thereof and the basis of calculation.
2. A copy of the Board Risk Management Policy approved by the Management covering;
 - a) risk identification
 - b) risk measurements
 - c) guidelines and procedures to be followed with respect to revaluation and/or monitoring of positions
 - d) names and designations of officials authorised to undertake transactions and limits
3. Any other relevant information.

A one-time approval will be given by Reserve Bank along with the guidelines for undertaking this activity.

[See section B para I(2)(k) and section G para (vii)]

Booking of contracts on past performance basis

Report as on _____

Name of the bank –

(in USD)

Total Limits sanctioned during the month (1)	Cumulative sanctioned limits (2)	Amount of contracts booked (3)			Amount utilized (by delivery of documents) (4)			Amount of forward contracts cancelled (5)		
		Forward Contract	Fcy/ INR option	Cross currency option	Forward Contract	Fcy / INR option	Cross currency option	Forward Contract	Fcy / INR option	Cross currency option

Number of customers availing past performance facility as on date of report: -----

Notes:

1. The position of the bank as a whole shall be indicated.
2. Amounts in columns 2, 3, 4 and 5 should be cumulative positions over the year. Outstanding amounts at the end of each financial year shall be carried over and taken into account in the next year's limit and therefore shall be included while computing the eligible limits for the next year.

Appendix K

[See section B para I(2)(g)(iv)]

Statement giving details of import / export turnover, overdues, etc.

Name of the constituent: _____

(Amount in USD million)

Financial Year (April-March)	Turnover		Percentage of overdue bills to turnover		Existing limit for booking of forward cover based on past performance	
	Export	Import	Export	Import	Export	Import
Year 1						
Year 2						
Year 3						

**Conditions / Guidelines for issuance of standby letter of credit /bank guarantee
- commodity hedging transactions**

1. AD Category I banks may issue guarantees/standby letters of credit only where the remittance is covered under the delegated authority or under the specific approval granted for overseas commodity hedging by Reserve Bank.
2. The issuing bank shall have a Board approved policy on the nature and extent of exposures that the bank can take for such transactions and should be part of the credit exposure of the customers. The exposure should also be assigned risk weights, for capital adequacy purposes as per the extant provisions.
3. The standby letter of credit / bank guarantee may be issued for the specific purpose of payment of margin money in respect of approved commodity hedging activities of the company.
4. The standby letter of credit / bank guarantee may be issued for an amount not exceeding the margin payments made to the specific counterparty during the previous financial year.
5. The standby letter of credit / bank guarantee may be issued for a maximum period of one year, after marking a lien on the non-funded facility available to the customer (letter of credit / bank guarantee limit).
6. The bank shall ensure that the guidelines for overseas commodity hedging have been duly complied with.
7. The bank shall ensure that broker's month-end reports duly confirmed /countersigned by corporate's financial controller have been submitted.
8. Brokers' month end reports shall be regularly verified by the bank to ensure that all off-shore positions are / were backed by physical exposures.

[See Section B para I(2)(g)(ii)]

Format of Declaration of amounts booked/cancelled under Past Performance facility

[On letterhead of the Company]

Date :

To,

(Name and address of the Bank)

Dear Sir,

Sub : Declaration of amounts booked/cancelled under Past Performance facility

We refer to the facility of booking of Forward or Option Contracts involving Foreign Exchange, based on the past performance facility with Authorised Dealer Category I Banks (AD Category I Banks), more specifically in relation to the undertaking submitted by us to you, dated [] in this regard ("Undertaking").

In accordance with the said Undertaking, we hereby furnish a declaration regarding the amounts of the transactions booked by us with all AD Category I banks.

We are availing the past performance limit with the following AD Category I banks :

.....

Please find below the information regarding amounts booked / cancelled with all AD Category I Banks under the said past performance facility as permitted under the FEMA Regulations :

(Amount in US Dollar)

Eligible limit under past performance	Aggregate amount of contracts booked with all the ADs from April till date	Amount of contracts cancelled with all ADs from April till date	Amount of contracts o/s with all ADs as on date	Amount utilised (by delivery of documents) as on date	Available limits under past performance as on date

Thanking you,

Yours faithfully,

For XXXXXX

Authorised Signatories

Conditions for allowing users to enter into a combination of OTC option strategies involving a simultaneous purchase and sale of options for overseas Commodity hedging

Users –Listed companies or unlisted companies with a minimum networth of Rs. 100 crore, which comply with the following:

- Adoption of Accounting Standards 30 and 32 (for companies not complying – those companies which follow the accounting treatment and disclosure standards on derivative contracts, as envisaged under AS 30/32.
- Having a risk management policy and a specific clause in the policy that allows using the above mentioned combination of OTC option strategies.

Operational Guidelines, Terms and Conditions

- a. Writing of options by the users, on a stand alone basis is not permitted. Users can however, write options as part of cost reduction structures, provided, there is no net receipt of premium.
- b. Leveraged structures, Digital options, Barrier options and any other exotic products are not permitted.
- c. The delta of the options should be explicitly indicated in the term sheet.
- d. The portion of the structure with the largest notional should be reckoned for the purpose of underlying.
- e. AD Category I banks may, stipulate additional safeguards, such as continuous profitability, etc. depending on the scale of operations and risk profile of the users.

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RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/354
A.P. (DIR Series) Circular No. 33

January 05, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 61.60 million
to the Government of the Republic of Kenya

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated November 16, 2010 with the Government of the Republic of Kenya making available to the latter, a Line of Credit (LOC) of USD 61.60 million (USD sixty one million six hundred thousand) for financing eligible goods and services including consultancy services from India for the purpose of financing Power Transmission Lines in Kenya. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 75 per cent of the contract price shall be supplied by the seller from India, and the remaining 25 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from December 14, 2010 and the date of execution of Agreement is November 16, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (November 15, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

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

4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to [www. eximbankindia.in](http://www.eximbankindia.in).

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,

(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/355
A.P. (DIR Series) Circular No.34

January 05, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 30 million
to the Government of the Republic of Cote d'Ivoire

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated December 30, 2009 with the Government of the Republic of Cote d'Ivoire making available to the latter, a Line of Credit (LOC) of USD 30 million (USD thirty million) for financing eligible goods and services including machinery, equipment and consultancy services from India for the purpose of financing electricity interconnection project between Cote d'Ivoire and Mali. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining 15 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from November 26, 2010 and the date of execution of Agreement is December 30, 2009. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (December 29, 2015) from the execution date of the Credit Agreement in the case of supply contracts.

3. Shipments under the LOC will have to be declared on GR / SDF Forms as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to [www. eximbankindia. in](http://www.eximbankindia.in).
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,

(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/356
A.P. (DIR Series) Circular No. 35

January 05, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 15 million
to the Government of the Kingdom of Cambodia

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated September 14, 2010 with the Government of the Kingdom of Cambodia making available to the latter, a Line of Credit (LOC) of USD 15 million (USD fifteen million) for financing eligible goods and services including machinery, equipment and consultancy services from India for the purpose of financing completion of Stung Tassal Water Development project in Cambodia. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 75 per cent of the contract price shall be supplied by the seller from India, and the remaining 25 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from December 14, 2010 and the date of execution of Agreement is September 14, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (September 13, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

3. Shipments under the LOC will have to be declared on GR / SDF Forms as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to [www. eximbankindia.in](http://www.eximbankindia.in).
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,

(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/357
A.P. (DIR Series) Circular No. 36

January 05, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 30 million
to the Government of the Republic of Cote d'Ivoire

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated March 31, 2010 with the Government of the Republic of Cote D'Ivoire making available to the latter, a Line of Credit (LOC) of USD 30 million (USD thirty million) for financing eligible goods and services including machinery, equipment and consultancy services from India for the purpose of financing Rice Production Programme in Cote d'Ivoire. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining 15 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from November 26, 2010 and the date of execution of Agreement is March 31, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (March 30, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

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

4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.

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,

(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/358
A.P. (DIR Series) Circular No. 37

January 05, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 5 million
to the Government of the Republic of Senegal

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated March 15, 2010 with the Government of the Republic of Senegal making available to the latter, a Line of Credit (LOC) of USD 5 million (USD five million) for financing eligible goods and services including machinery, equipment and consultancy services from India for the purpose of financing supply of medical equipments, furniture and other accessories to four hospitals in Senegal. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining 15 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from December 8, 2010 and the date of execution of Agreement is March 15, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (March 14, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

3. Shipments under the LOC will have to be declared on GR / SDF Forms as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.
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,

(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/359
A.P. (DIR Series) Circular No. 38

January 05, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 25 million
to the Government of the Republic of Mozambique

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated July 5, 2010 with the Government of the Republic of Mozambique making available to the latter, a Line of Credit (LOC) of USD 25 million (USD twenty five million) for financing eligible goods and services including machinery, equipment and consultancy services from India for rural electrification of Cabo Delgado, Manica and Niassa Provinces in Mozambique. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining 15 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from December 13, 2010 and the date of execution of Agreement is July 5, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (July 4, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

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

4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.

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,

(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Mumbai - 400 001

RBI/2010-11/382
A.P. (DIR Series) Circular No. 39

January 21, 2011

To

All Category – I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit of USD 213.31 million to the
Government of the Federal Democratic Republic of Ethiopia**

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated December 1, 2010 with the Government of the Federal Democratic Republic of Ethiopia making available to the latter, a Line of Credit (LOC) of USD 213.31 million (USD two hundred thirteen million three hundred ten thousand) for financing eligible goods and services including machinery and equipment from India for the purpose of financing development of sugar industry in Ethiopia. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 75 per cent of the contract price shall be supplied by the seller from India, and the remaining 25 percent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from January 10, 2011 and the date of execution of Agreement is December 1, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project

exports and 72 months (November 30, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

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

4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.

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,

(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/384

January 25, 2011

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

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

All Authorized Persons, who are Full Fledged Money Changers
and Authorised Dealers Category-II

Madam/ Sir,

**Participation by Full Fledged Money Changers (FFMCs) and Authorised
Dealers Category-II (ADs Category-II) in the Currency Futures and the
Exchange traded Currency Options markets**

Attention of all the Authorized Persons, who are Full Fledged Money Changers (FFMCs) and Authorised Dealers Category-II (ADs Category-II) is invited to the [A.P.\(DIR Series\) Circular No. 5 dated August 6, 2008](#) and [A.P.\(DIR Series\) Circular No. 5 dated July 30, 2010](#) enumerating the guidelines on trading of currency options contracts on recognized stock / new Exchanges.

2. It has now been decided that the FFMCs and the ADs Category-II [which are not Regional Rural Banks (RRBs), Local Area Banks (LABs), Urban Co-operative Banks (UCBs) and Non-Banking Financial Companies (NBFCs)], having a minimum net worth of Rs. 5 crore, may participate in the designated currency futures and currency options on exchanges recognized by the Securities and Exchange Board of India (SEBI) as clients only for the purpose of hedging their underlying foreign exchange exposures.

3. FFMCs and the ADs Category-II which are RRBs, LABs, UCBs and NBFCs, may be guided by the instructions issued by the respective regulatory Departments of the Reserve Bank in this regard.

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

5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999), and non-compliance with the guidelines would attract penal provisions of Section 11(3) of the Act *ibid*.

Yours faithfully,

(G. Jaganmohan Rao)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/ 402
A.P. (DIR Series) Circular No. 41

February 11, 2011

To

All Category - I Authorised Dealer 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.02 dated July 21, 2010](#), wherein the Rupee value of the special currency basket was indicated as Rs.62.788607 effective from July 7, 2010.

2. AD Category-I banks are advised that a further revision has taken place on January 26, 2011 and accordingly, the Rupee value of the special currency basket has been fixed at Rs.64.7004 with effect from January 31, 2011.
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,

(G.Jaganmohan Rao)
Chief General Manager



**RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001**

**RBI/2010-11/405
A.P. (DIR Series) Circular No. 42**

February 14, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit of USD 1 billion to the
Government of the People's Republic of Bangladesh**

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated August 7, 2010 with the Government of the People's Republic of Bangladesh making available to the latter, a Line of Credit (LOC) of USD 1 billion (USD one billion) for financing eligible goods and services including project exports and consultancy services in Bangladesh. The goods and services including project exports and consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining 15 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from February 1, 2011 and the date of execution of Agreement is August 7, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (August 6, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

3. Shipments under the LOC will have to be declared on GR / SDF Forms as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.
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,

(G. Jaganmohan Rao)
Chief General Manager



**RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001**

**RBI/2010-11/406
A.P. (DIR Series) Circular No. 43**

February 14, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit of USD 416.39 million to the
Government of the Democratic Socialist Republic of Sri Lanka**

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated November 26, 2010 with the Government of the Democratic Socialist Republic of Sri Lanka making available to the latter, a Line of Credit (LOC) of USD 416.39 million (USD four hundred sixteen million three hundred ninety thousand) for financing eligible goods and services including consultancy services for financing (i) Track laying by IRCON on the Omanthai- Pallai sector (USD 185.35 million) ,(ii) Track laying by IRCON on the Madhu Church-Tallaimannar sector (USD 149.74 million), and (iii) Track laying on the Medawachchiya- Madhu railway line (USD 81.30 million) in Sri Lanka. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining 15 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from January 24, 2011 and the date of execution of Agreement is November 26, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports

and 72 months (November 25, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

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

4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.

