

Facilities to NRIs/PIOs and Residents
A.P.(DIR Series) Circular No.1 (July 2, 2002)

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

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

July 2, 2002

[last circular for the year 2001-02 is
A.P.(DIR Series) Circular No.54]

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Facilities to NRIs/PIOs and Residents

As Authorised Dealers are aware, in terms of Paragraph 4 of Schedule 3 to the Notification No.FEMA 5/2000-RB dated May 3, 2000, balances in NRO accounts are not eligible for remittance outside India, without the approval of Reserve Bank.

2. With a view to further liberalising the Exchange Control Regulations and providing additional facilities to Non-Resident Indians/Persons of Indian Origin (NRIs/PIOs), it has since been decided that henceforth Authorised Dealers may allow the facility of repatriation of funds out of balances held by NRIs/PIOs in their Non-resident Ordinary Rupee (NRO) Accounts, for the following purposes :

- (i) Upto US\$ 30,000 per academic year, to meet expenses in connection with education of their children;
- (ii) Upto US\$ 1,00,000 to meet the medical expenses abroad of the account holder or his family members; and
- (iii) Upto US\$ 1,00,000 per year, representing sale proceeds of immovable property, held by them for a period of not less than 10 years subject to payment of applicable taxes.

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

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

Yours faithfully,

Satish Kakar
Chief General Manager

Export of Goods and Services
A.P. (DIR Series) Circular No.2 (July 4, 2002)

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

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

July 4, 2002

To,

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Export of Goods and Services

Attention of all authorised dealers is invited to A.P.(DIR Series) Circular No.6 dated 24th September 2001 in terms of which manufacturer exporters of certain products and having export contracts of Rs.100 crore and above in value terms in one year have been allowed a period upto 365 days from the date of shipment for the realisation and repatriation of full value of the exports of products specified.

2. On review it has been decided to include products of aluminium, petroleum products, sugar and foodgrains as eligible products for exports with extended period of realisation. It is clarified that the above facility would also be available to merchant exporters / traders.

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

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

Yours faithfully,

Grace Koshie

Chief General Manager

**Branch/Project/Liaison Offices in
India of person resident outside India
A.P.(DIR Series) Circular No.3 (July 6, 2002)**

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

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

July 6, 2002

To,

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**Branch/Project/Liaison Offices in
India of person resident outside India**

Attention of Authorised Dealers is invited to Regulation 5 (iii) of Reserve Bank Notification No. FEMA 22/2000-RB dated 3rd May 2000 in terms of which Reserve Bank imposes certain terms and conditions while granting approval to a person resident outside India to establish a branch/project/liaison office in India. One of the conditions of the approval pertains to the permissible credits and debits to the bank account in India of the resident outside India. Authorised Dealers are also aware that in terms of Paragraph 4 of A.D.(M.A. Series) Circular No.10 dated 17th February 1998, a branch/office in India of foreign firm/company may keep funds, which are rendered surplus temporarily, in term deposits with a maturity not exceeding three months with the same branch of the authorised dealer with whom the QA-22 account was maintained prior to introduction of FEMA.

2. Reserve Bank has been receiving requests from some branches/offices to allow branch/project/liaison offices in India of foreign firms/companies for keeping temporary surplus funds lying in their non-interest bearing account in term deposits with any Authorised Dealer. Accordingly, it has now been decided to permit Authorised Dealers to open term deposit account for a period not exceeding 6 months in favour of a branch/office of a person resident outside India provided the Authorised Dealer is satisfied that the term deposit is out of temporary surplus funds and the branch/office furnishes an undertaking that the maturity proceeds of the term deposit will

be utilised for their business in India within 3 months of maturity. However, such facility may **not** be extended to shipping/airline companies.

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

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

Yours faithfully,

Grace Koshie

Chief General Manager

**Deferred Payments Protocols dated 30th April 1981 and 23rd December 1985
between the Government of India and erstwhile USSR
A.P. (DIR Series) Circular No.4 (July 9, 2002)**

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

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

July 9, 2002

To,

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

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

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.46 dated May 15, 2002 read with AP (DIR Series) Circular No.50 dated June 5, 2002 wherein the rupee value of the special currency basket effective from May 9, 2002 was indicated.

2. Authorised Dealers are advised that a further change has taken place on June 24, 2002 and accordingly the rupee value of the special currency basket effective from June 27, 2002 has been fixed at Rs.55.7981.
3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager

**Credits to Non-Resident External Rupee (NRE) Accounts
A.P.(DIR Series) Circular No.5 (July 15, 2002)**

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

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

July 15, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Credits to Non-Resident External Rupee (NRE) Accounts

Attention of authorised dealers is invited to paragraph No.3 of Schedule 1 to Reserve Bank Notification No.FEMA.5/2000-RB dated May 3, 2000 regarding permitted credits to NRE Rupee Accounts and A.P. (DIR Series) Circular No.45 dated May 14, 2002 permitting them to allow repatriation of current income like rent, dividend, pension, interest, etc. of NRIs who do not maintain an NRO account in India based on an appropriate certification by a Chartered Accountant, certifying that the amount proposed to be remitted is eligible for remittance and that applicable taxes have been paid/provided for.

2. It is clarified that authorised dealers may credit the current income like rent, dividend, pension, interest, etc. of NRIs to their Non-Resident (External) Rupee Accounts provided they are satisfied that the credit represents current income of the non-resident account holder and income tax thereon has been deducted/paid/provided for, as the case may be.

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

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

Yours faithfully,

GRACE KOSHIE

Chief General Manager

**Exim Bank's Line of Credit of US\$ 10 million to
Banco Industrial de Venezuela (BIV), Venezuela**

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

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

July 29, 2002

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**Exim Bank's Line of Credit of US\$ 10 million to
Banco Industrial de Venezuela (BIV), Venezuela**

Export Import Bank of India (Exim Bank) has concluded an agreement with the Banco Industrial de Venezuela (BIV), Venezuela on July 19, 2001, making available to the latter, a line of credit upto an aggregate sum of US\$ 10 million (U.S. Dollar Ten Million only). The credit has become effective from May 10, 2002, and is available for financing Indian export of eligible goods (listed in the Annexure) and related services to buyers in the borrower's country i.e. Venezuela. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into borrower's country shall be subject to the laws and regulations in force in both the countries.

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

- (a) Every contract under the credit will require prior approval of Exim Bank.
- (b) The credit shall be available for financing an amount upto 90 percent of the f.o.b. (free on board) or c.& f. (cost and freight) or c.i.f. (cost, insurance & freight) contract price of the eligible contract.
- (c) The contract price shall be specified in U.S. Dollar and shall not be less than U.S. Dollar 50,000/- (U.S. Dollar Fifty Thousand only) or such amount as may, from time to time, be agreed upon between Exim Bank and the borrower.
- (d) The contract signed under the credit should also provide for the following:-
 - (i) The buyer shall make an advance payment of 10 percent of the f.o.b./c. & f./c.i.f. contract value to the seller within 10 business days after the date of the approval of the contract by Exim Bank.
 - (ii) The buyer shall make payment to the seller of the balance 90 percent of f.o.b./c. & f./c.i.f. contract price, pro-rata against shipments, to be covered under an irrevocable letter of credit in favour of the seller.

- (iii) The eligible goods shall be inspected before shipment on behalf of the buyer and the documents to be furnished by the seller to the negotiating bank under the letter of credit arrangement shall include an inspection certificate.

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

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

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

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

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

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

9. The terminal dates for opening letters of credit and utilisation of credit are May 9, 2003, and November 9, 2003, respectively.

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

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

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

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

Yours faithfully,

Grace Koshie

Chief General Manager

List of Eligible Goods for finance out of the Credit

PART 'A' -

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

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

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

PART 'B'

1. Agricultural implements.
2. Auto parts
3. Bicycles, motorcycles, scooters, mopeds and parts

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

**Exim Bank's Line of Credit of US\$ 10 million to
Banco Bradesco S.A., Brazil**

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

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

July 29, 2002

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**Exim Bank's Line of Credit of US\$ 10 million to
Banco Bradesco S.A., Brazil**

Export Import Bank of India (Exim Bank) has concluded an agreement with the Banco Bradesco S.A., Brazil on December 14, 2001, making available to the latter, a line of credit upto an aggregate sum of US\$ 10 million (U.S. Dollar Ten Million only). The credit has become effective from May 13, 2002, and is available for financing Indian export of eligible goods (listed in the [Annexure](#)) and related services to buyers in the borrower's country i.e. Brazil. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into the borrower's country shall be subject to the laws and regulations in force in both the countries.

2. The broad terms and conditions of the credit are as under:
 - a) Every contract under the credit will require prior approval of Exim Bank.
 - b) The credit shall be available for financing an amount upto 90 percent of the f.o.b. (free on board) or c.& f. (cost and freight) contract price of the eligible contract.
 - c) The contract price shall be specified in U.S. Dollar and shall not be less than U.S. Dollar 50,000/- (U.S. Dollar Fifty Thousand only) or such amount as may, from time to time, be agreed upon between Exim Bank and the borrower.
 - d) The contract signed under the credit should also provide for the following:-
 - i) The buyer shall make an advance payment of 10 percent of the contract value to the seller no later than the date of issuance of the relative letter of credit.
 - ii) The buyer shall make payment to the seller of the balance 90 percent of f.o.b./c. & f. contract price, pro-rata against shipments, to be covered under an irrevocable letter of credit in favour of the seller.

- iii) The eligible goods shall be inspected before shipment on behalf of the buyer and the documents to be furnished by the seller to the negotiating bank under the letter of credit arrangement shall include an inspection certificate.

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

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

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

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

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

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

9. The terminal dates for opening letters of credit and utilisation of credit are May 12, 2003, and November 12, 2003, respectively.

10. Shipments under the credit will have to be declared on GR/SDF Forms as usual. All copies of GR/SDF Forms should bear a prominent superscription reading 'Export under Exim Bank line of credit dated December 14, 2001, extended to Banco Bradesco S.A., Brazil.' The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, authorised dealer should certify the duplicate copy/ies of the relative GR/SDF Form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

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

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

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

Yours faithfully,

Grace Koshie

Chief General Manager

List of Eligible Goods for finance out of the Credit

PART 'A' -

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

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

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

PART 'B'

1. Agricultural implements.
2. Auto parts
3. Bicycles, motorcycles, scooters, mopeds and parts

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

**External Commercial Borrowings – Prepayment
A.P. (DIR Series) Circular No.8**

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

August 5, 2002

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

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs

External Commercial Borrowings – Prepayment

Authorised dealers are aware that prepayment of External Commercial Borrowings (ECBs) require prior approval of the Reserve Bank and the Bank considers such applications under the following categories:

- a) Where the amount of prepayment of ECB is fully matched by way of inflow of foreign exchange in form of foreign equity in the applicant company.
- b) Where the prepayment of ECB is being made out of the balance held in the EEFC account of the borrower.
- c) Prepayment of ECB to the extent of 10% of the outstanding loan, once during the entire currency of the loan.
- d) Prepayment of ECB where the residual maturity of the loan does not exceed 1 year.