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,

(G. Jaganmohan Rao)
Chief General Manager



**RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001**

**RBI/2010-11/426
A.P. (DIR Series) Circular No. 44**

March 15, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit of USD 50 million to
the Government of the Republic of Malawi**

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated February 1, 2011 with the Government of the Republic of Malawi making available to the latter, a Line of Credit (LOC) of USD 50 million (USD fifty million) for financing eligible goods and services, machinery and equipment including consultancy services for financing (i) Cotton Processing Facilities (USD 20 million), (ii) Green Belt Initiative (USD 15 million), and (iii) One Village One Product Project (USD 15 million) in Malawi. The goods, services, machinery and equipment including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 75 per cent of the contract price shall be supplied by the seller from India, and the remaining 25 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from February 23, 2011 and the date of execution of Agreement is February 1, 2011. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and

72 months (January 31, 2017) from the execution date of the Credit Agreement in the case of supply contracts.

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

4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to www.eximbankindia.in.

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,

(Meena Hemchandra)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/427
A.P. (DIR Series) Circular No. 45

March 15, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Introduction of Annual return on
Foreign Liabilities and Assets reporting by Indian Companies and
discontinuation of the Part B of form FC-GPR**

Attention of the Authorised Dealer Category – I (AD Category – I) banks is invited to [A. P. \(DIR Series\) Circular No.40 dated April 20, 2007](#) wherein, it was, inter-alia, stipulated that Part B, which is an annual return 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 Statistics Division, Department of Statistics and Information Management, Reserve Bank of India, C-9, 8th floor, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051, by June 30th of every year.

2. In order to capture the statistics relating to Foreign Direct Investment (FDI), both inward and outward in a more comprehensive manner as also to align it with international best practices, it has been decided to replace Part B of the Form FC-GPR by a separate 'Annual Return on Foreign Liabilities and Assets' given as Annex-I. The return should be submitted by July 15 of every year to the Director, External Liabilities and Assets Statistics Division, Department of Statistics and Information Management (DSIM), Reserve Bank of India, C-8, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051. Further, the return should be submitted by all the Indian companies which have received FDI and/or made FDI abroad (i.e. overseas investment) in the previous year(s) including the current year. The Annex –II gives the concepts and definitions useful in filling the Annual Return on Foreign Liabilities and Assets.

3. These directions will come into force with immediate effect. 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 and the Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2004 notified vide Notification No. [FEMA 20/2000-RB dated May 3, 2000](#) and [Notification No. FEMA 120 dated July 07, 2004](#), respectively will be issued 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,

(Meena Hemchandra)
Chief General Manager-in-Charge

RESERVE BANK OF INDIA
Annual Return on Foreign Liabilities and Assets

INSTRUCTIONS

The Reserve Bank's **Co-ordinated Direct Investment Survey** (CDIS) and **Co-ordinated Portfolio Investment Survey** (CPIS) are conducted under the auspices of the International Monetary Fund (IMF), wherein information is collected from **Indian resident companies on their foreign financial liabilities and assets position** as at end-March of the previous financial year (FY) as well as the end-December and end-March of the latest FY. This information is used in the compilation of India's Balance of Payments (**BoP**), International Investment Position (**IIP**), Coordinated Direct Investment and Coordinated Portfolio Investment.

The completed return along with a copy of the reporting company's Balance Sheet for the latest year should be sent by **July 15 every year** at the following address:

The Director
External Liabilities and Assets Statistics Division
Department of Statistics and Information Management (DSIM)
Reserve Bank of India
C 8, Bandra-Kurla Complex
Bandra (East)
Mumbai- 400 051

Confidentiality Clause: The company-wise information so provided will be kept confidential and only consolidated aggregates will be released by the Reserve Bank.

Guidelines for filling-in the Schedule:

- 1) Refer to the **definitions given in Annex** before filling-in the return.
- 2) If yours is a Group company, then please ensure that a **consolidated return covering all the Branches/Offices in India** is furnished.
- 3) All amounts should be reported as follows:
 - Lakh of Indian rupees for Blocks 1 to 5 & Block 9
 - Actual foreign currencies for Blocks 6 & 7
- 4) If any block is not sufficient to report all your data, additional sheets as per the respective block's format may be enclosed.

- 5) It may be possible that all blocks of this schedule are not applicable to you. If there are no data to report in a block, please indicate “Nil” or “Not Applicable” depending upon the case.
- 6) **In case balance sheet is not audited, kindly submit the information based on un-audited figures.** The balance sheet may be forwarded in due course. After auditing, if there are major differences in the reported figures, revised return may be submitted along with a copy of balance sheet.
- 7) Balance Sheet for the reporting year of your company should be enclosed along with the return.

Methodology for valuation of foreign liabilities and foreign assets:

- Debt securities should be valued at market price, while all other types of debt, viz., loan, trade credit, deposits, other accounts payable/ receivable should be valued at nominal value.
- For the valuation of the outstanding investment, use the corresponding **end-March/ end-December market price/exchange rate**.
- For **listed companies**, the **share price on the closing date of reporting period** should be used for valuation of Equity.
- For **unlisted companies**, use the **concept of "Own Funds at Book Value (OFBV)"** for valuation of Equity, to have consistency in valuation. OFBV reflects the value of enterprise recorded in the book of Direct Investment Enterprise, which is the sum of (i) paid-up capital (excluding any shares on issue that the enterprise holds in itself and including share premium accounts); (ii) all types of reserves identified as equity in the enterprise's balance sheet (including investment grants when accounting guidelines considered them company reserves); and (iii) cumulated reinvested earnings (which may be negative), which would take into account charges for consumption of fixed capital.

Example:

Suppose company's paid up capital = Rs 250 lakh, with FDI 50 % (i.e. Rs 125 lakh)

Accumulated reinvested earnings = Rs 75 lakh

Revaluation of land & shares = Rs 159 lakh

Total = Rs 484 lakh

Therefore, Equity investment by foreign direct investor based on OFBV method is Rs 242 lakhs (50 per cent of Rs.484 lakh).

Before filling the return to the Reserve Bank of India, please check that:

- You have reported all the items of the return relevant to you and as per your records.
- You have signed and dated the schedule.
- All the Annexes, indicated by you, are attached with the return.
- You have enclosed a copy of balance sheet of your Company for the latest year along with the return.

- You have kept a copy of the filled-in schedule in your own records.

For any clarification, please contact:

Smt. Jolly Roy, Research Officer
or
Shri Rajesh Kavediya, Research Officer
External Liabilities and Assets Statistics Division
Department of Statistics and Information Management (DSIM)
Reserve Bank of India
C-8, Bandra - Kurla Complex
Bandra (East)
MUMBAI - 400 051

Telephone No. : (022) 26571265 / 26578340 / 26578241

FAX No. : (022) 26571265 / 26570848

[e-mail](#) :

RESERVE BANK OF INDIA

Annual Return on Foreign Liabilities and Assets

(Return to be filled under A.P. (DIR Series) Circular No.45 dated March 15, 2011
to the Department of Statistics and Information Management, RBI, Mumbai)

Please read the guidelines/definitions carefully before filling-in the Return

Section I: Identification Particulars

For RBI's use

1. Name and Address of the Indian Company

City: _____ Pin: _____

State: _____

COMPANY CODE

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2. Income-Tax allotted PAN Number of Company:

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3. Registration No given by the Registrar of Companies:

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

4. Name of the CONTACT PERSON : _____ DESIGNATION: _____

Tel.No. (with STD code): _____ Fax: _____ e-mail: _____

3. Account closing date: (dd/mm/yy) _____ Web-site (if any): _____

4. In case of change in Company Name and/or activity, specify the old and new Company Name and activity:

Old Company Name : _____ New Company Name _____

Effective Date _____

Old Activity: _____ New Activity _____

5. Nature of Business: Please tick (✓) the appropriate group of activity to which your principal line of business pertains and also mention, if possible, the NIC code in the bracket.

Industry	Revenue (%)	Industry	Revenue (%)	Industry	Revenue (%)	Industry	Revenue (%)
1. Power ()		2. Electrical & Electronics ()		3. Non - financial services ()		4. Financial Services ()	
5. Telecom ()		6. Hotels & Tourism ()		7. Metallurgical Industry & Mining ()		8. Food Processing Industry ()	
9. Transportation ()		10. Petroleum & Natural Gas ()		11. Chemicals (other than fertilizers) ()		12. Construction ()	
13. Software and ITES/BPO ()		14. Pharmaceutical ()		15. Other ()			

For RBI's use (Industry Code)

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7. Whether your company is listed in India [please tick (✓)]?

Yes		No	
-----	--	----	--

8. Whether your company has any Foreign Collaboration?

Yes		No	
-----	--	----	--

If yes, please indicate whether it is (please tick the appropriate one)

(a) Technical collaboration		(b) Financial collaboration (foreign equity participation)		(c) Both	
-----------------------------	--	---	--	----------	--

Block 1A : Total Paid up Capital of Indian Company

Item	End-March of previous FY		End-March current FY	
	Number of Shares	Amount in ₹ lakh	Number of Shares	Amount in ₹ lakh
1.0 Total Paid-up Capital [(i)+(ii)]				
(i) Ordinary/Equity Share				
(ii) Preference Share [(a)+(b)]				
(a) Participating				
(b) Non-participating				
2.0 Non-resident Equity Holdings				
1 Individuals				
2 Companies				
3 FIIs				
4 FVCIs				
5 Foreign Trusts				
6 Private Equity Funds				
7 Pension/ Provident Funds				
8 Sovereign Wealth Fund (SWF) ^{\$}				
9 Partnership/ Proprietorship firms				
10 Financial Institutions				
11 NRIs/PIO				
12 Others (please specify)				

Note: FY: Financial Year

Block 1B : Free Reserves & Surplus and Retained Profit

Item	Amount in ₹ lakh as at the end – March of	
	Previous FY	Current FY
3.1 Free Reserves & Surplus as at the end of		
	Amount in ₹ lakh	
	During Previous FY	During Current FY
3.2 Profit (+) / Loss (-) after tax		
3.3 Dividend Declared (excluding tax on dividend)		
3.4 Retained Profit / loss (3.4 = 3.2 -3.3)		

Section II

FOREIGN LIABILITIES

2. Investments made under Foreign Direct Investment (FDI) scheme in India:

In case of listed companies, equity should be valued using share price on closing date of reference period, while in case of unlisted companies, Own Fund of Book Value (OFBV) Method should be used
(see the attached guidelines for details)

Block 2A: Foreign Direct Investment in India (10% or more Equity Participation)

[Please furnish here the outstanding investments *made under the FDI Scheme in India* by Non-resident Direct investors, who were individually holding **10 per cent or more** ordinary/equity shares of your company on the reporting date]

If this block is **Non-NIL**, then please give the Name & Addresses of your subsidiary in India, if any, in BLOCK 9.

Name of the non-resident Company/ Individual	Type of Capital	Country of non-resident investor	Equity holding (%)	Amount in ₹ lakh as at the end of		
				March Previous FY	December Current FY	March Current FY
	1.0 Equity Capital (1.0 = 1.2-1.1)					
	1.1 Claims on Direct Investor					
	1.2 Liabilities to Direct Investor					
	2.0 Other Capital(2.0 = 2.2-2.1)					
	2.1 Claims on Direct Investor					
	2.2 Liabilities to Direct Investor					
	3.0 Disinvestments in India during the year					

Note: (i) if investor is a company, then country is the country of incorporation;
(ii) Please use different sheet using same format to report different non-resident company/individual.

Block 2B: Foreign Direct Investment in India (Less than 10% Equity Holding)

[Please furnish here the outstanding investments *made under the FDI Scheme in India* by Non-resident Direct investors, who were individually holding **less than 10 per cent** ordinary/ equity shares of your company on the reporting date]

Name of the non-resident Company/ Individual	Type of Capital	Country of non-resident investor	Equity holding (%)	Amount in ₹ lakh as at the end of		
				March Previous FY	December Current FY	March Current FY
	1.0 Equity Capital (1.0 = 1.2-1.1)					
	1.1 Claims on Direct Investor					
	1.2 Liabilities to Direct Investor					
	2.0 Other Capital(2.0 = 2.2-2.1)					
	2.1 Claims on Direct Investor					
	2.2 Liabilities to Direct Investor					
	3.0 Disinvestments in India during the year					

Note: (i) if investor is a company, then country is the country of incorporation;
(ii) Please use different sheet using same format to report different non-resident company/individual.

3. Portfolio and Other Liabilities to Non-residents (i.e. position with unrelated parties)

Block 3A: Portfolio Investment

Please furnish here the outstanding investments by non-resident investors made under the **Portfolio Investment Scheme in India**. In case of listed companies, equity should be valued using share price on closing date of reference period, while in case of unlisted companies, Own Fund of Book Value (OFBV) Method should be used. (see the attached guidelines for details)

Portfolio Investment	Country of non-resident investor	Amount in ₹ lakh as at the end of	
		March Previous FY	March Current FY
1.0 Equity Securities			
2.0 Debt Securities (2.0 = 2.1+2.2)			
2.1 Bonds and Notes (original maturity more than 1 year)			
2.2 Money Market Instruments (original maturity upto 1 year)			
3.0 Disinvestments in India during the year			

Note: Data pertaining to each type of investment are to be reported consolidating the information country wise. If more countries are involved to report the data for the particular type(s) of investment, it should be reported in the same format using additional sheets separately for each country.