2. It has now been decided to introduce an '**Automatic Route**' for prepayment of External Commercial Borrowings (ECBs) for a limited period up to March 31, 2003. The automatic route will be available only to borrowers who have complied with all the relevant Acts, Guidelines, Rules, Regulations and/or conditions, if any, of the Government/RBI while availing of the ECB. The eligible borrowers may avail the automatic route of prepayment of ECBs without prior permission of Reserve Bank subject to following conditions:-

- (i) Prepayment of ECBs falling under categories (a) & (b) above, without any limit.
- (ii) Prepayment of an amount not exceeding USD 50 million for ECBs falling under categories (c) & (d) above,
- (iii) Prepayment up to USD 50 million in aggregate would be available under (ii) above [each for category (c) & (d)] during the currency of the scheme.

3. Applications for prepayment of amount exceeding USD 50 million falling under categories (c) & (d) above and all prepayments of ECBs not covered by the Automatic Route shall continue to require prior approval of the Reserve Bank.

4. Accordingly, designated branches of authorised dealers may allow remittances for prepayment of ECBs **upto March 31, 2003**, after obtaining a certificate from the company secretary/auditors of the applicant, indicating that the borrower -

- (i) is eligible for prepayment under Automatic Route,
- (ii) has availed and utilised the loan in accordance with all relevant Acts, RBI/Government Rules, Regulations and Guidelines, and
- (iii) has submitted all the ECB-2 Returns to the concerned regional office of the Reserve Bank.

5. The authorised dealers shall forward a report in form ECB-PAR (Format enclosed) within 7 days of the remittance, to the Chief General Manager, Exchange Control Department, ECB Division, Central Office, Reserve Bank of India, Fort, Mumbai – 400 001.

6. It is clarified that the facility under the Automatic Route for prepayment of ECBs as contained in this circular, **will be available upto March 31st, 2003.** A circular will be issued on or before that date in case the scheme is extended for a further period.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

ECB - PAR

(Report on Prepayment of ECB under the automatic route to be submitted within 7 days of the date of remittance to the Chief General Manager, Exchange Control Department, ECB Division, Central Office, Reserve Bank of India, Fort, Mumbai 400 001)

1. Name of the Borrower
2. Name of the Lender
3. Details of the loan
 - a) Govt./RBI Loan Key No.
 - b) Approval No. & Date
 - c) RBI Registration No.
 - d) Amount of loan
 - e) Maturity of loan
 - f) Details of prepayment, if any made earlier,
(Govt./RBI approval No. & date
and amount & date of prepayment)
 - g) Loan outstanding
4. Details of the current remittance for prepayment
 - a) Prepayment category (please ? whichever applicable).
 - i) Out of inflow of matching foreign equity. ☐
 - ii) Out of balances held in EEFC account of the borrower. ☐
 - iii) 10% of outstanding ECB once during currency of ECB ☐
 - iv) Residual maturity up to one year.
 - b) Date of Remittance
 - c) Amount of remittance

Certificate by the designated authorised dealer

We have obtained a certificate from the company secretary/auditor indicating that:

- a) the borrower is eligible for prepayment of outstanding ECB;
under the category -----
- b) the ECB was availed and utilised in accordance with all the relevant Acts.
RBI/Govt. Rules, Regulations and guidelines; and
- c) the ECB2 statement/s due till date has/have been submitted to _____ office of
Reserve Bank of India.

Place

Signature

Date

Name and designation
Seal

**Assured Spare Parts Supply Agreements –
Opening of stand-by Letters of Credit by
Independent Power Producers
A.P. (DIR Series) Circular No. 9 (August 13. 2002)**

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

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

August 13. 2002

To

All Authorised Dealers in Foreign Exchange

Dear Sirs/Madam,

**Assured Spare Parts Supply Agreements –
Opening of stand-by Letters of Credit by
Independent Power Producers**

Authorised Dealers are aware that as per extant guidelines, opening of stand-by Letters of Credit is permitted only in exceptional cases, such as for import of crude oil and petroleum products, subject to certain conditions.

2. We have been receiving enquiries from authorised dealers whether they can open stand-by Letters of Credit on behalf of their clients who are Independent Power Producers, in favour of overseas suppliers, under arrangements involving assured supply of spare parts.
3. It has been decided that authorised dealers may open stand-by Letters of Credit on behalf of their constituents who are Independent Power Producers, in cases involving assured supply of spare parts.
4. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager

**Export of Goods and Services –
Facilities to units in Special Economic Zones (SEZs)
A.P. (DIR Series) Circular No.10(August 14, 2002)**

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

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

August 14, 2002

To,
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Export of Goods and Services –
Facilities to units in Special Economic Zones (SEZs)**

Attention of authorised dealers is invited to paragraph C.7 of A.P. (DIR Series) Circular No.12 dated September 9,2000 in terms of which authorised dealers have been advised to accede, in certain cases, to the requests of exporters for despatch of documents direct to the consignee. It has now been decided that authorised dealers may permit units in Special Economic Zones (SEZs) to despatch export documents direct to the consignees outside India subject to the conditions that (a) the export proceeds are repatriated through the authorised dealer named in the GR/SDF/PP/SOFTEX form and (b) the duplicate copy of the respective declaration form is submitted to the authorised dealer for monitoring purposes by the exporters within 21 days from the date of shipment.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

**Exchange Earners' Foreign Currency (EEFC)
Account Scheme – Amendment
A.P. (DIR Series) Circular No. 11 (August 14, 2002)**

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

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

August 14, 2002

To

Dear Sir/Madam,

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

Attention of authorised dealers is invited to the Reserve Bank Notification No. FEMA 10/2000-RB dated 3rd May 2000 relating to Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000 which has been amended by Notification No. FEMA 51/2002-RB dated 27th February 2002 (copy enclosed).

2. The aforesaid Notification seeks to amend schedule to Regulation 4 of Notification No. FEMA 10/2000-RB dated 3rd May 2000, by substituting paragraph 1(1)(i) in the Schedule. Accordingly, inward remittances received through normal banking channels for meeting specific obligations by the account holders will not be eligible for credit to their EEFC accounts.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

Export of Goods and Services
A.P.(DIR Series) Circular No.12 (August 28, 2002)

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

A.P.(DIR Series) Circular No.12

August 28, 2002

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Export of Goods and Services

Attention of all authorised dealers is invited to A.P.(DIR Series) Circular No. 5 dated August 27, 2001 in terms of which a period of 360 days from the date of shipment was allowed as a temporary measure from September 1, 2001 for realisation and repatriation of full value of goods/software exported to the countries included in the list annexed to the above circular. On a review, it has been decided to extend the facility for a further period of one year with effect from September 1, 2002 for export of goods/software to the countries included in the list [annexed](#). Accordingly, from September 1, 2003, the exporters will be under obligation to realise full export proceeds within the prescribed period of six months from the date of export.

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

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

Yours faithfully,

Grace Koshie

Chief General Manager

Annexure

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

**Export of goods and services against repayment of
State Credits granted by erstwhile Soviet Union**

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

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

September 6, 2002

To,
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Export of goods and services against repayment of
State Credits granted by erstwhile Soviet Union**

Attention of all authorised dealers is drawn to A.D. (G.P.Series) Circular No.11 dated June 15, 1998, in terms of which reimbursement claims sent to Reserve Bank where the documents are negotiated within the validity of letters of credit (LCs), are honoured by the Bank subject to the condition that claim is received not later than the 37th working day from the date of expiry of LC, excluding the days on which Reserve Bank of India, Mumbai is closed.

2. It has now been decided in consultation with the Bank for Foreign Economic Affairs of the USSR, Moscow (BFEA), to reduce the period for lodging the reimbursement claims from 37 working days to 27 working days from the date of expiry of LC, excluding the days on which Reserve Bank of India, Mumbai is closed.

3. Authorised Dealers are, therefore, advised that hereafter the reimbursement claims for exports against repayment of State Credits should be lodged so as to reach the Regional Director, Reserve Bank of India, Deposit Accounts Department, Mumbai, not later than 27th working day as indicated above. The claims received after expiry of the stipulated period will be considered only on receipt of fresh confirmation from BFEA.

4. Notice to Exporters No.1 dated September 6, 2002 is enclosed, the contents of which may be brought to the notice of your constituents who are engaged in export trade with Russian Federation.

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).

Yours faithfully,
Grace Koshie
Chief General Manager

Notice to Exporters No.1 of 2002

Under the Banking Arrangement dated 6th September, 1993 concluded between Reserve Bank of India(RBI) and the Bank for Foreign Economic Affairs of the USSR, Moscow (BFEA), repayment of State Credits is made by way of exports of goods and services from India to Russian Federation against Letters of Credit (LCs) opened by BFEA. Reimbursement claims sent to Reserve Bank of India, Deposit Accounts Department, Mumbai, where the documents are negotiated within the validity of LCs are honoured by RBI subject to the condition that claim is received by RBI not later than the 37th working day (from the date of expiry of LC) excluding the days on which the Reserve Bank of India, Mumbai is closed).

2. It has now been decided in consultation with the BFEA to reduce the period for lodging the reimbursement claims from 37 working days to 27 working days from the date of expiry of LC.

3. The reimbursement claims for exports against repayment of State Credits should, therefore, be lodged through the nominated banks so as to reach the Regional Director, Reserve Bank of India, Deposit Accounts Department, Mumbai, within the above stipulated period. The claims received after the above stipulated period will be considered only after the receipt of fresh payment instructions from BFEA.

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

September 6, 2002

**R-Return and Guide to Authorised Dealers for compilation of
R>Returns – Submission of A1 and A2 forms –Discontinuation of**

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

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

September 9, 2002

To,

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**R-Return and Guide to Authorised Dealers for compilation of
R>Returns – Submission of A1 and A2 forms –Discontinuation of**

Attention of all authorised dealers is invited to paragraph 3 of A.D. (M.A. Series) Circular No.11 of May 16, 2000, read with paragraph 15 of Annexure to A.D.(M.A. Series) Circular No. 12 dated March 11, 1998, in terms of which they are required to submit forms A1 and A2 to Reserve Bank along with R>Returns. It has been decided that, submission of forms A1 and A2 as prescribed in paragraph 15(ii)(a) and (iii)(a) relating to payments below the equivalent to Rs.5,00,000 for all types of transaction in foreign exchange to Reserve Bank with R>Returns, **may be discontinued**.

2. Authorised Dealers are advised to submit to Reserve Bank, R>Returns for the fortnight ending August 31, 2002 onwards, accordingly.

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

Yours faithfully,

**Grace Koshie
Chief General Manager**

Evidence of Import

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

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

September 9, 2002

To
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Evidence of Import

Attention of authorised dealers is invited to paragraph A.17(ii) & (iv) of the Annexure to A.P. (DIR.Series) Circular No.9 dated August 24, 2000, in terms of which in case of all imports, except import through couriers, where value of foreign exchange remitted/paid for import into India exceeds USD 5000 or its equivalent, it is obligatory on the part of the authorised dealers through whom the relative remittance was made to ensure that the importer submits the documentary evidence prescribed therein.

2. It has now been decided to enhance the amount of USD 5000 prescribed in paragraph 17(ii) & (iv) referred to above to USD 25,000 for all imports made into India through Post or otherwise. Consequent upon this change, authorised dealers should ensure rigorous follow-up for non-submission of documentary evidence as prescribed in paragraph A.18.A(i) of the circular referred to above in respect of remittances involving foreign exchange exceeding USD 25,000. Henceforth the authorised dealers should forward to Reserve Bank a statement on half yearly basis as at the end of June and December of every year, in Form BEF furnishing details of import transactions, exceeding USD 25,000 as prescribed in paragraph A.18(ii) of the circular *ibid*.

3. Similarly, where the amount of foreign exchange remitted for import is less than USD 1,00,000 or its equivalent, authorised dealers may accept, either Exchange Control copy of Bill of Entry for home consumption or a certificate from the Chief Executive Officer (CEO) or Auditor of the Company that the goods for which remittance was made have actually been imported into India, provided :

- (i) the importer is a company listed on a stock exchange in India and whose net worth is not less than Rs.100/- crores as on the date of last audited balance sheet,

OR

- (ii) the importer is a Public Sector Company or an Undertaking of the Government of India or its Departments.

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

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

Yours faithfully,

Grace Koshie
Chief General Manager

**Release of Foreign Exchange for Small Value Remittances
A.P.(DIR Series) Circular No.16 (September 12, 2002)**

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

A.P.(DIR Series) Circular No.16

September 12, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Release of Foreign Exchange for Small Value Remittances

Attention of authorised dealers (ADs) is drawn to the sub-section (5) of Section 10 of the Foreign Exchange Management Act (FEMA), 1999, which provides that an authorised person shall before undertaking any transaction in foreign exchange on behalf of any person require that person to make such a declaration and to give such information as will reasonably satisfy him that the transaction will not involve and is not designed for the purpose of any contravention or evasion of the provisions of the Act or of any rule, regulation, notification, direction or order issued thereunder.

2. With a view to provide hassle free release of foreign exchange to the resident individuals for various purposes, it has since been decided that ADs may release an amount upto USD 500 or its equivalent for all permissible transactions on the basis of a simple letter from the applicant containing the basic information, viz., name and the address of the applicant, name and address of the beneficiary, amount to be remitted and purpose of remittance. It is clarified that submission of A2 Form in such cases need not be insisted upon.

3. It is further clarified that Authorised Dealers need not obtain any document as long as exchange is being purchased for a permissible transaction and the amount does not exceed USD 500 or its equivalent and the payment is made by a cheque drawn on the applicant's bank account or by a Demand Draft.

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

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

Yours faithfully,

Grace Koshie

Chief General Manager

**Liberalisation of Release of Foreign Exchange
for Medical Treatment Abroad
A.P.(DIR Series) Circular No.17 (September 12, 2002)**

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

A.P.(DIR Series) Circular No.17

September 12, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Liberalisation of Release of Foreign Exchange
for Medical Treatment Abroad**

Attention of authorised dealers (ADs) is invited to item No.9 of Schedule III to G.S.R.381(E) dated May 3, 2000 in terms of which they are empowered to release foreign exchange to residents for meeting expenses for medical treatment abroad on production of an estimate from the doctor in India or hospital/doctor abroad.

2. With a view to enable residents to avail of foreign exchange for medical treatment without any hassles and any loss of time, it has now been decided that authorised dealers may release foreign exchange upto an amount of USD 50,000 or its equivalent for medical treatment abroad, without insisting on any estimate from a hospital/doctor.

3. Accordingly, authorised dealers may release foreign exchange upto USD 50,000/- or its equivalent for medical treatment outside India, on the basis of a declaration from the applicant that he is buying exchange for medical treatment outside India, provided the payment for purchase of foreign exchange is being made by a cheque or debit to the applicant account or by demand draft.

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

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

Yours faithfully,

Grace Koshie

Chief General Manager

Foreign Exchange Management (Insurance) Regulations, 2000
AP(DIR Series) Circular No.18 (September 12, 2002)

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

AP(DIR Series) Circular No.18

September 12, 2002

To

All Authorised Dealers in Foreign Exchange

Dear Sirs/Madam,

Foreign Exchange Management (Insurance) Regulations, 2000

Attention of authorised dealers is invited to the Notification No.FEMA 12/2000-RB dated 3rd May 2000 viz. Foreign Exchange Management (Insurance) Regulations, 2000. The Memorandum of Exchange Control Regulations relating to General Insurance in India (GIM) since brought out is enclosed. The major changes in procedure as per the Memorandum are summarised in the Annexure.

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

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

Yours faithfully,

Grace Koshie

Chief General Manager

ANNEXURE

[A.P.{DIR Series) Circular No.18
dated September 12, 2002]

Major changes effected in the revised GIM

Sr. No.	Subject matter	Changes
1.	Scope of Memorandum	The earlier instructions of GIM covered only public sector general insurance companies. The present instructions contained in the Memorandum are applicable to public sector general insurance companies as well as general insurance companies which are registered with IRDA.
2.	Reinsurance Arrangement	The reinsurance arrangement of public sector general insurance companies registered with IRDA are to be decided by the respective Boards of the insurance companies and IRDA is to be kept informed. ADs designated by these insurance companies are now permitted to make remittances falling under such approved reinsurance arrangements without reference to the Bank.
3.	Remittance of Reinsurance Premia by local brokers	ADs have been permitted to allow remittance of reinsurance premia by local brokers of insurance companies after verifying debit notes from the overseas insurance company, statement of account and CA's certificate of broker certifying the sum etc.
4.	Foreign currency accounts abroad	Public sector general insurance companies and general insurance companies registered with IRDA are permitted to open, maintain and hold a foreign currency bank account with a bank outside India for the purpose of facilitating transactions and expenses relating/ incidental to general insurance business undertaken in foreign countries.
5.	Settlement of claims in foreign currency	For settlement of claims in foreign currency in respect of policies issued in foreign currency, insurance companies are now permitted to make remittances subject to certain condition as stipulated in the Memorandum, without reference to Reserve Bank as required in the past.

GIM

MEMORANDUM OF EXCHANGE CONTROL REGULATIONS RELATING TO GENERAL INSURANCE IN INDIA

Introduction

General insurance business in India is undertaken by insurance companies which are registered with Insurance Regulatory and Development Authority (IRDA).

Scope of Memorandum

2. (i) Exchange Control regulations governing general insurance business written in India are set out in this Memorandum.
- (ii) Directions contained in this Memorandum have been issued under Section 10(4) and Section 11(1) of Foreign Exchange Management Act 1999 (42 of 1999).

Definitions

3. For the purpose of this Memorandum, the terms "Person resident in India" and "Foreign Currency" will have the same meaning as defined under Foreign Exchange Management Act, 1999.

Bank Encashment Certificates

4. Where Insurers have been permitted to issue policies expressed in foreign currency against premium payable in foreign currency, they should insist on submission of suitable document to satisfy themselves that the premium has been received by foreign exchange remittance through banking channels or in rupees derived by sale of foreign exchange to an authorised dealer in foreign exchange or an authorised money-changer.

Direct Insurance outside India by Residents

5. Persons, firms, companies etc. resident in India are not permitted to take insurance cover of any kind with insurance companies in foreign countries without the prior permission of Reserve Bank. Besides, permission of Government of India under General Insurance Business (Nationalisation) Act, 1972, is also required to be taken in such cases.

Transaction in Nepal and Bhutan

6. Indians, Nepalese and Bhutanese resident in Nepal and Bhutan as well as offices and branches of Indian, Nepalese and Bhutanese firms, companies or other organisations in these two countries are treated as resident in India for purposes of transactions in Indian rupees. Payment of claims to such persons against marine or non-marine policies may be freely made in rupees. Payments in foreign currency towards claims under marine or non- marine policies will require prior approval of Reserve Bank, except where premiums thereon were also collected in foreign currency.

7. The Memorandum is divided into four parts as under

PART A	-	MARINE INSURANCE
PART B	-	NON-MARINE INSURANCE
PART C	-	REINSURANCE
PART D	-	FOREIGN CURRENCY ACCOUNTS AND INVESTMENTS ABROAD

PART A - MARINE INSURANCE

Currency in which Marine Policies may be issued

- A.1** (i) Marine insurance policies on coastal shipments may be issued only in Indian rupees.
- (ii) Marine insurance policies on shipments between India and other countries as also between two points outside India may be issued in rupees or in any foreign currency

Premiums on Marine Policies covering Exports

A.2 Payment of premium on a marine insurance policy on exports from India may be accepted in rupees provided exporter furnishes to the insurer a certificate to the effect either (a) that insurance charges on the shipment in question have to be borne by him in terms of contract with overseas buyer and that he is not making the payment on behalf of any non-resident or (b) that he is defraying insurance charges on the shipment in question on account of overseas buyer of the goods and he undertakes to add the amount on the invoice and recover the payment so made from the buyer in an approved manner.

NOTES:A. Overseas buyers may sometimes approach Insurers directly or through their overseas offices/agents for extension of cover for additional risks or for extended transit risks necessitated by circumstances not envisaged when the marine insurance was originally covered in India with the Insurers. Such extensions may be made by Insurers provided the additional premiums are collected from overseas buyers in foreign currency.

B. Certain countries operate restrictions requiring importers in their countries to obtain marine insurance cover from local insurers, settlement under which may not be possible in the event of cargo getting lost before reaching port of destination due to Exchange Control regulations governing remittances against imports into those countries. Insurers may issue in such cases, contingency marine insurance policies to exporters to protect their interest till goods are paid for. The policies should be issued with a condition that they will not be assignable to overseas buyer or any other non-resident party. Claims on such policies should be paid only to exporters in India.

Premiums on Marine Policies covering Imports

- A.3** (i) Payment of premium on a marine insurance policy on imports into India may be accepted in rupees provided importer furnishes to the insurer a certificate to the effect that (a) the insurance charges are required to be borne by him in terms of the contract with the overseas seller and (b) where the import is made against an Import Licence, he undertakes to ensure that the amount of insurance premium is endorsed on the import licence in due course.
- (ii) In case of imports by the public sector (viz. Central Government, any State Government, Statutory or public bodies and Government undertakings), payment of insurance premium in rupees may be freely accepted.
- (iii) In all other cases, where payment of premium in respect of imports is offered in rupees, prior approval of Reserve Bank will be required. Applications for the purpose should be made by letter (in duplicate) furnishing full particulars.

**Premiums on Marine Policies covering
Shipments between Countries outside India**

A.4 (i) Premiums on marine insurance policies covering shipments between countries outside India must ordinarily be received in foreign currency, but payment in rupees may be accepted provided a certificate from an authorised dealer in foreign exchange is produced to show that the rupees are derived by a remittance from abroad in an approved manner.

NOTE: Overseas offices of the Insurers may grant marine insurance cover for trade between China and third countries and receive premium/settle claims through foreign currency accounts maintained by their overseas offices without prior approval of Reserve Bank.

(ii) Sometimes, firms and companies in India finance merchanting trade i.e. goods shipped from one foreign country to another and financed by an intermediary in India. In some of these cases goods may be purchased on f.o.b./c.& f. terms and/or sold on c.i.f. terms, the marine insurance cover being arranged by the intermediary in India. Insurance companies registered with IRDA may issue policies covering transit risks between the loading and the destination ports in rupees or in any foreign currency in such cases, against payment of premium in rupees by the intermediary, after satisfying themselves that the contract provides for marine insurance being taken by the intermediary.