Block 3B: Financial Derivatives (with non-resident entities only)

Please furnish here the outstanding foreign liabilities on account of financial derivatives contract entered into with non-residents.

Financial Derivatives	Country of non-resident investor	Amount in ₹ lakh as at the end of	
		March Previous FY	March Current FY
(i) Notional Value			
(ii) Mark to market value			

Note: If more countries are involved to report the data for the particular type(s) of investment, it should be reported in the same format using additional sheets separately for each country.

Block 3C: Other Investments:

This is a residual category that includes all financial outstanding not considered as direct investment or portfolio investment (**outstanding liabilities with Unrelated Parties**)

Other Investment	Country of non-resident lender	Amount in ₹ lakh as at the end of	
		March Previous FY	March Current FY
4.0 Trade Credit (4.0 = 4.1+4.2)			
4.1 Short Term (4.1 = 4.1.1+4.1.2)			
4.1.1. Up to 6 Months			
4.1.2. 6 Months to 1 Year			
4.2. Long Term			
5.0 Loans (5.0 = 5.1+5.2)			
5.1 Short Term			
5.2 Long Term			
6.0 Other Liabilities (6.0 = 6.1+6.2)			
6.1 Short Term (Up to 1 yr.)			
6.2 Long Term			

Note: (i) Data pertaining to each type of investment are to be reported consolidating the information country wise. If more countries are involved to report the data for the particular type(s) of investment, it should be reported in the same format using additional sheets separately for each country.

(ii) At item 5.0, loan should include the ECB loan other than those taken from non-resident parent company. ECB loan taken from parent company abroad should be shown under Other Capital of Block 2A.

Section –III

FOREIGN ASSETS

1. Please use the **exchange rate as at end-March/end-December** (as applicable) of reporting year while reporting the **foreign assets in ₹ lakh**.
2. In case, the overseas company is listed, equity should be valued using share price on closing date of reference period, while in case of unlisted company, use Own Fund of Book Value (OFBV) method for valuation of equity (*see the attached guidelines for details*)

Block 4: Direct Investment Abroad under Overseas Direct Investment Scheme

Block 4A: Direct Investment Abroad (10 % or more Equity holding)

[Please furnish here your outstanding investments in Non-resident enterprises [Direct Investment Enterprises (DIE)], **made under the Overseas Direct Investment Scheme**, in each of which **your company hold 10 per cent or more** Equity shares on the reporting date]. *If this block is Non-NIL, then please furnish the information in BLOCK 6.*

Name of the non-resident Direct Investment Enterprise (DIE)	Type of Capital	Country of non-resident DIE	Equity holding (%)	Amount in ₹ lakh as at the end of		
				March Previous FY	December Current FY	March Current FY
	1.0 Equity Capital (1.0 = 1.1-1.2)					
	1.1 Claims on Direct Investment Enterprise					
	1.2 Liabilities to Direct Investment Enterprise					
	2.0 Other Capital (2.0 = 2.1-2.2)					
	2.1 Claims on Direct Investment Enterprise					
	2.2 Liabilities to Direct Investment Enterprise					
	3.0 Disinvestments made abroad during the year					

Note: Please use separate sheets in the above format to report for separate DIEs

Block 4B: Foreign Direct Investment Abroad (Less than 10 % Equity holding)

[Please furnish here your outstanding investments in non-resident enterprises (Direct Investment Enterprises DIE), **made under the Overseas Direct Investment Scheme**, in each of which **your company holds less than 10 per cent** Equity shares on the reporting date].

Name of the non-resident enterprises	Type of Capital	Country of non-resident enterprises	Amount in ₹ lakh as at the end of		
			March Previous FY	December Current FY	March Current FY
	1.0 Equity Capital (1.0 = 1.1-1.2)				
	1.1 Claims on non-resident Enterprise abroad				
	1.2 Liabilities to non-resident Enterprise abroad				
	2.0 Other Capital (2.0 = 2.1-2.2)				
	2.1 Claims on non-resident Enterprise abroad				
	2.2 Liabilities to non-resident Enterprise abroad				
	3.0 Disinvestments made abroad during the year				

Note: Please use separate sheets in the above format to report different non-resident fellow enterprises.

Portfolio and Other Assets Abroad (*i.e.*, position with unrelated parties)

Block 5A: Portfolio Investment Abroad

1. Please furnish here the outstanding investments in non-resident enterprises, **other than those made under Overseas Direct Investment Scheme** in India (*i.e.*, other than those reported in Block 4A & 4B).
2. In case overseas companies are listed, equity should be valued using share price on closing date of reference period, while in case of unlisted companies, use Own Fund of Book Value Method (OFBV) (*see the attached guidelines for details*)

Portfolio Investment	Country of non-resident enterprise	Amount in ₹ lakh as at the end of		
		March Previous FY	December Current FY	March Current FY
1.0 Equity Securities				
2.0 Debt Securities (2.0=2.1+2.2)				
2.1 Bonds and Notes (original maturity more than 1 year)				
2.2 Money Market Instruments (original maturity up to 1 year)				
3.0 Disinvestments Abroad during the year				

Note: Data pertaining to each type of investment are to be reported consolidating the information country wise. If particular type(s) of investment spreads over more than one country, it should be reported in the above format using separate additional sheet for each country.

Block 5B: Financial Derivatives (with non-resident entities only)

Please furnish here the outstanding claims on non-residents on account of financial derivatives contract entered into with Non-residents.

Financial Derivatives	Country of non-resident enterprise	Amount in ₹ lakh as at the end of	
		March Previous FY	March Current FY
(i) Notional Value			
(ii) Mark to market value			

Note: If particular type(s) of investment spreads over more than one country, it should be reported in the above format using separate additional sheet for each country.

Block 5C: Other Investment (Outstanding claims on Unrelated Parties):

This is a residual category that includes all financial outstanding claims not considered as direct investment or portfolio investment.

Other Investment	Country of non-resident enterprise	Amount in ₹ lakh as at the end of	
		March Previous FY	March Current FY
4.0 Trade Credit (4.0=4.1+4.2)			
4.1 Short Term (4.1=4.1.1+4.1.2)			
4.1.1. Up to 6 Months			
4.1.2. 6 Months to 1 Year			
4.2 Long Term			
5.0 Loans (5.0=5.1+5.2)			
5.1 Short Term (Up to 1 year)			
5.2 Long Term			
6.0 Other Assets (6.0=6.1+6.2)			
6.1 Currency & Deposits			
6.2 Others			

Note: (i) Data pertaining to each type of investment are to be reported consolidating the information country wise. If particular type(s) of investment spreads over more than one country, it should be reported in the above format using separate additional sheet for each country.

Block 6: Equity Capital, Free Reserves & Surplus of Direct Investment Enterprise Abroad

[Please report here the total equity, the **equity held by your company** and the total free reserves & surplus of those non-resident enterprises in each of which **your company held 10 per cent or more** shares on the reporting date].

*If this block is **Non-NIL** then please make sure that you have provided the relevant information in BLOCK 4A.*

Name of the DIE	Item	Currency	Amount in Foreign Currency as at the end of (in actual)	
			March Previous FY	March Current FY
(1)	(2)	(3)	(4)	(5)
	1. Total Equity of DIE			
	2. Equity of DIE held by you			
	3. Free Reserves & Surplus of DIE			
	4. Dividend Received by you during the year			
	5. Amount of your Profit retained by DIE during the year			

Note: If your company is a Direct Investor in more than one DIE, the data should be provided in the same format in respect of each such DIE using additional sheets.

Block 7: Contingent Foreign Liabilities

[Please report here the relevant details about the contingent foreign liabilities of **your company**]

Description of Contingent Liability	Country	Currency [#]	Amount in Foreign Currency as at the end of (in actual)	
			March Previous FY	March Current FY
(1)	(2)	(3)	(4)	(5)

Note: # Currency of denomination of the contingent foreign liability should be mentioned in Col. 3. Refer to the details on Contingent liabilities given in Annex.

Block 8: Employee Information of reporting Indian company

	As at the end-March of	
	Previous FY	Current FY
No. of Employees on Payroll		

**BLO
CK
9:**

Name(s) & Address (es) of your subsidiary in India

Sr. Nos.	Name of Subsidiary in India*	Your Equity holding in subsidiary %	Address	Retained profit/ loss of your subsidiary in India during the current FY (Amount in ₹ lakh)

Certificate

We hereby certify that all the facts and figures furnished in this schedule reflect the accurate position of the company and reported after understanding all the items of all the blocks of the schedule.

Place :

Signature and Name of the Authorised person

Date :

Seal/Stamp of the Company

**Concepts & Definitions to be used while filling-in
the Annual Return on Foreign Liabilities and Assets**

Residence of Enterprises

An enterprise is said to have a center of economic interest and to be a resident unit of a country (economic territory) when the enterprise is engaged in a significant amount of production of goods and/or services there or when it owns land or buildings located there. The enterprise must maintain at least one production establishment in the country and must plan to operate the establishment indefinitely or over a long period of time.

Free Reserves and Surplus (Block 1B, Item 3.1)

Free Reserves and Surplus should **include** all unencumbered reserves such as

- i) General Reserve net of losses, if any
- ii) Capital Reserve
- iii) Development Rebate Reserve
- iv) Premium on shares
- v) Dividend Equalization Reserve
- vi) Investment Allowance **(utilized)** Reserve.

Free Reserves and Surplus should **exclude** Tax provisions and other items such as

- i) provision for deferred taxation
- ii) Tax Equalization Reserve
- iii) Investment Allowance **(unutilized)** and
- iv) Revaluation Reserve

Retained Profit (Block 1B, Item 3.4)

Retained profit = Profit after tax – Dividend declared (excluding tax on dividend)
(i.e. Item 3.4 = Item 3.2 minus Item 3.3, of Block 1B)

A. Direct Investment:

Direct investment is a category of international investment in which a resident entity in one economy (direct investor (DI) acquires a lasting interest in an enterprise resident in another economy (Direct Investment Enterprise (DIE). It consists of two components, viz., Equity capital and Other Capital.

(i) Equity Capital under Direct Investment

It covers (1) Equity in branches and all shares (except non-participating preferred shares) in subsidiaries and associates; (2) Contributions such as the provision of machinery, land & building(s) by a direct investor to a DIE by equity participation; (3) Acquisition by a DIE of shares in its direct investor, termed as Reserve investment (i.e. claims on DI).

(a) Foreign Direct Investment in India (Block 2A, 2B)

If the Indian company has issued the shares to non-resident entities under the FDI scheme in India, then it should be reported under the Foreign Direct Investment in India (Liabilities), Section II of the return. If the non-resident entity **holds the 10 per cent or more** equity/ ordinary shares in the reporting Indian company, then it should be reported under **Block 2A** (item 1.2, liabilities to direct investment). However, if the non-resident entity holds **less than 10 per cent** of the equity capital of reporting Indian company, then it should be reported under **Block 2B** (item 1.2, liabilities to direct investment). In both the cases, the investing non-resident entity is called as the Direct Investor (DI) while the reporting Indian company is called as Direct Investment Enterprise (DIE).

If the **reporting Indian company** also holds the **equity shares in its DI** company abroad and if its share is **less than 10 per cent** of equity capital of DI company, then it is called as **reverse investment** and same should be **reported under item 1.1** (claim on direct investor) of the respective block i.e. **Block 2A or 2B**.

(b) Foreign Direct Investment abroad by Indian companies (Block 4A and 4B)

If the reporting Indian company invest in equity shares of non-resident company, under the Overseas Direct Investment scheme in India, i.e. investment in Joint venture or Wholly owned subsidiaries abroad, then it should be reported under the Foreign Direct Investment abroad, Section III. If the equity holding of Indian

company in non-resident company is **10 per cent or more**, then it should be reported under **Block 4A** (item 1.1 claim on DIE), **otherwise**, it should be reported under **Block 4B** (item 1.1, claim on DIE). In both the cases, Indian company is called as the Direct Investor (DI) while the non-resident company is called as Direct Investment Enterprise (DIE).

If the **non-resident DIE** also holds the **equity shares in Indian reporting company** (DI) and if its share is **less than 10 per cent** of equity capital of reporting company, then it is called as **reverse investment** and same should be reported **under item 1.2** (liabilities to DIE) of the respective block i.e. **Block 4A or 4B**.

(ii) Other Capital under Direct Investment (Block 2A, 2B, 4A and 4B)

The **other capital** (inter-company debt transactions) component of direct investment covers the outstanding liabilities or claims arising due **borrowing and lending of funds, investment in debt securities including non-participating preference shares, trade credits, financial leasing, share application money, between direct investors and DIEs and between two DIEs that share the same Direct Investor**. Non-participating preferred shares owned by the direct investor are treated as debt securities & should be included in Other Capital.

B. Portfolio Investment:

(i) Portfolio Investment (Block 3A & 5A)

It covers **external claims by or liabilities to reporting Indian company** in equity and debt securities **other than those included in direct investment** (Block 2A, 2B and 4A, 4B). Debt securities include long-term bonds and notes, short-term money market instruments.

Any investment is made **by the non-resident entities in Indian company** under the **Portfolio Scheme in India** should be should be reported under **Block 3A** (Portfolio liabilities).