Claims against Marine Policies

A.5 Claims against marine insurance policies, when payable to persons, firms or companies in India should be paid only in rupees, irrespective of the currency in which

relative policies had been issued. Where claimant is not a resident of India, Insurers may settle the claim out of foreign currency balances held by them, provided they are satisfied that ownership of the goods lost, damaged etc., vests in such claimant and that the latter is not making the claim merely as agent of the real owner of the goods in India.

Remittance of Claims on Exports

A.6 (i) In the case of marine claims against exports, remittances of claim will be permitted by authorised dealers in foreign exchange on application on form A2 provided the Insurer has satisfied himself that the ownership of the goods on which claim has arisen vests in the non-resident claimant. Applications should be supported by following documents:

- (a) Statement of claim duly certified by an official authorised by the insurance company registered with IRDA for this purpose.
- (b) Insurance policy.
- (c) Survey report or other customary proof of loss.
- (d) Bill of lading/Airway bill.
- (e) Certified copy of invoice.
- (f) Any other documents ordinarily required to support the claim.

Where original documents are not available for any reason, photo copies may be produced to authorised dealer together with reasons for non-availability of the original documents. This provision does not apply to remittances for replenishment of foreign currency balances which will require specific approval of Reserve Bank.

NOTE: Insurers may settle claims in rupees in favour of Indian exporters even in cases where title to the goods has passed to foreign buyer, if a request to that effect

has been made by the non-resident claimant. A certificate indicating full particulars of the transaction including number of relative GR/PP form and amount paid in settlement of claim should be issued to the exporter to enable the latter to obtain necessary approval from Reserve Bank for making replacement shipments.

- (ii) Claims against marine insurance policies covering exports may also be settled through the overseas claims settling agents, if so desired by insurers. Authorised dealers have been permitted to open revolving letters of credit in favour of established claims-settling agents abroad and reimburse claims under the credit on verification of the necessary documentary evidence viz. statement of claim, survey report or other documentary evidence of loss/damage, original policy or certificate of insurance etc.

Payment in Foreign Currency of certain Import Claims

A.7 Although it is a basic rule that marine claims on imports should be settled locally in rupees in favour of importer in cases where ownership of the goods lost, damaged, etc. vests in the importer, Insurers may settle claims from their foreign currency balances in favour of overseas suppliers in the following categories of imports, in order to facilitate early replacement of the lost, damaged, etc. goods, on request being received in this regard from importers:

- (a) Imports by Government Departments and public sector undertakings
- (b) Imports by private sector undertakings against foreign credits provided the terms of the foreign credit require that insurance cover should be taken in foreign currency for replacement of lost/damaged goods.

- (c) In all other cases, where the ownership of the goods lost/damaged, etc. vests with the overseas supplier and no payment has been made towards any part of the cost of the goods.

These provisions are applicable not only to marine policies, but also to marine-cum-erection policies, whether issued separately or combined.

Claims on Policies Covering Merchanting Trade

A.8 Claims arising from marine insurance policies covering merchanting trade financed through India may be settled by Insurers **from their foreign currency balances** only if -

- (a) the ownership of the goods vests with the overseas party and
- (b) where the claim is proposed to be settled in favour of the overseas supplier, payment for the goods has not been made to the supplier and where claim is proposed to be settled in favour of the overseas buyer, payment for the goods has been received by the Indian intermediary from the buyer.

PART B - NON-MARINE INSURANCE

Assets in India

B.1 Insurance cover on risks inside India (including All Risks Insurance) on assets in India owned by residents of India may be issued only in rupees. This is also applicable to assets of Indian branches/offices of foreign companies, banks, etc.

Assets outside India

B.2 Non-marine risks in respect of assets outside India owned by residents of India may be covered in rupees or in foreign currency provided that in respect of immovable

property held outside India by Indian nationals, permission of Reserve Bank for holding the property had been obtained, (where necessary). Settlement of claims under such policies should be made only in rupees locally. Foreign currency policies providing for payment of claims in foreign currency in the foreign country may, however, be issued only if the premiums are paid in foreign currency out of eligible foreign currency assets held by Indian nationals/persons of Indian origin who have returned to India from abroad after a minimum continuous stay abroad for at least one year or out of funds held in their RFC accounts with authorised dealers in India. Issue of foreign currency policies in other cases will require prior approval of Reserve Bank.

Policies in foreign currency approved by Reserve Bank-

Settlement of claims

B.3(i) Request for issue of policies in foreign currency which are not covered by the above guidelines are examined on merits by RBI. For such requests where RBI grants specific approval for issue of policy in foreign currency, acceptance of premium in foreign currency and settlement of claim in foreign currency, insurers may approach A.D. for remittance of claims under policies subject to the following conditions :-

- (a) the policy has been issued in foreign currency with specific approval of RBI;
- (b) the claim has been admitted by the competent authority of the insurance company.
- (c) the claims has been settled as per the surveyors report and other substantiating documents;

- (d) claims on account of reinsurance are being lodged with the reinsurers and will be received as per reinsurance agreement;
- (e) the remittance is being made to the non-resident beneficiary under the policy. For resident beneficiaries the claim may be settled in Rupee equivalent of foreign currency due. Under no circumstances payment in foreign currency be made to a resident beneficiary.

B.3 (ii) Insurers may submit, to the Regional Office of RBI under whose jurisdiction it operates, a report on quarterly basis of the claims settled in foreign currency along with supporting documents of each claim settled by them. These reports may be submitted within 15 days from the end of each quarter of the calendar year.

Baggage and Valuables in transit

B.4 (i) Insurance cover on baggage or valuables in transit between India and other countries or between two countries outside India may be issued in rupees or in foreign currency.

- (ii) Premiums on such policies may be collected in rupees only if the owner of the baggage or other valuables is either an Indian national or is normally resident in India. In other cases, premiums should be received in foreign currency or in rupees derived by surrender of foreign currency to an authorised dealer in foreign exchange or authorised money-changer; such payments should be supported by a certificate from the authorised dealer/money-changer in the prescribed form.
- (iii) Claims on such policies may be paid only in rupees in India except where the policy holder is a person normally resident outside India and premiums

against the policy had been collected either in foreign currency or in rupees derived by surrender of foreign currency. Remittances of claims in foreign currencies in other cases will require prior approval of Reserve Bank.

- (iv) Remittances towards claims on personal baggage reshipped from India by foreign nationals on completion of their assignments in India may be allowed by insurers, if they are eligible for or have been accorded remittance facilities at the time of retirement from India.

War etc. Risks Insurance on Marine Hulls

B.5 Insurance on Indian marine hulls covering All Risks against war and other allied risks arising out of civil commotion, political or labour disturbances etc. are required to be obtained from the Insurers in India only.

Personal Accident Insurance

B.6 Personal accident policies may be issued only in rupees and claims thereon settled only in rupees, in case of Indian nationals and persons of Indian origin normally resident in India. In other cases, personal accident policies may be issued in foreign currency, provided premiums thereon are paid either in foreign currency or in rupees derived by surrender of foreign currency to an authorised dealer or authorised money-changer. Claims in these cases may be settled in currency of the policy or in rupees as desired by the policy holder.

NOTE: Indian companies executing construction and turnkey contracts in foreign countries may at times desire to obtain personal accident cover from Indian Insurers for the workmen and technical staff actually engaged in the overseas contracts providing for

settlement of claims in foreign currency. Insurers may permit such insurance being taken provided premiums will be paid by remittances in foreign currency from out of the foreign currency earnings generated by the contracts. Claims in such cases may be settled in foreign currency or if so desired, in rupees locally.

Overseas Medical Insurance Scheme for Indians Travelling Abroad

B.7 Policies may be issued in India under the Overseas Medical Insurance Schemes as approved by Reserve Bank to Indian residents travelling abroad for any approved visits viz. business, study tour, specialised training, conferences, employment or higher studies. Premiums on such policies, other than for visits for employment, may be collected in rupees and for employment in foreign currency. Insurers may also open a revolving letter of credit with an Indian bank in London for settlement of its share in the claims that may eventually arise under the policies.

Miscellaneous

B.8 (i) Insurers may issue product liability policies for exports and Errors and Omissions Policy in respect of computer software exports in foreign currency against receipt of premium in rupees and settle claims if any in foreign currency in respect of such policies.

(ii) Claims arising outside India against policies issued under Workmen's Compensation Act and Merchant Shipping Act may be paid in appropriate foreign currency. Remittances will be allowed for meeting specific claims on application by the Insurers furnishing full details of the claims.

PART C - REINSURANCE

C.1 As per the extant Govt. of India's instructions, reinsurance arrangements of the insurance companies registered with IRDA are to be decided by the companies themselves on an annual basis, which is to be approved by the respective insurance company's Boards in consultation with IRDA. Authorised dealer, designated by these insurance companies may allow remittances falling due under such approved reinsurance arrangements, by the insurers in accordance with the terms and conditions laid down by their Boards.

**C.2 Remittance of Reinsurance Premia
by Local Brokers**

Wherever local brokers arrange the reinsurance on behalf of insurers, local brokers may remit the premia through the branch of the authorised dealer designated by the insurance company in terms of para c.1 above subject to the production of undernoted documents:

- i) Relative debit notes from overseas insurance company.
- ii) Detailed statement of premia settled by the individual insurance company, along with a certificate to the effect that the amount of reinsurance business is within the overall limit approved by the insurance company's Board and that the risks covered under the reinsurance arrangements are within the scope of the Reinsurance Programme, approved by the insurance company's Board in consultation with IRDA.
- iii) A certificate from the Chartered Accountant of the local broker, prepared on the basis of certificates and statements obtained from the insurance companies, to the effect that the proposed remittance of reinsurance

premium sought, is in agreement with the various statements/certificates obtained from the insurance company/companies.

PART D - FOREIGN CURRENCY ACCOUNTS AND INVESTMENTS ABROAD

Foreign Currency Accounts Abroad

D.1 Insurers may open, hold and maintain with a bank outside India foreign currency accounts for facilitating transactions and expenses relating/incidental to general insurance business undertaken in foreign countries in accordance with regulations laid down in this Memorandum. Insurers should endeavour to keep in their foreign currency accounts only the minimum balances required for normal business and transfer to India regularly all surplus funds held at foreign centres.

Investments abroad

D.2 Renewal of existing investments, reinvestment of redemption proceeds of existing investments and fresh investment out of funds abroad, in government/semi-Government securities and bank deposits may be made by Insurers freely without prior approval of Reserve Bank, provided they are for meeting **statutory requirements in the foreign country concerned**. All other investments will require prior approval of Reserve Bank of India.

**Remittance of assets in India acquired by way of
inheritance/legacy/Foreign Nationals
A.P. (DIR Series) Circular No.19 (September 12, 2002)**

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

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

September 12, 2002

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**Remittance of assets in India acquired by way of
inheritance/legacy/Foreign Nationals**

Attention of authorised dealers is invited to Regulation 4 of Reserve Bank Notification No.FEMA.13/2000-RB dated May 3, 2000 in terms of which, authorised dealers have been permitted to allow remittance upto Rs.20 lakhs per calendar year, out of the assets in India to foreign nationals, including retired employees or non-resident widows of Indian citizens. Reserve Bank has issued Notification No.FEMA.62/RB-2002 dated May 13, 2002 (copy enclosed) amending the above Notification to enhance the existing limit of Rs.20 lakhs to USD 100,000 per calendar year and also extend the facility of remittance to Non-Resident Indians and Persons of Indian Origin (NRIs/PIOs) not exceeding USD 100,000, per calendar year, out of the assets in India acquired by way of inheritance/legacy.

2. Accordingly, it will be in order for authorised dealers to allow remittance of an amount not exceeding USD 100,000 (US Dollars one lakh only), per calendar year, out of the assets in India, by a citizen of foreign state, not being a citizen of Nepal and Bhutan or a person of Indian Origin (PIO) on production of the following :-

- (i) documentary evidence in support of acquisition of assets by the remitter, and
- (ii) a tax clearance/No Objection Certificate from the Income-Tax authority for the remittance.

3. It will be also in order for the authorised dealers to allow remittances by a Non Resident Indian and Person of Indian Origin an amount not exceeding USD 100,000 (US Dollar one lakh only) per calendar year, out of the assets in India acquired **by way of inheritance/legacy**, on production of the following :

- (i) documentary evidence to establish that the assets have been acquired by inheritance/legacy; and
- (ii) a tax-clearance/No Objection Certificate from the Income-Tax authority for the remittance.

4. In case, the remittance is to be made in more than one instalment, the remittance of all instalments should be remitted through the same authorised dealer.
5. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
6. The directions contained in the circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager

[A.P.(DIR Series) Circular No.19
dated September 12, 2002]

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

Notification No.FEMA. 62 /2002-RB

dated May 13, 2002

**Foreign Exchange Management (Remittance of Assets)
(Amendment) Regulations, 2002**

In exercise of the powers conferred by Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in partial modification of its Notification No.FEMA.13/2000-RB dated May 3, 2000, the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Remittance of Assets) Regulations, 2000, namely :

Short title and commencement

1. (i) These Regulations may be called the "Foreign Exchange Management (Remittance of Assets) (Amendment) Regulations, 2002".

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

Amendment of the Regulations

2. In the Foreign Exchange Management (Remittance of Assets) Regulations, 2000,

(a) In Regulation 2,

(i) after clause (ii), the following clause shall be inserted, namely :-

"(iii) 'Non-Resident Indian (NRI)' means a person resident outside India who is a citizen of India."

(ii) The existing clauses (iii), (iv) and (v) shall be renumbered as (iv), (v) and (vi) respectively.

(b) In Regulation 4,

(i) for sub-regulation (1), the following sub-regulation shall be substituted, namely :-

"(1) A person specified in sub-regulation (2) and (3) may make remittance of assets through an authorised dealer, to the extent specified in those sub-regulations."

(ii) In sub-regulation (2), the words, "Rs.20 lakhs per calendar year" shall be substituted with the words, "US \$ 1,00,000 (US Dollar One lakh only) per calendar year"

(iii) after sub-regulation (2), the following sub-regulation shall be inserted, namely :-

"(3) A Non-resident Indian (NRI)/Person of Indian Origin (PIO), may remit an amount, not exceeding US\$ 1,00,000 (US Dollar One lakh only) per calendar year, out of the assets in India acquired by him by way of inheritance/legacy on production of.

(a) documentary evidence in support of the inheritance/legacy, and

(b) a Tax clearance/no objection certificate from the Income-Tax authority for the remittance."

Provided that where the remittance is made in more than one instalment, the remittance of all instalments shall be made through the same authorised dealer.

(iv) for sub-regulation (3), the following sub-regulation shall be substituted, namely :-

"(4) An Authorised dealer in India may, without approval from Reserve bank, effect remittance of assets made by a person eligible under sub-regulation (2) or sub-regulation (3) as the case may."

(c) In Regulation 6,

the sub-regulation (1)(i) shall be substituted by :-

"(i) Remittance exceeding US\$ 1,00,000 (US Dollar One lakh only) per calendar year on account of legacy, bequest or inheritance to a citizen of foreign state permanently resident outside India."

Sd/-
(K.J.Udeshi)
Executive Director

**FEMA, 1999 – Current Account Transactions –
Remittances towards Consultancy Services
A.P. (DIR Series) Circular No.20 (September 12, 2002)**

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

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

September 12, 2002

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**FEMA, 1999 – Current Account Transactions –
Remittances towards Consultancy Services**

Attention of authorised dealers is invited to paragraph 3(B)(d) of our A.P.(DIR Series) Circular No.29 dated March 31, 2001, in terms of which remittance exceeding USD 100,000 per project for any consultancy services procured from outside India requires prior approval of the Reserve Bank, even though such remittance was made out of the funds held in Exchange Earners' Foreign Currency (EEFC) accounts.

2. It is clarified that in view of Rule 6(2) as contained in Government of India Notification No.S.O.301(E) dated March 30, 2001 (copy enclosed to the above circular), prior approval of the Reserve Bank is **not required** where such remittance is made out of the funds held in Exchange Earners' Foreign Currency (EEFC) account.

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

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

Yours faithfully,

Grace Koshie

Chief General Manager

**Disposal of duplicate copies of Export Declaration Forms
A.P. (DIR Series) Circular No.21 (September 16, 2002)**

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

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

September 16, 2002

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Disposal of duplicate copies of Export Declaration Forms

Attention of authorised dealers is drawn to sub-regulation D of Regulation 6 of Notification No.FEMA.23/2000-RB dated May 3, 2000 in terms of which on realisation of export proceeds authorised dealers are required to submit the duplicate of the GR/SDF/PP/SOFTEX forms, after due certification, to the nearest office of the Reserve Bank.

2. It has now been decided that duplicate copies of export declaration forms viz. GR, PP and SOFTEX and Exchange Control copies of the shipping bills together with related Statutory Declaration Forms (SDF) should not hereafter be submitted to Reserve Bank along with the R>Returns. Instead, the duplicate copies of the declaration forms duly certified after realisation of export proceeds, with Exchange Control Copies of shipping bills and related SDF, should be retained by the authorised dealers.

3. The Authorised Dealers should, however, ensure by random check of the duplicate forms by their internal/concurrent auditors to confirm that non-realisation or short realisation allowed, if any, is within the powers delegated to them or has been duly approved by Reserve Bank, wherever necessary. Accordingly, paragraphs B1 and B3.B of Part B of Annexure to A.P. (DIR Series) Circular No.12 dated September 9, 2000 may be modified.

4. It is clarified that, authorised dealers would continue to submit along with respective R>Returns as hitherto Schedules 3, 4, 5 and 6 furnishing therein details of the duplicate forms in respect of which export proceeds have been realised.

5. Amendment to the Bank's Notification issued under FEMA, 1999 is being issued separately.

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

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

Yours faithfully,

Grace Koshie

Chief General Manager

**External Commercial Borrowings (ECBs) – Prepayment
A. P. (DIR Series) Circular No. 22 (September 17, 2002)**

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

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

September 17, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs

External Commercial Borrowings (ECBs) - Prepayment

Attention of authorised dealers is invited to A.P.(DIR Series) circular No.8 dated August 5, 2002 regarding introduction of an "automatic route" for prepayment of ECBs.

2. Under the automatic route prepayment of ECBs was permitted, without any limit, out of foreign exchange inflow through either fresh equity or out of balances held in Exchange Earners' Foreign Currency (EEFC) account. Prepayment upto USD 50 million was also permitted in cases where the amount being prepaid was upto 10% of the outstanding or the residual maturity of the loan was less than one year.

3. In order to permit the corporates to take advantage of low international interest rates, the Reserve Bank has now decided that, in supercession of earlier instructions, any borrower who has raised ECBs in accordance with the prevalent Rules/Regulations/Guidelines may prepay, the outstanding ECB upto an amount of USD 100 million without prior permission from the Reserve Bank. It is clarified that this liberalised automatic route is available **to all category of borrowers irrespective of the residual maturity or percentage of the outstanding loan,** as long as the amount being prepaid does not exceed USD 100 million.

4. Authorised dealers may, therefore, allow remittances not exceeding USD 100 million for prepayment of ECBs after obtaining a certificate from the company secretary/auditors of the borrower, indicating that the borrower -

- (i) has availed and utilised the loan in accordance with all relevant Acts, RBI/Government Rules, Regulations and Guidelines, and
- (ii) has submitted all the ECB-2 Returns to the concerned regional office of the Reserve Bank.

5. The authorised dealers shall forward a report in form ECB-PAR (revised format enclosed) within 7 days of the remittance, to the Chief General Manager, Exchange Control Department, ECB Division, Central Office, Reserve Bank of India, Fort, Mumbai – 400 001.
6. It is clarified that the facility under the automatic route for prepayment of ECBs as contained in this circular, **will be available upto March 31, 2003.** A circular will be issued on or before that date in case the scheme is extended for a further period.
7. Applications for prepayment of amount exceeding USD 100 million, would be considered expeditiously for approval by the Reserve Bank. Borrowers desirous of availing of the facility may make application to the Reserve Bank of India, Central Office, Mumbai with full particulars, namely, terms of the prepayment, the period over which the prepayment is to be made and also whether 'in principle' contract for prepayment has been negotiated with the lender. Further, corporates desirous of obtaining 'in principle' approval from the Bank before negotiating the prepayment contract may also approach the Reserve Bank. The 'in principle' approvals issued by the Reserve Bank will be valid for 15 days.
8. No prior permission or 'in principle' approval of the Reserve Bank will be required for prepayment of ECBs out of balances held in EEFC accounts or foreign exchange inflow for fresh equity, even if the amount exceeds USD 100 million.
9. Authorised Dealers may bring the contents of the circular to the notice of their constituents concerned.
10. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager

External Commercial Borrowings (ECBs)
A.P.(DIR Series) Circular No.23 (September 17, 2002)

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

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

September 17, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

External Commercial Borrowings (ECBs)

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.10 dated September 5, 2000, operationalising the 'Automatic Route' for ECBs up to USD 50 million. In terms of paragraph 3 of the circular under the Automatic Route ECBs can be raised by any legal entity registered under the Company's Act, Societies Registration Act, Co-operative Societies Act including proprietorship/partnership concerns.

2. It is clarified that individuals, Trusts and Non-Profit making Organisations are not eligible to raise ECBs.
3. Authorised dealers may bring the contents of this circular to the notice of their concerned constituents.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager

Foreign Currency Loans in India to holders of FCNR(B) Deposits

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

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

September 25, 2002

To
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Foreign Currency Loans in India to holders of FCNR(B) Deposits

Attention of authorised dealers is invited to sub-regulation 1(v) of regulation 4 of Reserve Bank Notification No.FEMA.3/2000-RB dated May 3, 2000 in terms of which a branch outside India of an authorised dealer is empowered to extend foreign currency loans against the security of funds held in NRE/FCNR deposit accounts maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2000.

2. With a view to extend the above facility in India to the account holders, it has now been decided to permit authorised dealers to grant foreign currency loans in India against the security of funds held in FCNR (B) deposit accounts to the account holders only, subject to the guidelines given in the Annexure. Further, authorised dealers should also comply with the instructions for grant of loans against non-resident deposits contained in the Circular DBS.FGV (F) No.BC.13/23.04.001/2001-02 dated May 21, 2002 issued by the Department of Banking Supervision, Reserve Bank of India, prescribing inter alia, precautions to be taken by banks while granting loans against non-resident deposits.