Any investment made **by the Indian company** in foreign shares and / or debt securities, **apart from the investment made under the Overseas Direct Investment Scheme**, should be reported under **Block 5A** (Portfolio assets).

(ii) Equity Securities (Block 3A & 5A, Item 1.0)

Equity securities are instruments acknowledging the holders' claim to the residual income of the issuing enterprise after the claims of all creditors have been met. These include ordinary shares, stocks, participating preference shares, depository receipts (ADRs/GDRs) denoting ownership of equity securities issued to non-residents, shares/units in mutual funds & investment trusts, equity securities that are sold under repurchase agreement, equity securities that are sold under securities lending arrangement.

(iii) Debt Securities (Block 3A & 5A, Item 2.0)

These include bonds and notes, money market instruments.

(iv) Bonds and Notes (Block 3A & 5A, Item 2.1)

This category includes debt securities with original contractual maturities of more than one year (long-term). It includes the long-term securities such as Debentures, Non-participating preference shares, Convertible bonds, Negotiable certificates of deposit, Perpetual bonds, Collateralized mortgage obligations, Dual currency, Zero coupon and other Deep discounted bonds, Floating rate bonds and Index-linked bonds.

(v) Money Market Instruments (Block 3A & 5A, Item 2.2)

These short-term instruments include treasury bills, commercial paper, banker's acceptances, short-term negotiable certificates of deposit and short-term notes issued under note issuance facilities. It may be noted that the instruments that share the characteristics of money market instruments but are issued with maturities of more than one year are classified as Bonds and Notes.

C. Financial Derivatives (Block 3B and 5B)

Financial derivatives are linked to a specific financial instrument, indicator, or commodity and through which specific financial risks can be traded in the financial markets in their own right. Derivative instruments include futures, interest and cross-currency swaps, forward rate agreements, forward foreign exchange contracts, credit derivatives and various types of options.

D. Other Investments: (Block 3C and 5C)

This is a residual category that **includes** all financial outstanding **not considered as direct investment or portfolio investment** such as:

(i) Trade Credits (Block 3C & 5C, Item 4.0)

Trade credits are assets and liabilities that arise from the **direct extension of credit** from a **supplier to a buyer** for transactions in **goods and services** and **advance payments** by buyers for transactions in goods and services and for work in progress. **Trade credit assets** are **advance payments** made by **importer (you)** for (your) imports or **credit extended by exporter (you)** directly to (your) importer. **Trade credit liabilities** are **advance payment received** by the exporter (you) for (your) exports or **credit received by importer (you)** directly from (your) exporter. It may be noted here that **funding provided by an enterprise other than the supplier** for the purpose of purchasing goods or services is treated **as a loan** and not as trade credit.

(ii) Loans (Block 3C & 5C, Item 5.0)

Loans are direct lending of funds by a creditor to a debtor through arrangements. These include, loans to finance trade (i.e. Buyers' credit in which a bank or a financial institution or an export credit agency in the exporting country extends a loan directly to a foreign buyer or to a bank in the importing country to pay for the purchase of goods and services), mortgages, and other loans and advances. Financial leases and repurchase agreements are also considered loans.

Note that **loan received from the non-resident direct investor** should be reported under **Other Capital of Block 2A or 2B** while **loan extended** to your **subsidiaries/ associates abroad** should be reported under **Other Capital of block 4A or 4B**. These outstanding loans should be reported under the loan item of Block 3C or 5C.

(iii) Other Liabilities and Assets (Block 3C & 5C, Item 6.0)

These are the residual items that include all external financial liabilities and assets not recorded elsewhere in the liabilities/assets. These are miscellaneous accounts receivable and payable such as accounts relating to interest payments in arrears,

loan payments in arrears, wages and salaries outstanding, prepayments of insurance premiums, taxes outstanding & the like.

(iv) Long-term and Short-term Investment (Block 3C & 5C)

Long-term investment is defined as investment with an original contractual maturity of more than one year. Short-term investment includes currency, investment payable on demand or with an original contractual maturity of one year or less.

E. Disinvestments in India and Abroad (Item 3.0 in Block 2A, 2B, 3A, 4A, 4B & 5A)

Any disinvestments made by non-resident direct investor of the reporting Indian company during the year should be reported in Block 2A and Block 2B and portfolio disinvestments in Block 3A. Likewise, any disinvestment made by the reporting Indian company in its DIE abroad during the year should be reported in Block 4A and 4B and portfolio disinvestments by reporting company should be reported in Block 5A.

F. Contingent Liabilities (Block 7)

Contingent liabilities are obligations that **arise from a particular discrete event(s), which may or may not occur**. Contingent liabilities are (i) **explicit - arise from a legal or contractual arrangement** (Loan & other payment guarantees, credit guarantees, Contingent credit availability guarantees, exchange rate guarantees, etc) and (ii) **implicit - do not arise from a legal or contractual source, but recognized after a condition or event is realized**.

If the Indian company has extended a guarantee to a loan taken by non-resident entity (may be its subsidiary abroad), such guarantees are part of contingent foreign liabilities. In this case, under column1 of block 7, "Loan Guarantee" needs to be mentioned.

Country should relate to the country of location of the non-resident creditor involved in the transaction. To illustrate, as mentioned above, if the contingent foreign liability is in connection with guarantees on loans, the country of location of the non-resident creditor to whom such guarantees are given, needs to be reported in column 2.



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/437
A.P. (DIR Series) Circular No. 46

March 18, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit of USD 100 million to
the Ecowas Bank for Investment and Development (EBID)**

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated November 09, 2010 with the Ecowas Bank for Investment and Development (EBID), making available to the latter, a Line of Credit (LOC) of USD 100 million (USD one hundred million) for financing export of eligible goods, services and equipment including consultancy services to 15 member countries of EBID in the West African region viz. Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. The goods, services, machinery and equipment including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy 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 15 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India either locally within the Borrower's Country of Domicile or from any of the member countries of EBID or from any other third countries.

2. The Credit Agreement under the LOC is effective from February 23, 2011 and the date of execution of Agreement is November 9, 2010. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and

72 months (November 8, 2016) from the execution date of the Credit Agreement in the case of supply contracts.

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

4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to [www. eximbankindia.in](http://www.eximbankindia.in).

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,

(Meena Hemchandra)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/457
A.P. (DIR Series) Circular No. 47

March 31, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Export of Goods and Software – Realisation and
Repatriation of export proceeds – Liberalisation**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to [A.P. \(DIR Series\) Circular No. 57 dated June 29, 2010](#) enhancing the period of realization and repatriation to India of the amount representing the full export value of goods or software exported, from **six months to twelve months** from the date of export. This relaxation was up to March 31, 2011.

2. The issue has since been reviewed and it has been decided, in consultation with the Government of India, to extend the above relaxation up to September 30, 2011, subject to review.

3. The provisions in regard to period of realization and repatriation to India of the full export value of goods or software exported by a unit situated in a Special Economic Zone (SEZ) as well as exports made to warehouses established outside India remains unchanged.

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 (FEMA), 1999 (42 of

1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Dr. Sujatha Elizabeth Prasad)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/460
A.P. (DIR Series) Circular No. 48

April 05, 2011

To

All Category - I Authorised Dealer Banks

**Acquisition of credit card/debit card transactions in India
by overseas banks - payments for airline tickets**

Attention of the Authorised Dealers Category-I (AD Category-I) banks is invited to Regulation 6 of the 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](#), read with para 7(v) of Annexure I to the A.D. (M.A. Series) Circular No. 11 dated May 16, 2000, in terms of which airline companies incorporated outside India are permitted to repatriate the surplus arising from sale of air tickets through their agents in India after payment of the local expenses and applicable taxes in India.

2. It has come to our notice that in certain cases where the payment for the tickets are made by the residents using credit /debit card, Card Companies have been providing arrangements to the foreign airlines operating in India to select the country and currency of their choice, in respect of transactions arising from the sale of the air tickets in India in Indian Rupees (INR). In such transactions, the overseas bank as the acquiring bank receives the funds from Card Issuing Company in its Vostro account maintained with an Authorised Dealer bank in India or in its foreign currency account maintained abroad and makes the payment in foreign currency overseas to the foreign airline.

3. It is clarified that the practice adopted by foreign airlines, as mentioned above, is not in conformity with the extant provisions of the Foreign Exchange Management Act, 1999. AD Category- I banks may, therefore, advise the foreign airlines to discontinue immediately the practice of using overseas banks for settlement of INR transactions on account of sale of air tickets in India.

4. AD Category -I banks may bring the contents of this circular to the notice of their constituents / customers concerned (foreign airlines).

5. The directions contained in this circular have been issued under sections 10(4) & 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,

**(Dr. Sujatha Elizabeth Prasad)
Chief General Manager**



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/468

April 06, 2011

A.P. (DIR Series) Circular No. 49
A.P. (FL/RL Series) Circular No. 11

To,

All Authorised Persons

Madam/ Dear Sir,

Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT)/Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009-Money changing activities

Attention of all Authorised Persons is invited to Paragraph 4.10 (b) of F-Part-I, Annex to [A.P. \(DIR Series\) Circular No.17 {A.P. \(FL/RL Series\) Circular No.4} dated November 27, 2009](#) on the captioned subject.

2. Financial Action Task Force (FATF) has issued a further Statement on October 22, 2010 on the subject ([copy enclosed](#)). It may be observed that the statement divides the strategic AML/CFT deficient jurisdictions into two groups as under:

- a. Jurisdictions subject to FATF call on its members and other jurisdictions to apply countermeasures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing (ML/FT) risks emanating from the jurisdiction : Iran
- b. Jurisdictions with strategic AML/CFT deficiencies that have not committed to an action plan developed with the FATF to address key deficiencies as of October 2010. The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction: Democratic People's Republic of Korea (DPRK).

3. Authorised Persons are accordingly advised to take into account risks arising from the deficiencies in AML/CFT regime of these countries, while entering into business relationships and transactions with persons (including legal persons and other financial institutions) from or in these countries/ jurisdictions.
4. Authorised Persons may bring the contents of this circular to the notice of their constituents concerned.
5. Please advise your Principal Officer to acknowledge receipt of this circular letter.
6. The directions contained in this Circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

Sd/-

(Smt. Sujatha Elizabeth Prasad)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/469

April 06, 2011

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

A.P. (FL Series) Circular No. 12

To,

All Authorised Persons, who are Indian Agents under Money Transfer Service Scheme.

Madam/ Dear Sir,

Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT)/Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009-Cross Border Inward Remittance under Money Transfer Service Scheme

Attention of all Authorised Persons, who are Indian Agents under Money Transfer Service Scheme (MTSS) is invited to Paragraph 5.10 (b) of Annex-I, Annex to [A.P. \(DIR Series\) Circular No.18 {A.P. \(FL Series\) Circular No.5} dated November 27, 2009](#) on the captioned subject.

2. Financial Action Task Force (FATF) has issued a further Statement on October 22, 2010 on the subject ([copy enclosed](#)). It may be observed that the statement divides the strategic AML/CFT deficient jurisdictions into two groups as under:

- a. Jurisdictions subject to FATF call on its members and other jurisdictions to apply countermeasures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing (ML/FT) risks emanating from the jurisdiction : Iran
- b. Jurisdictions with strategic AML/CFT deficiencies that have not committed to an action plan developed with the FATF to address key deficiencies as of October 2010. The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction: Democratic People's Republic of Korea (DPRK).

3. All Authorised Persons (Indian Agents) are accordingly advised to take into account risks arising from the deficiencies in AML/CFT regime of these countries, while entering into business relationships and transactions with persons (including legal persons and other financial institutions) from or in these countries/ jurisdictions.
4. Authorised Persons (Indian Agents) may bring the contents of this circular to the notice of their constituents concerned.
5. Please advise your Principal Officer to acknowledge receipt of this circular letter.
6. The directions contained in this Circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

Sd/-

(Smt. Sujatha Elizabeth Prasad)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/ 470

April 06, 2011

A.P. (DIR Series) Circular No.51
A.P. (FL/RL Series) Circular No. 13

To,

All Authorised Persons

Madam/ Dear Sir,

Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT) Standards - Money changing activities

Attention of all Authorised Persons is invited to Paragraph 4.10 (b) of F-Part-I, Annex to [A.P. \(DIR Series\) Circular No.17 {A.P. \(FL/RL Series\) Circular No.4} dated November 27, 2009](#) on the captioned subject.

2. Financial Action Task Force (FATF) has issued a further Statement on October 22, 2010 on the subject ([copy enclosed](#)) calling upon jurisdictions listed in the statement to complete the implementation of their action plan within the timeframe. The FATF, in the Statement has called upon its members to consider the information given in the Statement.

3. Authorised Persons are accordingly advised to consider the information contained in the enclosed Statement.

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

5. Please advise your Principal Officer to acknowledge receipt of this circular letter.

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

1999) and also under the Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

Sd/-

(Smt. Sujatha Elizabeth Prasad)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/471

April 06, 2011

A.P. (DIR Series) Circular No. 52
A.P. (FL Series) Circular No. 14

To,

All Authorised Persons, who are Indian Agents under Money Transfer Service Scheme.

Madam/ Dear Sir,

Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT) Standards - Cross Border Inward Remittance under Money Transfer Service Scheme

Attention of all Authorised Persons, who are Indian Agents under Money Transfer Service Scheme (MTSS) is invited to Paragraph 5.10 (b) of Annex-I, Annex to [A.P. \(DIR Series\) Circular No.18 {A.P. \(FL Series\) Circular No.5} dated November 27, 2009](#) on the captioned subject.