3. The Notification to amend the regulations referred to above is being issued separately.

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

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

Yours faithfully,

**Grace Koshie
Chief General Manager**

ANNEXURE

[A.P. (DIR Series) Circular No.24
dated 25.9.2002]

**Guidelines for grant of foreign currency loans
in India to holders of FCNR (B) Deposits**

- (a) Loans should be against own FCNR (B) deposits and not against the deposits of third parties.
- (b) Loans should be granted only to the deposit holder and not to any third party/ies. The documents should be executed by the deposit holders themselves and not by their Power of Attorney holders.
- (c) The maturity of the loan shall not exceed the maturity of the deposit under any circumstances.
- (d) Loans shall be sanctioned to the account holders for purposes other than investments in India.
- (e) Advances shall be fully secured by the deposit and regulations, if any, relating to margin shall be complied with.
- (f) Repayment is to be effected by fresh remittances in foreign exchange or by adjustment of the deposit.
- (g) The bank should put in place adequate monitoring system for the purpose.
- (h) Extension of this facility should have the approval of the Board of the bank.

Imports into India - Short term credit
A.P.(DIR Series) Circular No.25 (September 27, 2002)

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI

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

September 27, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Imports into India - Short term credit

Attention of authorised dealers is invited to the directions contained in paragraphs A.12 and A.13 of the AP(DIR Series) Circular No. 9 dated August 24,2000, and the provisions contained in paragraph 4(i) of Schedule to the Reserve Bank Notification No. FEMA3/2000-RB dated May 3, 2000. Accordingly, in terms of the existing instructions, Suppliers' Credit, viz. short term loans where the credit for imports into India is extended by the overseas supplier for a period of more than six months requires prior approval of the Reserve Bank. Similarly, Buyers' Credit, viz., where short term loans for payment of imports into India is arranged by the importer from a bank or financial institution outside India for maturity of less than three years also requires prior approval of the Reserve Bank.

2. With a view to simplifying the procedure for imports into India, it has now been decided that uniform Regulations and procedures be made applicable to both categories of the short term credit, that is Suppliers' Credit as well as Buyers' Credit, with immediate effect till further notice.

3. Accordingly, the Authorised Dealers may approve proposals received in Form ECB for short term credit for financing, by way of either Suppliers' Credit or Buyers' Credit, of import of goods into India, provided :

- (a) The credit is being extended for a **period of less than three years,**
- (b) The amount of credit does not exceed USD 20 million, per import transaction

(c) The 'all-in-cost' per annum, payable for the credit does **not exceed LIBOR +50 basis points for credit upto one year and LIBOR + 125 basis points for credits for periods beyond one year but less than three years**, for the currency of credit.

4. Authorised dealers may issue approval by way of a letter on the lines of Annexure I to this circular and ensure submission of ECB-5 statement as hitherto.

5. International Banking Division of the authorised dealer may furnish the details of approvals granted by all its branches, during the month, in the Form ECB-ST (format enclosed) to the Chief General Manager, Exchange Control Department, Reserve Bank of India, Central Office, External commercial Borrowing (ECB) Division, Mumbai - 400 001, so as to **reach not later than 5th of the following month**. Each credit may be given a unique Identification number by the authorised dealers. The loan Identification number allotted to the loan/credit should invariably be quoted in all the reference made to this office.

6. All applications, in form ECB, for availing of short term credit for amount **exceeding USD 20 million** for any import transaction may be forwarded to the Chief General Manager, Exchange Control Department, Reserve Bank of India, Central Office, External commercial Borrowing (ECB) Division, Mumbai-400 001.

7. Accordingly, the directions contained in the paragraph A.12 and A.13 of the AP(DIR Series) Circular No. 9 dated August 24,2000, may be treated as amended. Notification for amending the provisions of paragraph 4(i) of Schedule to the Notification No. FEMA3/2000-RB dated May 3, 2000, is being issued separately.

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

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

Yours faithfully,

Grace Koshie

Chief General Manager

A.P. (DIR Series) Circular No.26 (September 28, 2002)

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

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

September 28, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

- (a) Remittance of Current Income by Non-Resident Indians
(NRIs)/Persons of Indian Origin (PIOs) – No Objection Certificate**
(b) Repatriation of NRNR Deposits

Attention of Authorised Dealers is invited to A.P. (DIR Series) Circular No. 45 dated May 14, 2002, in terms of which A.Ds may allow repatriation of current income like rent, dividend, pension, interest etc. of NRIs who do not maintain NRO Account in India based on an appropriate certification by a Chartered Accountant, certifying that the amount proposed to be remitted is eligible for remittance and that applicable taxes have been paid/ provided for. A doubt has been raised as to whether Non-Resident Indians/ Persons of Indian Origin (NRIs/PIOs) seeking to repatriate funds from India, but having no taxable income in India, are also required to furnish a certificate as indicated in the A.P. (DIR Series) Circular No. 45 dated May 14, 2002.

2. It is, therefore, clarified that such NRIs/PIOs who do not maintain NRO Account and have no taxable income in India need not submit a Chartered Accountant's certificate for remitting their current income like dividend, rent, pension, interest etc. In such cases Authorised Dealers may obtain a simple declaration, in duplicate, from the NRIs/PIOs to the effect that he/she is not a tax payer in India. The Authorised Dealer may retain such declaration with them for future reference from Income Tax Authorities, if any.

Crediting of current income to non-resident accounts

3. Attention of Authorised Dealers is also invited to A.P.(DIR Series) Circular No.5 dated July 15, 2002 wherein it has been clarified that Authorised Dealers may credit the current income to the NRE accounts of NRIs provided they are satisfied that the credit

represents current income of the non-resident account holder and income tax thereon has been deducted/paid/provided for, as the case may be.

4. It is clarified that in terms of item 3 (B)(ii) of Schedule 3 to Notification No. FEMA 5/2000 RB dated May 3, 2000 for remitting current income credited to NRO A/c, as well as for crediting current income to NRE Account of the NRI in terms of clarifications given in A.P. (DIR Series) Circular No. 5 dated July 15, 2002, requirement of submission of income-tax declaration/ Chartered Accountant's certificate stating that the income-tax thereon has been deducted /paid/provided for, is applicable. In case NRIs/PIOs have no taxable income in India, the procedure indicated in paragraph No.2 above may be followed.

Maturity proceeds of NRNR Deposits

5. Authorised Dealers may also refer to A.P.(DIR Series) Circular No.28 dated March 4, 2002 in terms of which maturity proceeds of NRNR deposits should be credited to NRE accounts. It is clarified that proceeds of the NRNR deposit on maturity may be allowed to be repatriated outside India in case the accountholder does not maintain NRE account.

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

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

Yours faithfully,

Grace Koshie

Chief General Manager

Income Tax Clearance Certificate/No Objection Certificate
A.P. (DIR Series) Circular No.27 (September 28, 2002)

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

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

September 28, 2002

To,

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Income Tax Clearance Certificate/No Objection Certificate

Attention of Authorised Dealers is invited to the Notification F.No.500/152/96-FID dated November 18, 1997, issued by the Central Board of Direct Taxes (copy enclosed) in terms of which a person making remittance of foreign exchange could submit an undertaking in duplicate addressed to the Assessing Officer, which should be signed by a person authorised to sign the Income Tax Return of the applicant together with a certificate in duplicate from the Accountant.

2. Accordingly, authorised dealers are advised that they may accept an undertaking made in accordance with the Notification dated November 18, 1997, referred to above, **in lieu of** an 'Income Tax clearance Certificate' or a 'No Objection Certificate' as prescribed in the respective Notifications and related circulars issued under Foreign Exchange Management Act, 1999 and allow remittance of foreign exchange.

3. It is clarified that in case of NRIs/PIOs who do not maintain NRO account and have no taxable income in India, authorised dealers may allow remittances after obtaining a simple declaration from them, as per the procedure prescribed in A.P.(DIR Series) Circular No.26 dated September 28, 2002.

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

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

Yours faithfully,

Grace Koshie

Chief General Manager

F.No.500/152/96-FTD
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, Dated : 18th November, 1997

To

All the Chief Commissioners of Income-Tax,
Directors General of Income-Tax

Sir,

**Subject : Remittance to a non-resident – deduction of tax at source –
Submission of No Objection Certificate – Dispensing with – regarding**

1. Section 196 of the Income-tax Act, 1961 provides that any person responsible for paying to a non-resident any sum chargeable under the Act shall, at the time of credit of such income to the account of the payee or at the time of repayment thereof in cash or by cheque or draft or any other mode, whichever is earlier, deduct income-tax thereon at the rates in force.

2. The Reserve Bank of India have provided in their Office Manual that no remittance shall be allowed unless a No Objection Certificate has been obtained from the Income-tax Department. It has since been decided that henceforth remittances may be allowed by the Reserve Bank of India without insisting upon a No Objection Certificate from the Income-Tax Department and on the person making the remittance furnishing an undertaking (in duplicate) addressed to the Assessing Officer accompanied by a certificate from an Accountant (other than an employee) as defined in the explanation below Section 288 of the Income-tax Act 1961 in the form annexed to this circular. The person making the remittances shall submit the undertaking along with the said certificate of the Accountant to the Reserve Bank of India, who in turn shall forward a copy thereof to the Assessing Officer.

3. The contents of this Circular may be brought to the notice of all the officers working in your charge.

Yours faithfully,

Sd/-
(Rajat Bansal)
Under Secretary (FTD)

**Opening, holding and maintaining Foreign Currency
Account in India by Unit in Special Economic Zones
(SEZs)**

A.P. (DIR Series) Circular No.28 (October 3, 2002)

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

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

October 3, 2002

To,

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Opening, holding and maintaining Foreign Currency Account
in India by Unit in Special Economic Zones (SEZs)**

Attention of authorised dealers is invited to Notification No.FEMA.37/2001-RB dated February 27, 2001 relating to Foreign Exchange Management (Foreign Currency Account by a Person Resident in India) Regulations, 2000 which has been amended by Notification No.FEMA.63/2002-RB dated June 21, 2002 (copy enclosed).

2. In terms of paragraph 6A of the aforesaid notification, a unit located in a Special Economic Zone may be allowed to open, hold and maintain a Foreign Currency Account with an authorised dealer in India subject to the conditions stipulated in the Notification.

3. Paragraph 5 in the Schedule of the aforesaid regulation relating to special provision for EEFC Account of a unit in a Special Economic Zone stands deleted.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

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

Notification No.FEMA. 63 /2002-RB

dated June 21, 2002

**Foreign Exchange Management (Foreign Currency Accounts by
a person Resident in India) (Third Amendemnt) Regulations, 2002**

In exercise of the powers conferred by clause (b) of Section 9 and clause (e) of sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in supercession of the Notification No.FEMA.37/2001-RB dated February 27, 2001, Reserve Bank of India makes the following amendments to Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2000, namely :

Short title and commencement :-

1. (i) These Regulations may be called the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) (Third Amendment) Regulations, 2002.