2. Financial Action Task Force (FATF) has issued a further Statement on October 22, 2010 on the subject ([copy enclosed](#)) calling upon jurisdictions listed in the Statement to complete the implementation of their action plan within the timeframe. The FATF, in the Statement has called upon its members to consider the information given in the Statement.

3. All Authorised Persons (Indian Agents) are accordingly advised to consider the information contained in the enclosed Statement.

4. Authorised Persons (Indian Agents) may bring the contents of this circular to the notice of their constituents concerned.

5. Please advise your Principal Officer to acknowledge receipt of this circular letter.

6. The directions contained in this Circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

Sd/-

(Smt. Sujatha Elizabeth Prasad)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/472
A.P. (DIR Series) Circular No. 53

April 07, 2011

To

All Authorised Dealer - Category I banks

Madam / Sir,

Overseas forex trading through electronic / internet trading portals

Attention of the Authorised Dealer Category - I (AD Category - I) banks is invited to Regulation 4 of the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 ([Notification No. FEMA 25/2000-RB dated May 3, 2000](#)), as amended from time to time, in terms of which a person resident in India may enter into a foreign exchange derivative contract in accordance with the provisions contained in Schedule I to hedge an exposure to risk in respect of a transaction permissible under the Foreign Exchange Management Act (FEMA), 1999 or rules or regulations or directions or orders made or issued thereunder. Further, in terms of Regulation 5 A, *ibid*, a person resident in India may enter into currency futures or currency options on a stock exchange recognized under section 4 of the Securities Contract (Regulation) Act, 1956, to hedge an exposure to risk or otherwise, subject to such terms and conditions as may be set forth in the directions issued by the Reserve Bank of India from time to time. In terms of A.P. (DIR Series) Circular No. 32 dated December 28, 2010, a derivative transaction is only permitted based on the presence of an underlying price risk exposure for which purchase and/or sale of foreign exchange is permitted under FEMA, 1999. Further, attention of the AD Category – I banks is invited to [A.P. \(Dir Series\) Circular No. 51 dated May 8, 2007](#) in terms of which remittances under the Liberalised Remittance Scheme are allowed only in respect of permissible capital or current account transactions or a combination of both. All other transactions, which are otherwise not permissible under FEMA, 1999, including the transactions in the nature of remittance for margins or margin calls to overseas exchanges / overseas counterparty, are not allowed under the Scheme.

2. It has been observed that overseas foreign exchange trading has been introduced on a number of internet /electronic trading portals luring the residents with

offers of guaranteed high returns based on such forex trading. The advertisements by these internet / online portals exhort people to trade in forex by way of paying the initial investment amount in Indian Rupees. Some companies have reportedly engaged agents who personally contact people to undertake forex trading/ investment schemes and entice them with promises of disproportionate / exorbitant returns. Most of the forex trading through these portals are done on a margining basis with huge leverage or on an investment basis, where the returns are based on forex trading. The public is being asked to make the margin payments for such online forex trading transactions through credit cards / deposits in various accounts maintained with banks in India. It is also observed that accounts are being opened in the name of individuals or proprietary concerns at different bank branches for collecting the margin money, investment money, etc.

3. AD Category - I banks are, therefore, advised to exercise due caution and be extra vigilant in respect of the above transactions. It is clarified that any person resident in India collecting and effecting / remitting such payments directly /indirectly outside India would make himself/ herself liable to be proceeded against with for contravention of FEMA, 1999 besides being liable for violation of regulations relating to Know Your Customer (KYC) norms / Anti Money Laundering (AML) standards.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned. Authorised Dealers may also give wide publicity to the instructions contained in the A.P. (DIR Series) Circulars referred to above and the Press Release issued by the Reserve Bank dated February 21, 2011 (copy enclosed). The instructions contained in this circular may also be brought to the attention of the card issuing companies who may also be advised to remain alert against permitting payments for such unauthorised transactions.

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

Yours faithfully,

**(Dr. Sujatha Elizabeth Prasad)
Chief General Manager**



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

ई-मेल email: helpdoc@rbi.org.in

February 21, 2011

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 2266 0358

RBI Advisory on Overseas Forex Trading through Electronic / Internet Trading Portals

The Reserve Bank of India has today clarified that remittance in any form towards overseas foreign exchange trading through electronic/internet trading portals is not permitted under the Foreign Exchange Management Act (FEMA), 1999. The Reserve Bank has also clarified that the existing regulations under FEMA, 1999 do not permit residents to trade in foreign exchange in domestic / overseas markets.

Residents are, however, permitted to trade in currency futures and options contracts, traded on the stock exchanges recognised by the Securities and Exchange Board of India (SEBI) in India, subject to the conditions specified by the Reserve Bank from time to time.

Background

The Reserve Bank had noticed advertisements issued by electronic / internet portals offering trading or investing in foreign exchange with guaranteed high returns. Many companies even engage agents who personally contact gullible people to undertake forex trading/ investment schemes and entice them with promises of disproportionate / exorbitant returns.

The Reserve Bank of India cautions the public not to remit or deposit money for such unauthorised transactions. The advice has become necessary in the wake of many residents falling prey to such tempting offers and losing money heavily in the recent past.

Press Release : 2010-2011/1196

Alpana Killawala
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/491

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

April 29, 2011

To

All Category – I Authorised Dealer banks

Madam / Sir,

Issue of Irrevocable Payment Commitment (IPCs) to Stock Exchanges on behalf of Mutual Funds (MFs) and Foreign Institutional Investors (FIIs)

Attention of Authorised Dealer Category - I (AD Category-I) banks is invited to Regulation 5(2) and Schedule 2 of 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 which Foreign Institutional Investors (FIIs) registered with SEBI may purchase shares or convertible debentures of an Indian company under the Portfolio Investment Scheme (PIS). Further, attention of AD Category – I banks is also invited to the Foreign Exchange Management (Guarantee) Regulations, notified vide [Notification No. FEMA 8/2000-RB dated May 3, 2000](#), as amended from time to time, in terms of which, no fund based / non-fund based facilities are permitted to the FIIs.

2. It has now been decided to allow custodian banks to issue Irrevocable Payment Commitments (IPCs) in favour of the Stock Exchanges / Clearing Corporations of the Stock Exchanges, on behalf of their FII clients for purchase of shares under the PIS. Issue of IPCs should be in accordance with the Reserve Bank regulations on banks' exposure to the capital market issued by the Reserve Bank from time to time. Further, AD Category – I banks may also comply with the instructions issued by our Department of Banking Operations and Development (DBOD) vide [circular no. DBOD Dir. BC.46/13.03.00/2010-11 dated September 30, 2010](#).

3. Necessary amendments to the Foreign Exchange Management (Guarantee) Regulations, 2000, notified vide Notification No. FEMA 8/2000-RB dated May 3, 2000 will be 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 are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/492

A.P. (DIR Series) Circular No. 55

April 29, 2011

To,

All Category – I Authorised Dealer banks

Madam / Sir,

Foreign investments in India by SEBI registered FIIs in other securities

Attention of Authorised Dealers Category – I (AD Category - I) banks is invited to paragraph 1 of Schedule 5 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 which, a SEBI registered Foreign Institutional Investor (FII) may purchase, on repatriation basis, listed non-convertible debentures / bonds issued by an Indian company, subject to such terms and conditions mentioned therein and limits as prescribed for the same by the RBI & the SEBI from time to time. The present limits for such investments is USD 15 billion for FII investment in corporate debt with an additional limit of USD 5 billion for FII investment in bonds with a residual maturity of over five years, issued by Indian companies which are in the infrastructure sector, where “infrastructure” is defined in terms of the extant guidelines on External Commercial Borrowings (ECB).

2. It has now been decided, in consultation with the Government, to enhance the FII investment limit in listed non-convertible debentures / bonds, with a residual maturity of five years and above, and issued by Indian companies in the infrastructure sector, where ‘infrastructure’ is defined in terms of the extant ECB guidelines, by an additional limit of USD 20 billion taking this limit from USD 5 billion to USD 25 billion (with this the total limit available to FIIs for investment in listed non convertible debentures / bonds would be USD 40 billion with a sub limit of USD 25 billion for investment in listed non-convertible debentures / bonds

issued by corporates in the infrastructure sector). Further, such investment by FII in listed non-convertible debentures / bonds would have a minimum lock-in period of three years. However, FIIs are allowed to trade amongst themselves during the lock-in period. It has also been decided to allow SEBI registered FIIs to invest in unlisted non-convertible debentures / bonds issued by corporates in the infrastructure sector, provided that such investment is as per the aforementioned terms and conditions.

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

4. Necessary amendments to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (Notification No. FEMA 20/2000-RB dated May 3, 2000) 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 are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/493
A.P. (DIR Series) Circular No. 56

April 29, 2011

To

All Authorised Dealers in Foreign Exchange

Madam/ Sir

Foreign Exchange Management Act, 1999-
Advance Remittance for Import of Goods - Liberalisation

Attention of Authorised Dealer Category – I (AD Category-I) banks is invited to A. P. (DIR Series) Circular No.106 dated June 19, 2003, [A. P. \(DIR Series\) Circular No.15 dated September 17, 2003](#) and [A.P. \(DIR Series\) Circular No.09 dated August 21, 2008](#) in terms of which AD Category – I banks are required to obtain an unconditional, irrevocable standby Letter of Credit (LC) or a guarantee from an international bank of repute situated outside India or a guarantee of an AD Category – I bank in India, if such a guarantee is issued against the counter guarantee of an international bank of repute situated outside India, for an advance remittance exceeding USD 100,000 or its equivalent.

2. With a view to liberalising the procedure, it has been decided to enhance the aforesaid limit of USD 100,000 to USD 200,000 or its equivalent, with immediate effect for importers (other than a Public Sector Company or a Department/Undertaking of Central/State Governments where the requirement of bank guarantee is to be specifically waived by the Ministry of Finance, Government of India for advance remittances exceeding USD 100,000 or its equivalent).

3. All the other instructions including the facility to waive the requirement of the standby LC/ bank guarantee for advance remittance up to USD 5,000,000 or its equivalent, where the AD Category – I bank is satisfied about the track record and bonafides of the importer based on their internal Board approved policy,

contained in A.P. (DIR Series) Circular No. 09 dated August 21, 2008, shall remain unchanged.

4. Authorised Dealers 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 Section 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,

(Meena Hemchandra)
Chief General Manager- in Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11 /497
A. P. (DIR Series) Circular No. 57

May 2, 2011

To

All Authorised Dealer Category - I banks

Madam / Sir,

Pledge of shares for business purposes

Under the extant FEMA regulations, powers have been delegated to the Authorised Dealer Category – I (AD Category – I) banks to convey 'no objection' to the resident eligible borrowers under the extant External Commercial Borrowings (ECB) guidelines for pledge of shares held by the promoters, in accordance with the Foreign Direct Investment (FDI) policy, in the borrowing company / domestic associate company of the borrowing company as security for the ECB, subject to certain conditions [c.f. [A. P. \(DIR Series\) Circular No. 1 dated July 11, 2008](#)]. Pledge of shares in respect of all other FDI related transactions requires the prior permission of the Reserve Bank.

2. The extant FEMA regulations have since been reviewed and it has been decided to further liberalise, rationalise and simplify the processes associated with FDI flows to India and reduce the transaction time. Accordingly, it has been decided to delegate powers to the AD Category – I banks to allow pledge of shares of an Indian company held by non-resident investor/s in accordance with the FDI policy in the following cases subject to compliance with the conditions indicated below:

(i) Shares of an Indian company held by the non-resident investor can be pledged in favour of an Indian bank in India to secure the credit facilities being extended to the resident investee company for bonafide business purposes subject to the following conditions :

- (a) in case of invocation of pledge, transfer of shares should be in accordance with the FDI policy in vogue at the time of creation of pledge;

- (b) submission of a declaration/ annual certificate from the statutory auditor of the investee company that the loan proceeds will be / have been utilized for the declared purpose;
- (c) the Indian company has to follow the relevant SEBI disclosure norms; and
- (d) pledge of shares in favour of the lender (bank) would be subject to compliance with the Section 19 of the Banking Regulation Act, 1949.

(ii) Shares of the Indian company held by the non-resident investor can be pledged in favour of an overseas bank to secure the credit facilities being extended to the non-resident investor / non-resident promoter of the Indian company or its overseas group company, subject to the following conditions :

- (a) loan is availed of only from an overseas bank;
- (b) loan is utilized for genuine business purposes overseas and not for any investments either directly or indirectly in India;
- (c) overseas investment should not result in any capital inflow into India;
- (d) in case of invocation of pledge, transfer should be in accordance with the FDI policy in vogue at the time of creation of pledge; and
- (e) submission of a declaration/ annual certificate from a Chartered Accountant/ Certified Public Accountant of the non-resident borrower that the loan proceeds will be / have been utilized for the declared purpose.

2. Necessary amendments to the [Notification No. FEMA 20/2000-RB dated May 3, 2000](#), are being issued separately.

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

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/ 498

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

May 02, 2011

To

All Category-I Authorised Dealer Banks

Madam / Sir,

Opening of Escrow Accounts for FDI transactions

Attention of the 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](#), as amended from time to time, and [A.P. \(DIR Series\) Circular No. 62 dated May 24, 2007](#), permitting AD Category – I banks to open Escrow account and Special account on behalf of non-resident corporates for acquisition/transfer of shares/ convertible debentures of an Indian company through open offers/ delisting/ exit offers, subject to compliance with the relevant SEBI [Substantial Acquisition of Shares and Takeovers (SAST)] Regulations, 1997 and other applicable SEBI regulations. In all other cases of opening/maintaining of Escrow accounts for FDI related transactions, prior approval from the Reserve Bank is necessary.

2. It is observed that the Escrow mechanism facilitates FDI transactions in cases where parties to the share purchase agreement desire to complete the due diligence process before they finalize the agreement for the same and accordingly, there is a time lag between payment of purchase consideration and the receipt of the shares. To provide operational flexibility and ease the procedure for such transactions, it has been decided to permit AD Category – I

banks to open and maintain, without prior approval of the Reserve Bank, **non-interest bearing** Escrow accounts in Indian Rupees in India on behalf of residents and/or non-residents, towards payment of share purchase consideration and / or provide Escrow facilities for keeping securities to facilitate FDI transactions subject to the terms and conditions as given in Annex. It has also been decided to permit SEBI authorised Depository Participants, to open and maintain, without prior approval of the Reserve Bank, Escrow accounts for securities subject to the terms and conditions as given in Annex. In both cases, the Escrow agent shall necessarily be an AD Category- I bank or SEBI authorised Depository Participant (in case of securities' accounts). These facilities will be applicable for both issue of fresh shares to the non- residents as well as transfer of shares from / to the non- residents.

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

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge

ANNEX

[Annex to A.P.(DIR Series) Circular No. 58
dated May 02, 2011]

1. The Escrow account in INR would be maintained only with an AD Category – I bank in India. The Escrow account may be opened jointly and severally. Further, securities kept / linked with such Escrow accounts may be linked with demat account maintained with SEBI authorised Depository Participants.
2. The account shall be non-interest bearing.
3. No fund or non-fund based facilities would be permitted against the balances in the Escrow account.
4. Permitted credits:
 - i) Receipt of foreign inward remittance as consideration towards issue or transfer of shares through normal banking channels; or
 - ii) Receipt of rupee consideration through the normal banking channels from India by the resident acquirers of shares who proposes to acquire them from non-resident holders by way of transfer.
5. Permitted debits:
 - i) Remittance of consideration for issue of shares or transfer of shares directly into the bank accounts of the beneficiary (issuer in India or transferor of shares in India or abroad); or
 - ii) Remittance of consideration for refund to the initial remitter of funds in case of failure / non-materialization of the FDI transaction for which the Escrow account was opened.

6. The underlying FDI transaction for which the Escrow account is opened should be compliant with extant FEMA provisions. Further, for the purposes of FDI reporting, date of transfer of funds into the bank account of the issuer or transferor of shares, shall be the relevant date of remittance.

7. Where the transaction is governed by SEBI guidelines/regulations, operation of the Escrow accounts shall also be in accordance with the relevant SEBI regulations.

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 person resident outside India acquiring the shares), after all the formalities in respect of the said acquisition are completed. In cases, where proposed acquisition/transfer does not materialise, the AD Category – I bank may allow repatriation/refund of the entire amount lying to the credit of the Escrow account on being satisfied with the bonafides of such remittances.

9. The Escrow account shall remain operational for a maximum period of six months only and the account shall be closed immediately after completing the requirements as outlined above or on completion of six months from the date of opening of such account, whichever is earlier. In case the Escrow account is required to be maintained beyond six months, specific permission from the Reserve Bank has to be sought.

10. Requirement of compliance with KYC guidelines issued by the Reserve Bank /SEBI shall rest with the AD Category – I bank/ SEBI authorised Depository Participants.

11. The terms of the Escrow account shall be laid down strictly in the Escrow agreement, Share purchase agreement, conditions of issue of shares, etc.



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/514
A.P. (DIR Series) Circular No.59

May 06, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Foreign Exchange Management Act, 1999 –
Import of rough, cut and polished diamonds

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to the [A.P.\(DIR Series\) Circular No.12 dated August 28 ,2008](#), in terms of which AD Category – I banks were permitted to approve Suppliers' and Buyers' credit (trade credit), including the usance period of Letters of Credit for import of platinum, palladium, rhodium and silver for a period not exceeding 90 days from the date of shipment .

2. In the context of recent developments, it has been decided that Suppliers' and Buyers' credit (trade credit) including the usance period of Letters of Credit opened for import of rough, cut and polished diamonds should not exceed 90 days from the date of shipment. The revised directions will come into force with immediate effect.

3. AD Category – I banks should ensure that due diligence is undertaken and Know-Your-Customer (KYC) norms and Anti-Money Laundering (AML) standards, issued by the Reserve Bank are adhered to while undertaking the import transactions. Further, any large or abnormal increase in the volume of business should be closely examined to ensure that the transactions are bonafide and are not intended for interest / currency arbitrage. All other instructions relating to imports of rough, cut and polished diamonds shall continue.

4. The earlier instructions issued for direct import of gold vide A.P.(DIR Series) Circular No.2 dated July 9,2004 , import of platinum / palladium/ rhodium /silver vide [A.P.\(DIR Series\) Circular No.12 dated August 28,2008](#) and advance remittance for import of rough diamonds, vide [A.P.\(DIR Series\) Circular No.21 dated December 29,2009](#) shall remain unchanged.

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 Section 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,

(Meena Hemchandra)
Chief General Manager in-Charge



**RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001**

RBI/2010-11/526

A.P. (DIR Series) Circular No. 60

May 16 , 2011

To

All Authorised Dealer - Category I banks

Madam / Sir

**Comprehensive Guidelines on Over the Counter (OTC)
Foreign Exchange Derivatives and Overseas Hedging
of Commodity Price and Freight Risks**

Attention of the Authorised Dealer Category - I (AD Category - I) banks is invited to [Notification No. FEMA 25/2000-RB dated May 3, 2000](#), as amended from time to time, on the regulations governing foreign exchange derivative contracts. Further, attention is also invited to the comprehensive guidelines on Over-the-Counter (OTC) Foreign Exchange Derivatives and Overseas Hedging of Commodity Price and Freight Risks issued vide [A.P. \(DIR Series\) Circular No. 32 dated December 28, 2010](#).

2. In view of the representation received from the industry associations and as AS 30/32 standards are yet to be notified by the Ministry of Corporate Affairs, it has been decided to amend the eligibility criteria for the users of cost reduction structures as contained under para B I (1)(v) of A.P. (DIR Series) Circular No. 32 dated December 28, 2010 as indicated below:

A. Existing Provisions

“**Users** – Listed companies or unlisted companies with a minimum net worth of Rs. 100 crore (subsidiaries or affiliates of listed companies which follow AS 30/32, having common treasuries and consolidate the accounts with parent companies are exempted from the minimum net worth criteria), which are complying with the following:

- Adoption of Accounting Standards 30 and 32. Companies which are not complying fully with AS 30 and 32 should follow the accounting treatment and disclosure standards on derivative contracts, as envisaged under AS 30/32.
- Having a risk management policy and a specific clause in the policy that allows using the type/s of cost reduction structures. ”

B. Amended Provisions

“**Users** - Listed companies and their subsidiaries/joint ventures/associates having common treasury and consolidated balance sheet

or

Unlisted companies with a minimum net worth of Rs. 200 crore provided

- All such products are fair valued on each reporting date;
- The companies follow the Accounting Standards notified under section 211 of the Companies Act, 1956 and other applicable Guidance of the Institute of Chartered Accountants of India (ICAI) for such products/ contracts as also the principle of prudence which requires recognition of expected losses and non-recognition of unrealized gains;
- Disclosures are made in the financial statements as prescribed in ICAI press release dated 2nd December 2005; and

- The companies have a risk management policy with a specific clause in the policy that allows using the type/s of cost reduction structures.

(Note: The above accounting treatment is a transitional arrangement till AS 30 / 32 or equivalent standards are notified.)”

Other provisions of the circular shall remain unchanged.

3. It may also be noted that the above eligibility criteria would also be applicable to the users of OTC option strategies involving a simultaneous purchase and sale of options for overseas commodity hedging.

4. The 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.

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

Yours faithfully,

(Meena Hemchandra)

Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/531

May 16, 2011

A.P. (DIR Series) Circular No. 61

To,

All Authorized Persons

Madam/ Dear Sir,

Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT)/Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009-Money changing activities

Attention of Authorized persons is invited to Paragraph 4.4 (e) (i), 4.4 (e) (ii) and 4.13 (i) of F-Part-I of the Annex to [A.P. \(DIR Series\) Circular No.17 {A.P. \(FL/RL Series\) Circular No. 4 } dated November 27, 2009.](#)

2. On a review, it has been decided to amend the instructions contained in the said paragraphs. The amended instructions are given in the Annex.

3. All the other instructions contained in A.P.(DIR Series) Circular No.17 {A.P. (FL/RL Series) Circular no.4} dated November 27, 2009 shall remain unchanged.

4. Authorised Persons should 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 also under the, Prevention of Money Laundering Act, (PMLA), 2002, as amended by the Prevention of Money Laundering (Amendment) Act, 2009 and the Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the

Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge

Annex (Revised)

**[Annex to A. P. (DIR Series) Circular No. 61
dated May 16, 2011]**

Paragraph No. [cf. F-Part-I [Annex to A.P. (DIR Series) Circular No.17 {A.P. (FL/RL Series) Circular No. 4 dated November 27, 2009]	Existing Instructions	Amended Instructions
4.4 e (i) Purchase of foreign exchange from customers	For purchase of foreign currency notes and/ or Travellers' Cheques from customers for any amount less than US \$ 200 or its equivalent, photocopies of the identification document need not be obtained. However, full details of the identification document should be maintained.	<p>For purchase of foreign currency notes and/ or Travellers' Cheques from customers for any amount less than Rs. 50,000/-, or its equivalent, photocopies of the identification document need not be obtained. However, full details of the identification document should be maintained.</p> <p>If the Authorised Person has reason to believe that a customer is intentionally structuring a transaction into a series of transactions below the threshold of Rs.50000/-, the A.P. should verify identity and address of the customer and also consider filing a suspicious transaction report to FIU-IND.</p>
4.4 e (ii)	For purchase of foreign currency notes and/ or Travellers' Cheques from customers for any amount in excess of US \$ 200 or its equivalent, the identification documents, as mentioned at (F-Part-II) annexed to this Circular, should be verified and a copy retained.	For purchase of foreign currency notes and/ or Travellers' Cheques from customers for any amount equal to or in excess of Rs.50,000/-, or its equivalent, the documents, as mentioned at (F-Part-II) annexed to the A.P. (DIR Series) Circular No.17 {A.P.(FL/RL Series) Circular No.4} dated November 27,

		2009, should be verified and copies retained.
4.4 e (vi)	In case of any suspicion of money laundering or terrorist financing, irrespective of the amount involved, enhanced Customer Due Diligence (CDD) should be applied.	<p>In case of any suspicion of money laundering or terrorist financing, irrespective of the amount involved, enhanced Customer Due Diligence (CDD) should be applied.</p> <p>Whenever there is suspicion of money laundering or terrorist financing or when other factors give rise to a belief that the customer does not, in fact, pose a low risk, APs should carry out full scale Customer Due Diligence (CDD) before undertaking any transaction for the customer.</p>

<p>4.13 (i) Maintenance of records of transactions</p>	<p>APs should introduce a system of maintaining proper record of transactions prescribed under Rule 3, as mentioned below:</p> <p>a) all cash transactions of the value of more than Rupees Ten Lakh or its equivalent in foreign currency;</p> <p>b) all series of cash transactions integrally connected to each other which have been valued below Rupees Ten Lakh or its equivalent in foreign currency where such series of transactions have taken place within a month; and</p> <p>c) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.</p>	<p>APs should introduce a system of maintaining proper record of transactions prescribed under Rule 3, as mentioned below:</p> <p>a) all cash transactions of the value of more than Rupees Ten Lakh or its equivalent in foreign currency;</p> <p>b) all series of cash transactions integrally connected to each other which have been valued below Rupees Ten Lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds Rupees Ten Lakh;</p> <p>c) all transactions involving receipts by non-profit organisations of value more than Rupees ten lakh or its equivalent in foreign currency [Ref: Government of India Notification dated November 12, 2009- Rule 3,sub-rule (1) clause (BA) of PML Rules];</p> <p>d) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transaction; and</p> <p>e) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.</p>
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RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/532
A.P. (DIR Series) Circular No. 62

May 16, 2011

To,

All Authorised Persons, who are Indian Agents under Money Transfer Service Scheme.

Madam/ Sir,

Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT)/Obligation of Authorised Persons under the Prevention of Money Laundering Act, (PMLA), 2002, as amended by the Prevention of Money Laundering (Amendment) Act, 2009- Cross Border Inward Remittance under the Money Transfer Service Scheme

Attention of all Authorised Persons, who are Indian Agents under Money Transfer Service Scheme (MTSS) is invited to Paragraph 5.12 (i) of Annex-I to the [A.P.\(DIR Series\) Circular No.18 {A.P. \(FL Series\) Circular No.5} dated November 27, 2009.](#)

2. It has been decided to amend the instructions contained in the said paragraph. The amended instructions are given in the Annex.