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

Amendment of the Regulations

2. In the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2000 (hereinafter referred to as “the said Regulations”), after paragraph 6 of the Regulation, the following paragraph shall be inserted, namely :

“6A. Foreign Currency Account of a unit in a Special Economic Zone

A unit located in a Special Economic Zone may open hold and maintain a Foreign Currency Account with an authorized dealer in India provided that,

- (a) all foreign exchange funds received by the unit in the Special Economic Zone (SEZ) are credited to such account,
- (b) no foreign exchange purchased in India against rupees shall be credited to the account without prior permission from the Reserve Bank,
- (c) the funds held in the account shall be used for bonafide trade transactions of the unit in the SEZ with the person resident in India or otherwsie,
- (d) the balances in the accounts shall be exempt from the restrictions imposed under Rule 5, except item 3 and 4 of the

Schedule III, of the Government of India Notification
No.GSR.381(E) dated May 3, 2000.

Provided further that the funds held in these accounts shall not be lent or made available in any manner to any person or entity resident in India not being a unit in Special Economic Zones.”

3. The existing paragraph 5 in the Schedule of the Regulation shall be deleted.

Sd/-
(K.J.Udeshi)
Executive Director

**Indo-Sri Lanka Credit Agreement dated
July 3, 2002, for US\$ 31 Million**

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

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

October 10, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Indo-Sri Lanka Credit Agreement dated
July 3, 2002, for US\$ 31 Million**

The Government of India have extended a line of credit of US\$ 31 million (U.S.Dollar Thirtyone million only) to the Government of the Democratic Socialist Republic of Sri Lanka under a credit agreement entered into between the two Governments on July 3, 2002. The credit of US \$ 31 million will be available to the Government of Sri Lanka for importing from India upto 3,00,000 tonnes of wheat or any other item as may be mutually agreed to between the two Governments. The credit will not cover third country imports. The export of wheat from India and their import into Sri Lanka under the line of credit shall take place through normal commercial channels and will be subject to the laws and regulations in force in both the countries.

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

- (a) All contracts will be subject to the approval of the Government of India and the Government of Sri Lanka or any agency authorised for this purpose by the Government of Sri Lanka and shall contain a clause to that effect. All contracts shall be sent to the Ministry of Finance, Department of Economic Affairs, Government of India for approval. After each contract has been approved, intimation thereof will be sent to the Government of Sri Lanka and to the State Bank of India, New Delhi by the Ministry of Finance, Government of India.
- (b) The credit will be available for 100 per cent of the f.o.b. value of the eligible goods to be exported from India. The value of the contract shall be expressed in U.S. Dollars.
- (c) All disbursements under the credit shall be made under letters of credit opened by banks in Sri Lanka. All letters of credit will be advised by banks in Sri Lanka to the State Bank of India, New Delhi, for onward transmission to the exporter/s either direct or through another bank in India, if any, nominated by the exporters.

Normal commercial practices followed in respect of advising payments under letters of credit will be adopted. The letters of credit should be supported by a copy of the contract and should contain the following reimbursement clause:

" Reimbursement for 100 per cent of the f.o.b. value of the contract shall be provided by the State Bank of India, New Delhi out of US\$ 31 million credit extended by the Government of India to the Government of Sri Lanka. The letter of credit is negotiable after State Bank of India has issued an advice that it is operative."

3. Contracts to be financed under this agreement for export of the eligible goods should be signed and relative letters of credit established on or before December 31, 2003, and the full amount be drawn under the credit on or before December 31, 2004. If the full amount is not drawn by the aforesaid dates, the balance will be cancelled and the final instalment of the repayment to be made by the Government of Sri Lanka shall be reduced accordingly, except as may otherwise be agreed to by the Government of India.

4. Shipments under the credit agreement should be declared on GR/SDF Form with prominent superscription reading "Exports to Sri Lanka under Credit Agreement dated July 3, 2002, between the Government of India and the Government of Sri Lanka". The number and date of this circular should be recorded on the GR/SDF Form in the space provided therefor. On receipt of the full payment of bills in the manner indicated above, authorised dealers should certify duplicate copies of the relative GR/SDF Forms.

5. Authorised Dealers may bring the contents of this circular to the notice of their constituents engaged in exports to Sri Lanka.

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

Yours faithfully,
Grace Koshie
Chief General Manager

**Exim Bank's Line of Credit of USD 10 Million to
Banca Comerciala Romana(BCR), Romania**

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

October 11, 2002

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

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Exim Bank's Line of Credit of USD 10 Million to
Banca Comerciala Romana(BCR), Romania**

Export-Import Bank of India (Exim Bank) has concluded an agreement with the Banca Comerciala Romana S.A.,(BCR) on June 25, 2002, making available to the latter, a line of credit upto an aggregate sum of USD 10 million (U.S.Dollar Ten Million only). The credit has become effective from August 29, 2002, and is available for financing Indian export of eligible goods ([listed in the Annexure](#)) and related services to buyers in the borrower's country i.e. Romania. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into the borrower's country shall be subject to the laws and regulations in force in both the countries.

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

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

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

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

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

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

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

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

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

9. The terminal dates for opening letters of credit and utilisation of credit are August 28, 2003, and February 28, 2004, respectively.

10. Shipments under the credit will have to be declared on GR/SDF Forms as usual. All copies of GR/SDF Forms should bear a prominent superscription reading 'Export under Exim Bank line of credit dated 25 June, 2002, extended to Banca Comerciala Romana, S.A., (BCR), Romania.' The number and date of this circular should be recorded in the space provided

therefor. On receipt of full payment of bills in the manner stated above, authorised dealers should certify the duplicate copy/ies of the relative GR/SDF Form/s.

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

12. Authorised Dealers may please bring the contents of this circular to the notice of their exporter constituents.

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

Yours faithfully

Grace Koshie
Chief General Manager

Annexure

[A.P.(DIR Series) Circular No.30
dated October 11, 2002]

List of Eligible Goods for finance out of the Credit

Part 'A'

1. Air Compressors.
Air conditioning, heating, cooling, fume extraction, dust collection, humidification and ventilation equipment for industrial use including blowers and exhaust fans.
2. Alcohol and brewery plant.
3. Aluminium plant and machinery.
4. Asbestos cement machinery.
5. Cement machinery.
6. Cinematographic equipment for motion picture and television studios.
7. Chemical and pharmaceutical plant and machinery .
8. Cigarette making machinery.

9. Coffee processing machinery.
10. Coke oven plant and equipment.
11. Coke oven refractories.
12. Control and Process Instruments including X-Ray equipment for Industrial Applications.
13. Copper Ore concentration machinery.
14. Dairy equipment and animal feed plant.
15. Earth moving equipment like crawler tractors, shovels, excavators, loaders, dumpers etc.
16. Edible Oil Mill machinery and oil expellers.
17. Electric motors and pumps.
18. Electronic Data Processing equipment.
19. Fertilizer plant and equipment.
20. Flour, rice, and dal mill machinery.
21. Food processing plant.
22. Foundry equipment including mould making machinery, Sand and Shot blasting equipment.
23. Freight containers.
24. Garage equipment.
25. Gas and air separation plants.
26. Glass and Ceramic machinery.
27. Heat Exchangers.
28. Integrated Steel Plants (complete or in parts), mini plants (electric arc and reduction furnaces). Re-heating and heat treatment furnaces, Rolling Mills and other finishing lines for ferrous and non-ferrous metals.
29. Ice-making machinery.
30. Industrial boilers.
31. Industrial furnaces.

32. Industrial switchboards, Control panels, circuit breakers, air break switches.
33. Jute machinery.
34. Leather tanning and processing machinery.
35. Machine tools.
36. Machinery for manufacturing air conditioners, bicycles, corks, electrical goods, enamel-ware, hard board, metal containers, radios, razor blades, refractories and bricks, sewing machines, shoes, steel furniture, wire-ropes and cables etc.
37. Machinery for manufacturing any product figuring in Part B of this List, not specified separately in this Part.
38. Material handling equipment like fork lifts, electric lifts, cranes, hoists, etc. and conveyor systems.
39. Metal working machinery.
40. Mining machinery.
41. Motor vehicles and chassis, including three-wheelers.
42. Oil drilling rigs.
43. Oil refinery equipment.
44. Packaging and weighing machinery.
45. Pile foundation machinery.
46. Plastic machinery.
47. Power generation, transmission and distribution equipment including boilers, generators, transformers, switchgears, transmission line towers, conductors, cables, sub-station equipment and protective equipment.
48. Power line carrier communication equipment.
49. Power station structures, hydraulic structures like penstocks, gates and gearings, sub-station structures.
50. Pressure vessels.
51. Printing and book-binding machinery.
52. Pulp and Paper Mill machinery.

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

PART 'B'

1. Agricultural implements.

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

23. Gas cylinders, fire fighting equipment, photographic equipment, helmets, including fibreglass helmets.
24. Any other item not included above that might be agreed upon between Exim Bank and the Borrower.

Release of Exchange for Private Travel
A.P. (DIR Series) Circular No.31 (October 18, 2002)

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

October 18, 2002

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

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Release of Exchange for Private Travel

In terms of Item 2 of Schedule III to the Government of India's Notification No.G.S.R. 381(E) dated May 3, 2000, authorised dealers (ADs) are required to obtain prior permission of the Reserve Bank to release foreign exchange exceeding USD 5,000 in one calendar year, for one or more private visits to any country, except Nepal and Bhutan.

2. With a view to ensuring that applications received in the Regional Offices of the Reserve Bank, in this regard, are disposed of on the same day, a Nodal Officer has been nominated in each Regional Office. Annexure to this circular contains name, telephone number, fax number and e-mail address of the Nodal Officer for each of the Regional Offices. It is, further, clarified that applications for release of foreign exchange exceeding USD 5,000 for private visits may be forwarded to the Regional Office by either fax or e-mail.

3. In case of any difficulty Chief General Manager, Exchange Control Department, Reserve Bank of India, Central Office, Mumbai may be contacted on telephone number 2663596 or fax number 2661722.