3. All the other instructions contained in A.P. (DIR Series) Circular No.18 {A.P. (FL Series) Circular No.5} dated November 27, 2009 shall remain unchanged.

4. Authorised Persons (Indian Agents) should 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 also under the Prevention of Money Laundering Act, (PMLA), 2002 as amended by Prevention of Money Laundering (Amendment) Act, 2009 and the Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the

Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge

**[Annex to A. P. (DIR Series) Circular No.62
[A.P.(FL Series Circular No.]
dated May 16, 2011**

Paragraph No. [cf. Annex-I [Annex to A.P. (DIR Series) Circular No.18 {A.P. (FL Series) Circular No.5} dated November 27, 2009].	Existing Instructions	Amended Instructions
5.12 (i) Maintenance of records of transactions	<p>APs (Indian Agents) should introduce a system of maintaining proper record of transactions prescribed under Rule 3, as mentioned below:</p> <p>a) all cash transactions of the value of more than Rupees ten lakh or its equivalent in foreign currency;</p> <p>b) all series of cash transactions integrally connected to each other which have been valued below Rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month; and</p> <p>c) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.</p>	<p>APs (Indian Agents) should introduce a system of maintaining proper record of transactions prescribed under Rule 3, as mentioned below:</p> <p>a) all cash transactions of the value of more than Rupees ten lakh or its equivalent in foreign currency;</p> <p>b) all series of cash transactions integrally connected to each other which have been valued below Rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds Rupees ten lakh;</p> <p>c) all transactions involving receipts by non-profit organisations of value more than Rupees ten lakh or its equivalent in foreign currency [Ref: Government of India Notification dated November 12, 2009 - Rule 3, sub-rule (1)]</p>

		<p>clause (BA) of PML Rules];</p> <p>d) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transaction; and</p> <p>e) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.</p>
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RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/ 534

May 20, 2011

A.P. (DIR Series) Circular No. 63

All Authorised Persons

Madam/ Dear Sir,

Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT) Standards - Money Changing Activities

Please refer to our [A.P. \(DIR Series\) Circular No.49 {A.P. \(FL/RL Series\) Circular No.11}](#) dated April 6, 2011 on risks arising from the deficiencies in AML/CFT regime of Iran and Democratic People's Republic of Korea (DPRK).

2. Financial Action Task Force (FATF) has issued a further Statement on February 25, 2011 on the subject ([copy enclosed](#)) calling its members and other jurisdictions to apply counter-measures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing (ML/FT) risks emanating from Iran and Democratic People's Republic Korea (DPRK).

3. Authorised Persons are accordingly advised to consider the information contained in the enclosed Statement.

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

5. Please advise your Principal Officer to acknowledge receipt of this circular letter.

6. The directions contained in this Circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the, Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/535

May 20, 2011

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

To,

All Authorised Persons, who are Indian Agents under Money Transfer Service Scheme.

Madam/ Dear Sir,

Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT) Standards - Cross Border Inward Remittance under Money Transfer Service Scheme

Please refer to our [A.P. \(DIR Series\) Circular No.50 {A.P. \(FL/RL Series\) Circular No.12} dated April 6, 2011](#) on risks arising from the deficiencies in AML/CFT regime of Iran and Democratic People's Republic of Korea (DPRK).

2. Financial Action Task Force (FATF) has issued a further Statement on February 25, 2011 on the subject ([copy enclosed](#)) calling its members and other jurisdictions to apply counter-measures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing (ML/FT) risks emanating from Iran and Democratic People's Republic of Korea (DPRK).

3. All Authorised Persons (Indian Agents) are accordingly advised to consider the information contained in the enclosed Statement.

4. Authorised Persons (Indian Agents) may bring the contents of this circular to the notice of their constituents and customers concerned.

5. Please advise your Principal Officer to acknowledge receipt of this circular letter.

6. The directions contained in this Circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the, Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/536

May 20, 2011

A.P. (DIR Series) Circular No. 65

To,

All Authorised Persons

Madam/ Dear Sir,

Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT) Standards - Money changing activities

Please refer to our [A.P.\(DIR Series\) Circular No.51 { A.P.\(FL/RL Series\) Circular No.13} dated April 6, 2011](#) forwarding the Financial Action Task Force (FATF) Statement identifying a list of jurisdictions which have strategic AML/CFT deficiencies.

2. FATF has further issued a Statement on February 25, 2011 ([copy enclosed](#)) calling upon jurisdictions listed in the Statement to complete the implementation of their action plan within the timeframe. The FATF, in the Statement has called upon its members to consider the information given in the statement.

3. Authorised Persons are accordingly advised to consider the information contained in the enclosed Statement.

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

5. Please advise your Principal Officer to acknowledge receipt of this circular letter.

6. The directions contained in this Circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the, Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/ 537

May 20, 2011

A.P. (DIR Series) Circular No. 66

To,

All Authorised Persons, who are Indian Agents under Money Transfer Service Scheme.

Madam/ Dear Sir,

Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT) Standards - Cross Border Inward Remittance under Money Transfer Service Scheme

Please refer to our [A.P.\(DIR Series\) Circular No.52 { A.P.\(FL/RL Series\) Circular No.14} dated April 6, 2011](#) forwarding the Financial Action Task Force (FATF) Statement identifying a list of jurisdictions which have strategic AML/CFT deficiencies.

2. Financial Action Task Force (FATF) has further issued a Statement on February 25, 2011 ([copy enclosed](#)) calling upon jurisdictions listed in the Statement to complete the implementation of their action plan within timeframe. The FATF, in the Statement has called upon its members to consider the information given in the Statement.

3. All Authorised Persons (Indian Agents) are accordingly advised to consider the information contained in the enclosed Statement.

4. Authorised Persons (Indian Agents) may bring the contents of this circular to the notice of their constituents and customers concerned.

5. Please advise your Principal Officer to acknowledge receipt of this circular letter.

6. The directions contained in this Circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and also under the, Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 and Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 as amended from time to time. Non-compliance with the guidelines would attract penal provisions of the Acts concerned or Rules made there under.

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/538

A. P. (DIR Series) Circular No. 67

May 20, 2011

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 Regulation 5 of [Notification No.FEMA.25/RB-2000 dated May 3, 2000](#), as amended from time to time regarding the permission to a person resident outside India to enter into a foreign exchange derivative contract, read with [A. P. \(DIR Series\) Circular No. 32 dated December 28, 2010](#) in the matter.

2. Currently, in terms of Section C (i) (d) of the [A. P. \(DIR Series\) Circular No. 32 dated December 28, 2010](#), Foreign Institutional Investors (FIIs) are permitted to cancel and rebook upto two percent of the market value of the portfolio as at the beginning of the financial year. On a review, it has been decided to enhance the existing limit of two per cent as above to ten per cent with immediate effect. Other operational guidelines as also terms and conditions of the circular shall remain unchanged.

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

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-In-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/539

A.P. (DIR Series) Circular No. 68

May 20, 2011

To

All Authorised Dealer - Category I banks

Madam / Sir

**Hedging IPO flows by Foreign Institutional Investors (FIIs)
under the ASBA mechanism**

Attention of the Authorised Dealer Category - I (AD Category - I) banks is invited to [A.P. \(DIR Series\) Circular No. 32 dated December 28, 2010](#) , which delineates the guidelines governing foreign exchange derivative contracts. As per the extant guidelines, Foreign Institutional Investors (FIIs) are allowed to hedge the currency risk on the market value of entire investment in equity and/or debt in India as on a particular date using forward foreign exchange contracts with rupee as one of the currencies and foreign currency-INR options.

2. On a review it has been decided that for Initial Public Offers(IPO) related transient capital flows under the Application Supported by Blocked Amount(ASBA) mechanism, foreign currency-rupee swaps may be permitted to the FIIs subject to the following terms and conditions:

- i. FIIs can undertake foreign currency- rupee swaps only for hedging the flows relating to the IPO under the ASBA mechanism.
- ii. The amount of the swap should not exceed the amount proposed to be invested in the IPO.
- iii. The tenor of the swap should not exceed 30 days.
- iv. The contracts, once cancelled, cannot be rebooked. Rollovers under this scheme will also not be permitted.

3. The 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.

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

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/548
A.P. (DIR Series) Circular No. 69

May 27, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Direct Investment – Liberalisation / Rationalisation

Attention of the Authorised Dealer (AD - Category I) banks is invited to the [Notification No. FEMA 120/RB-2004 dated July 7, 2004](#) [Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2004] (the Notification), as amended from time to time and [A.P. \(DIR Series\) Circular No.29 dated March 27, 2006](#).

2. With a view to providing more operational flexibility to Indian corporates having investments abroad, it has been decided to further liberalise / rationalise the following regulations relating to overseas direct investment:

i) Performance Guarantees issued by the Indian Party

At present, 'financial commitment' of the Indian Party includes contribution to the capital of the overseas Joint Venture (JV) / Wholly Owned Subsidiary (WOS), loan granted to the JV / WOS and 100 per cent of guarantees issued to or on behalf of the JV/WOS. Keeping in mind the utility and usage of the instrument of performance guarantees in project executions abroad and also considering the risks associated with such guarantees vis-à-vis financial guarantees, it has been decided that only 50 per cent of the amount of the performance guarantees may be reckoned for the purpose of computing financial commitment to its JV/WOS overseas, within the 400 per cent of the net worth of the Indian Party as on the date of the last audited balance sheet. Further, the time specified for the completion of the contract may be considered as the validity period of the related performance guarantee. The Indian Party may report these guarantees in the

similar way in which financial guarantees are being presently reported. In cases where invocation of the performance guarantees breach the ceiling for the financial exposure of 400 per cent of the net worth of the Indian Party, the Indian Party shall seek the prior approval of the Reserve Bank before remitting funds from India, on account of such invocation.

ii) Restructuring of the balance sheet of the overseas entity involving write-off of capital and receivables

The extant FEMA Regulations do not provide for the restructuring of the balance sheet of the overseas JV/WOS not involving winding up of the entity or divestment of the stake by the Indian Party. In order to provide more operational flexibility to the Indian corporates, it has been decided that Indian promoters who have set up WOS abroad or have at least 51 per cent stake in an overseas JV, may write off capital (equity / preference shares) or other receivables, such as, loans, royalty, technical knowhow fees and management fees in respect of the JV /WOS, even while such JV /WOS continue to function as under:

- (i) Listed Indian companies are permitted to write off capital and other receivables up to 25 per cent of the equity investment in the JV /WOS under the Automatic Route; and
- (ii) Unlisted companies are permitted to write off capital and other receivables up to 25 per cent of the equity investment in the JV /WOS under the Approval Route.

The write-off / restructuring have to be reported to the Reserve Bank through the designated AD bank within 30 days of write-off/ restructuring. The write-off / restructuring is subject to the condition that the Indian Party should submit the following documents for scrutiny along with the applications to the designated AD Category –I bank under the Automatic as well as the Approval Routes:

- a) A certified copy of the balance sheet showing the loss in the overseas WOS/JV set up by the Indian Party; and
- b) Projections for the next five years indicating benefit accruing to the Indian company consequent to such write off / restructuring.

iii) Disinvestment by the Indian Parties of their stake in an overseas JV/WOS involving write-off

(a) Currently, in terms of Regulation 16 of the Notification No. FEMA 120/RB-2004 dated July 7, 2004, as amended from time to time, all disinvestments involving 'write off', i.e., where the amount repatriated on disinvestment is less than the amount of original investment, need prior approval of the Reserve Bank. In terms of A.P. (DIR Series) Circular No. 29 dated March 27, 2006 it was decided to allow the undernoted categories of disinvestment under the Automatic Route without prior approval of the Reserve Bank, subject to the following conditions:

- i) In cases where the JV/WOS is listed in the overseas stock exchange;
- ii) In cases where the Indian promoter company is listed on a stock exchange in India and has a net worth of not less than Rs.100 crore; and
- iii) Where the Indian promoter company is an unlisted company and the investment in the overseas venture does not exceed USD 10 million.

In partial modification of the above, it has now been decided to include listed Indian promoter companies with net worth of less than Rs.100 crore and investment in an overseas JV/WOS not exceeding USD 10 million, for disinvestment under the Automatic Route with the requirement that the Indian Party shall report the disinvestment through its designated AD Category I bank within 30 days from the date of disinvestment.

(b) It is also clarified that disinvestment cases falling under the Automatic Route would also include cases where the amount repatriated after disinvestment is less than the original amount invested, provided the corporate falls under the above mentioned categories.

iv) Issue of guarantee by an Indian Party to step down subsidiary of JV /WOS under general permission

(a) Currently Indian Parties are permitted to issue corporate guarantees on behalf of their first level step down operating JV /WOS set up by their JV /WOS operating as a Special Purpose Vehicle (SPV) under the Automatic Route, subject to the

condition that the financial commitment of the Indian Party is within the extant limit for overseas direct investment. As a measure of further liberalisation, it has been decided that irrespective of whether the direct subsidiary is an operating company or a SPV, the Indian promoter entity may extend corporate guarantee on behalf of the first generation step down operating company under the Automatic Route, within the prevailing limit for overseas direct investment. Such guarantees will have to be reported to the Reserve Bank in Form ODI, as hitherto, through the designated AD concerned.

(b) Further, it has also been decided that issue of corporate guarantee on behalf of second generation or subsequent level step down operating subsidiaries will be considered under the Approval Route, provided the Indian Party directly or indirectly holds 51 per cent or more stake in the overseas subsidiary for which such guarantee is intended to be issued.

3. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Any Foreign Security), Regulations, 2004 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 (FEMA), 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/560

June 9, 2011

A.P. (DIR Series) Circular No.70

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Remittance of assets by foreign nationals-
Opening of NRO Accounts

The foreign nationals employed in India holding valid visas are eligible to maintain resident accounts with an Authorised Dealer Category - I (AD Category-I) bank in India. The AD Category-I banks are required to close the resident accounts of such foreign nationals on their leaving the country and transfer their assets to their accounts maintained abroad. In this connection, attention of the AD Category-I banks is invited to paragraph 8 of Schedule 3 to the [Notification No. FEMA 5 /2000-RB dated 3rd May 2000](#), viz. Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time, in terms of which when a person resident in India leaves India for a country (other than Nepal or Bhutan) for taking up employment, or for carrying on business or vocation outside India or for any other purpose indicating her / his stay outside India for an uncertain period, her / his existing account should be designated as a Non-Resident (Ordinary) [NRO] Account.

2. The extant instructions have been reviewed so as to facilitate the foreign nationals to collect their pending dues in India. AD Category-I banks may, therefore, permit such foreign nationals to re-designate their resident account maintained in India as NRO account on leaving the country after their employment to enable them to receive their pending bonafide dues, subject to the following conditions:

a) AD Category-I bank should obtain the full details from the account holder about his legitimate dues expected to be received into his account.

b) AD Category-I bank has to satisfy itself as regards the credit of amounts which have to be bonafide dues of the account holder when she / he was a resident in India.

c) The funds credited to the NRO account should be repatriated abroad immediately, subject to the AD Category-I bank satisfying itself regarding the payment of the applicable Income tax and other taxes in India.

d) The amount repatriated abroad should not exceed USD one million per financial year.

e) The debit to the account should be only for the purpose of repatriation to the account holder's account maintained abroad.

f) There should not be any other inflow / credit to this account other than that mentioned at point (a) above.

g) AD Category-I bank should put in place proper internal control mechanism to monitor the credits and debits to this account.

h) The account should be closed immediately after all the dues have been received and repatriated as per the declaration made by the account holder mentioned at paragraph 2 (a) above.

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

Yours faithfully,

Dr. (Smt. Sujatha Elizabeth Prasad)
Chief General Manager-in-Charge



**RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001**

**RBI/2010-11/565
A.P. (DIR Series) Circular No. 71**

June 14, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit of USD 36.56 million
to the Government of the United Republic of Tanzania**

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated March 28, 2011 with the Government of the United Republic of Tanzania making available to the latter, a Line of Credit (LoC) of USD 36.56 million (USD thirty six million and five hundred sixty thousand) for financing eligible goods and services including consultancy services from India for the purpose of financing the purchase of 723 vehicles under the India Africa Fund into Tanzania. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 75 per cent of the contract price shall be supplied by the seller from India and the remaining 25 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LoC is effective from May 20, 2011 and the date of execution of Agreement is March 28, 2011. Under the LoC, the last date for opening of the letters of credit and disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (March 27, 2017) from the execution date of the Credit Agreement in the case of supply contracts.

3. Shipments under the LoC will have to be declared on GR / SDF Forms as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable under the above LoC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to [www. eximbankindia.in](http://www.eximbankindia.in).
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,

(Rashmi Fauzdar)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/568
A.P. (DIR Series) Circular No. 72

June 16, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 91 million
to the Government of the Federal Democratic Republic of Ethiopia

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated February 18, 2011 with the Government of the Federal Democratic Republic of Ethiopia making available to the latter, a Line of Credit (LOC) of USD 91 million (USD ninety one million) for financing eligible goods and services including consultancy services, machinery and equipment from India for the purpose of financing development of sugar industry in Ethiopia. The goods and services including consultancy services from India for exports under this 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. Out of the total credit by Exim Bank under this Agreement, the goods and services including consultancy services of the value of at least 75 per cent of the contract price shall be supplied by the seller from India, and the remaining 25 per cent goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from May 24, 2011 and the date of execution of Agreement is February 18, 2011. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in the case of project exports and 72 months (February 17, 2017) from the execution date of the Credit Agreement in the case of supply contracts.

3. Shipments under the LOC will have to be declared on GR / SDF Forms as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category-I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for 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 the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to [www. eximbankindia. in](http://www.eximbankindia.in).
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,

(Rashmi Fauzdar)
Chief General Manager



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2010-11/584

June 29, 2011

A.P. (DIR Series) Circular No. 73

To

All Category-I Authorised Dealer Banks

Madam/Sir,

Overseas Direct Investment- Liberalisation/ Rationalisation

Attention of the Authorised Dealer (AD - Category I) banks is invited to the [Notification No. FEMA 120/RB-2004 dated July 7, 2004](#) [Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2004] (the Notification), as amended from time to time, and the following circulars issued thereunder:

- [A.P. \(DIR Series\) Circular No. 41 dated December 6, 2003](#)
- [A.P. \(DIR Series\) Circular No. 29 dated March 27, 2006](#)
- [A.P. \(DIR Series\) Circular No. 69 dated May 27, 2011](#)

With a view to restating the various provisions relating to transfer by way of sales of a joint venture or wholly owned subsidiary (JV or WOS) outside India with and without write off, the existing guidelines are consolidated as indicated below:

2. Transfer by way of sale of shares of a JV / WOS

An Indian Party, without prior approval of the Reserve Bank, may transfer by way of sale to another Indian Party which complies with the provisions of Regulation 6 of FEMA Notification 120/RB-2004 dated July 7, 2004 or to a person resident outside India, any

share or security held by it in a JV or WOS outside India subject to the following conditions:

- (i) the sale does not result in any write off of the investment made.
- (ii) the sale is to be effected through a stock exchange where the shares of the overseas JV/ WOS are listed;
- (iii) 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 JV / WOS;
- (iv) the Indian Party does not have any outstanding dues by way of dividend, technical know-how fees, royalty, consultancy, commission or other entitlements and / or export proceeds from the JV or WOS;
- (v) the overseas concern has been in operation for at least one full year and the Annual Performance Report together with the audited accounts for that year has been submitted to the Reserve Bank;
- (vi) the Indian party is not under investigation by CBI / DoE/ SEBI / IRDA or any other regulatory authority in India.

3. Transfer by way of sale of shares of a JV / WOS involving write off of the investment

- (a) Indian Parties may disinvest without prior approval of the Reserve Bank, in the under noted cases where the amount repatriated on disinvestment is less than the amount of the original investment:
 - i) in cases where the JV / WOS is listed in the overseas stock exchange;
 - ii) in cases where the Indian Party is listed on a stock exchange in India and has a net worth of not less than Rs.100 crore;
 - iii) where the Indian Party is an unlisted company and the investment in the overseas venture does not exceed USD 10 million and
 - iv) where the Indian Party is a listed company with net worth of less than Rs.100 crore but investment in an overseas JV/WOS does not exceed

USD 10 million.

(b) Such disinvestments shall be subject to the conditions listed at items (ii) to (vi) of paragraph 2 above.

4. The Indian Party is required to submit details of such disinvestment through its designated AD category-I bank within 30 days from the date of disinvestment.

5. An Indian Party, which does not satisfy the conditions stated above for undertaking any disinvestment in its JV/WOS abroad, shall have to apply to the Reserve Bank for prior permission.

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

(Dr. Sujatha Elizabeth Prasad)
Chief General Manager



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/586

A. P. (DIR Series) Circular No.74

June 30, 2011

To

All Authorised Dealer Category-I Banks

Madam / Sir,

**Foreign Direct Investment (FDI) in India - Issue of equity shares under the
FDI Scheme allowed under the Government route**

Attention of Authorised Dealers 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](#), as amended from time to time.

2. In terms of the Schedule 1 of the Notification, *ibid*, an Indian company may, under the automatic route, issue equity shares/ preference shares to a person resident outside India, being a provider of technology / technical know-how and against royalty / lumpsum fees due for payment subject to certain conditions like entry route, sectoral cap, pricing guidelines and compliance with the applicable tax laws.

3. The extant guidelines for issue of equity shares/ preference shares under the Government route have been reviewed in consultation with the Government of India and, accordingly, it has been decided to permit issue of equity shares / preference shares under the Government route of the FDI scheme for the following categories of transactions:

(I) Import of capital goods/ machineries / equipments (including second-hand machineries), subject to compliance with the following conditions:

- (a) The import of capital goods, machineries, etc., made by a resident in India, is in accordance with the Export / Import Policy issued by the Government of India as notified by the Directorate General of Foreign

Trade (DGFT) and the regulations issued under the Foreign Exchange Management Act (FEMA), 1999 relating to imports issued by the Reserve Bank;

- (b) There is an independent valuation of the capital goods / machineries / equipments (including second-hand machineries) by a third party entity, preferably by an independent valuer from the country of import along with production of copies of documents /certificates issued by the customs authorities towards assessment of the fair-value of such imports;
- (c) The application should clearly indicate the beneficial ownership and identity of the importer company as well as the overseas entity; and
- (d) All such conversions of import payables for capital goods into FDI should be completed within 180 days from the date of shipment of goods.

(II) Pre-operative/pre-incorporation expenses (including payments of rent, etc.) subject to compliance with the following conditions:

- (a) Submission of FIRC for remittance of funds by the overseas promoters for the expenditure incurred;
- (b) Verification and certification of the pre-incorporation/ pre-operative expenses by the statutory auditor;
- (c) Payments should be made directly by the foreign investor to the company. Payments made through third parties citing the absence of a bank account or similar such reasons will not be eligible for issuance of shares towards FDI; and
- (d) The capitalization should be completed within the stipulated period of 180 days permitted for retention of advance against equity under the extant FDI policy.

- 4. (i) All requests for conversion should be accompanied by a special resolution of the company.
- (ii) Government's approval would be subject to pricing guidelines of the Reserve Bank and appropriate tax clearance.

5. These directions have been issued with reference to the relevant paras of the Consolidated FDI Policy Circular 1 of 2011 dated March 31, 2011, issued by the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.

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

7. 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.

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,

(Meena Hemchandra)
Chief General Manager-in-Charge



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010 -11/587

A. P. (DIR Series) Circular No.75

June 30, 2011

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Buyback / Prepayment of Foreign Currency Convertible Bonds (FCCBs)

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to the [A.P. \(DIR Series\) Circular No. 39 dated December 08, 2008](#), [A.P. \(DIR Series\) Circular No. 65 dated April 28, 2009](#) and [A.P. \(DIR Series\) Circular No.07 dated August 09, 2010](#) on the captioned subject.

2. The Reserve Bank is presently considering applications under the approval route for buyback of FCCBs, subject to the issuers complying with the terms and conditions of buyback/ prepayment of FCCBs, as mentioned in the A.P. (DIR Series) Circular No.39 dated December 08, 2008 and A.P. (DIR Series) Circular No.65 dated April 28, 2009.

3. The existing policy on the premature buyback of FCCBs has been reviewed and it has been decided to extend the time limit for such facility and liberalise the procedure. Accordingly, the applications for buyback of FCCBs by Indian companies, both under the automatic and approval routes, will be considered as detailed hereunder:

A. Automatic Route

The designated AD Category - I banks may allow Indian companies to prematurely buyback FCCBs subject to compliance with the terms and conditions set out hereunder:

- i) the buyback value of the FCCB shall be at a minimum discount of 8 per cent on the book value;
- ii) the funds used for the buyback shall be out of existing foreign currency funds held either in India (including funds held in the EEFC account) or abroad and / or out of fresh ECB raised in conformity with the current ECB norms; and
- iii) where the fresh ECB is co-terminus with the outstanding maturity of the original FCCB and is for less than three years the all-in-cost ceiling should not exceed 6 months Libor plus 200 bps as applicable to short term borrowings. In other cases, the all-in-cost for the relevant maturity of the ECB, as laid down in [A. P. \(DIR Series\) No.26 dated October 22, 2008](#), shall apply.

B. Approval Route

Indian companies may be permitted to buyback FCCBs up to USD 100 million of the redemption value per company, out of their internal accruals with the prior approval of the Reserve Bank, subject to a :

- i) minimum discount of 10 per cent of book value for redemption value up to USD 50 million;
- ii) minimum discount of 15 per cent of book value for the redemption value over USD 50 million and up to USD 75 million; and
- iii) minimum discount of 20 per cent of book value for the redemption value of over USD 75 million and up to USD 100 million.

4. Applications complying with the above conditions may be submitted, together with the supporting documents, through the designated AD Category - I bank, to the Chief General Manager-in-Charge, Reserve Bank of India, Foreign Exchange Department, ECB Division, Central Office, 11th Floor, Central Office Building, Shahid Bhagat Singh Road, Mumbai-400 001 for consideration.

5. The other terms and conditions as stipulated in paragraph 5 and 6 of A.P. (DIR Series) Circular No. 39 dated December 8, 2008 will continue to be applicable.

This facility shall come into force with immediate effect and the entire process of buyback should be completed by **March 31, 2012**.

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

Yours faithfully,

(Rashmi Fauzdar)
Chief General Manager