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

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

Yours faithfully,

Grace Koshie
Chief General Manager

Sr. No.	Regional Office	Nodal Officer
1	Ahmedabad	Smt. Neena Rohit Jain ,
		Assistant General Manager
		Tel No. : 079-6586729
		Fax No. : 079-6589986
		E-mail :
		ecdahmedabad@rbi.org.in
2	Bangalore	Shri G. Jeyakumar,
		Manager
		Tel No. : 080-2217775
		Fax No. : 080-2237882
		E-mail :
		ecdbangalore@rbi.org.in
3	Bhopal	Smt. Sushma Vij,
		Manager
		Tel No. : 0755-578295
		Fax No. : 0755-552283
		E-mail :
		sushmavij@rbi.org.in
4	Bhubaneswar	Shri S. Sethi,
		Manager
		Tel No. : 0674-400937
		Fax No. : 0674-405911, 405857
		E-mail :
		ecdbhubaneswar@rbi.org.in
5	Chandigarh	Shri S.L.Mittal,
		Manager
		Tel No. : 0172-714880, 703509
		Fax No. : 0172-723124
		E-mail :
		ecdchandigarh@rbi.org.in
6	Chennai	Shri R. Srikumar,
		Manager
		Tel No. : 044-5360927
		Fax No. : 044-5360912
		E-mail :
		rsrikumar@rbi.org.in
7	Guwahati	Shri A.B.Das,
		Manager
		Telfax : 0361-541248

		E-mail : ecdguwahati@rbi.org.in
8	Hyderabad	Smt.Pratibha Raghavan, Assistant General Manager Tel No. : 040-3241325 Fax No. : 040-3212615 E-mail : ecdhyderabad@rbi.org.in
9	Jaipur	Shri C.L.Dua, Deputy General Manager Tel No. : 0141-562158 Fax No. : 0141-563016 E-mail : cldua@rbi.org.in
10	Kolkata	Smt.Jaya Gangopadhyay, Manager Tel No. : 033-2208331 extn.6343 Fax No. : 033-2210218 E-mail : ecdrbi@cal3.vsnl.net.in ecdrbi@vsnl.com
11	Kanpur	Shri Gopal Dass, Assistant General Manager Tel No. : 0512-303943 Fax No. : 0512-311240 E-mail : ecdkanpur@rbi.org.in
12	Kochi	Shri Antony Kunjumon Manager Tel No. : 0484-402911, extn.104 Fax No. : 0484-402715 E-mail : "antonykunjumon" rbikochi@md2.vsnl.net.in
13	Mumbai	Shri D.K.Srivastava, Manager Tel No. : 022-2661644, extn.4105 Fax No. : 022-2615255 E-mail : ecdmrofm@rbi.org.in
14	New Delhi	Ms.Molina Choudhery, Assistant General Manager Tel No. : 011-3356148

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16	Panaji	Smt.P.G. Markandey,
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Cross-currency Derivative Products - Submission of Report

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

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

October 21 , 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Cross-currency Derivative Products - Submission of Report

Attention of authorised dealers is invited to paragraph A4(iii) of Part-A, Section-I of A.P. (DIR Series) Circular No.19 dated January 24, 2002 in terms of which they are required to forward reports containing full details of transactions undertaken by residents in respect of cross-currency (i.e. not involving Indian Rupee) derivative products to the respective Regional Offices of Reserve Bank within a week of their conclusion.

2. In modification of the above direction, ADs are advised that in place of sending a separate report for each transaction for cross-currency derivatives, they may consolidate the data and a half-yearly report in the format given below, may be forwarded to the Chief General Manager, Exchange Control Department, Forex Markets Division, Central Office, Mumbai. The first such report may be submitted for the period ending 31st December 2002.

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 options		
Interest rate caps or collars (Purchases)		
Forward rate agreements		
Any other product as permitted by Reserve Bank from time to time		

3. The authorised dealers should maintain a detailed record of all such transactions to facilitate audit/inspection thereof.

4. The directions contained in this Circular have been issued under Section 10(4) and Section 11(1) of FEMA 1999 (42 of 1999).

Yours faithfully,

Grace Koshie
Chief General Manager

Export of Goods and Services
A.P. (DIR Series) Circular No.33 (October 23, 2002)

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

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

October 23, 2002

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Export of Goods and Services

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.6 dated September 24, 2001 and A.P. (DIR Series) Circular No.2 dated July 4, 2002 in terms of which manufacturer exporters/merchant exporters/traders of certain products and having export contracts of Rs.100 crore and above in value terms in one year, have been allowed a period upto 365 days from the date of shipment for realisation and repatriation of full value of the export of products specified therein.

2. On review, it has been decided to extend this facility for realisation of export proceeds upto 365 days from the date of shipment, for a further period of one year i.e. for shipment of the products listed in the [Annexure](#) made upto September 30, 2003.

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

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

Yours faithfully,

Grace Koshie
Chief General Manager

Annexure

[A.P.(DIR Series) Circular No.33
dated 23.10.2002]

**Products eligible for exports with extended
period of realisation by manufacturer
exporters/merchant exporters/traders**

1. Pharmaceuticals (including drugs, fine chemicals).
2. Agro-chemicals (including inorganic and organic chemicals)
3. Transport equipment (including commercial vehicles, two and three wheelers, tractors, railway wagons, locomotives).
4. Cement (including glass, glassware, ceramics and refractories)
5. Iron & Steel (including iron & steel bars/rods and primary and semi-finished iron & steel)
6. Electrical machinery (including transmission line towers, switch gear, transformers)
7. Leather and leather products.
8. Textiles
9. Products of aluminium
10. Petroleum products
11. Sugar
12. Foodgrains

Exchange Earners' Foreign Currency (EEFC) Account Scheme

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

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

October 31, 2002

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Exchange Earners' Foreign Currency (EEFC) Account Scheme

In terms of IECD Circular No. 9 /04.02.02/ 2002-03 of date Reserve Bank has liberalised the facility for liquidation of Rupee Packing Credit and Pre-shipment Credit in foreign currency by permitting repayment of such advances by exporters from out of their EEFC funds and/or rupee resources.

2. Authorised dealers may, therefore, permit exporters to repay packing credit advances, whether availed of in Rupee or in foreign currency, from balances in their EEFC account **to the extent exports have actually taken place.**

3. While allowing utilisation of this facility, authorised dealers should advise exporters to adhere to the current exchange control requirements for exports and ensure compliance **specifically, with regard to realisation of export proceeds in accordance with paragraph C.10 of Annexure to A.P. (DIR Series) Circular No.12 dated September 9, 2000.**

4. Authorised Dealers may please 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 FEMA 1999 (42 of 1999).

Yours faithfully,
Grace Koshie)
Chief General Manager

**Lifting of lock-in period for repatriation of sale
proceeds of immovable property situated in India
A.P. (DIR Series) Circular No.35 (November 1, 2002)**

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

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

November 1, 2002

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Lifting of lock-in period for repatriation of sale
proceeds of immovable property situated in India**

Attention of authorised dealers is invited to Regulation 6 (b) (ii) of Reserve Bank Notification No. FEMA 21/2000-RB dated May 3, 2000 in terms of which authorised dealers have been permitted to allow Non-Resident Indians/ Persons of Indian origin, (NRIs/PIOs) to repatriate sale proceeds of immovable property (other than agricultural land/farmhouse/plantation property) in India, provided the sale takes place after three years from the date of acquisition of such property or from the date of payment of final instalment of consideration for its acquisition, whichever is later.

2. Reserve Bank has issued Notification No. FEMA 65/2002-RB dated June 29, 2002 (copy enclosed) amending the Notification cited above, removing the existing lock-in period for repatriation of the sale proceeds of immovable property purchased in India by NRIs/PIOs. Accordingly, it will be in order for authorised dealers to allow remittance of sale proceeds of immovable property in India acquired by NRIs/PIOs, irrespective of the period for which the property was held. The sale proceeds allowed to be repatriated should, however, not exceed the foreign exchange brought in to acquire the property.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

Resident Foreign Currency (Domestic) Account - Facility for Resident Individuals

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

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

November 1, 2002

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Resident Foreign Currency (Domestic) Account - Facility for Resident Individuals

Authorised Dealers are aware that in terms of Regulation 3(iii) of RBI Notification No.FEMA.11/ 2000-RB dated 3rd May, 2000, residents are allowed to retain up to US\$ 2000 or its equivalent in aggregate, provided that such foreign exchange in the form of currency notes, bank notes and travellers cheques :

- (a) was acquired by him while on a visit to any place outside India by way of payment for services not arising from any business in or anything done in India; or
- (b) was acquired by him, from any person not resident in India and who is on a visit to India, as honorarium or gift or for services rendered or in settlement of any lawful obligation; or
- (c) was acquired by him by way of honorarium or gift while on a visit to any place outside India; or
- (d) represents the unspent amount of foreign exchange acquired by him from an authorised person for travel abroad.

2. As a step towards further liberalisation, it has been decided to allow a person resident in India to open, hold and maintain with an Authorised Dealer in India a Foreign Currency Account to be known as Resident Foreign Currency (Domestic) Account, out of foreign exchange acquired in the form of currency notes, bank notes and travellers cheques from the sources specified at items (a) to (d) above. Debits to the account shall be for payment towards current/capital account transactions in accordance with the existing foreign exchange

regulations. The account will be maintained in the form of current account and shall not bear any interest.

Cheque facility will be available. There will be no ceiling on the balances held in the account.

3. It is clarified that the facility of opening of RFC (Domestic) Account is in addition to the existing facility of

(i) RFC facility provided under Regulation 5 of Notification No. FEMA 10/ 2000-RB dated 3rd May 2000 and

(ii) retention of foreign exchange in cash and/or travellers cheques up to US\$ 2000 or its equivalent available

in terms of Regulation 3

(iii) of Notification No. FEMA 11/RB-2000 dated 3rd May, 2000.

4. A Notification amending the relevant provisions of RBI Notification No. FEMA 10/RB-2000 dated 3 May 2000 is being issued separately.

5. Pending publication of the Notification by the Government of India, requests received by Authorised

Dealers for opening of Resident Foreign Currency (Domestic) Accounts may be forwarded with

recommendations to the concerned Regional Office of the Reserve Bank. While opening these accounts the

Authorised Dealers should however, follow the same procedures, including 'Know Your Customer' guidelines

as applicable for opening any other domestic account.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

Investment in Overseas Markets
A.P.(DIR Series) Circular No.38 (November 2, 2002)

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

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

November 2, 2002

To
All Authorised Dealers in Foreign Exchange
Madam/Sirs,

Investment in Overseas Markets

Attention of authorised dealers is invited to item (i) of paragraph 3 of A.P. (DIR Series) Circular No.40 dated April 29, 2002 in terms of which authorised dealers have been permitted to invest the undeployed FCNR(B) funds in overseas markets in long-term fixed income securities subject to the rating requirements stipulated in the A.P.(DIR Series) Circular No.19 dated January 24, 2002.

2. It has now been decided that authorised dealers may henceforth invest undeployed FCNR (B) funds in overseas markets in long-term fixed income securities rated at least AA by Standard and Poor, or Aa3 by Moody's or AA by Fitch IBCA.
3. All other instructions contained in A.P. (DIR Series) Circular No.40 dated April 29, 2002 remain unchanged.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,
Grace Koshie
Chief General Manager

Investment by NRIs/OCBs in Non-Convertible Debentures – Redemption thereof
A.P. (Dir Series) Circular No.39 (November 5 , 2002)

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

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

November 5 , 2002

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Investment by NRIs/OCBs in Non-Convertible Debentures – Redemption thereof

Authorised Dealers are aware that Indian companies were being permitted under FERA,1973 (since repealed) to issue non-convertible debentures (NCDs) to NRIs/OCBs . While granting such permission to the Indian companies to issue NCDs, they were advised to seek prior permission of the Reserve Bank for repatriating redemption proceeds thereof.

2. In terms of Regulation 5 of Notification No.FEMA 4/2000-RB dated 3rd May 2000, general permission has been given to companies incorporated in India to borrow in rupees by way of issue of non-convertible debentures subject to certain conditions, on repatriation or non-repatriation basis, from a non-resident Indian or a person of Indian origin resident outside India or an overseas corporate body (OCB).

3. It is clarified that, in view of Regulation 5 referred to above, Indian companies, which **were granted permission by Reserve Bank under FERA** to issue NCDs on repatriation basis, subject to the condition that the company would seek prior permission of the Reserve Bank for repatriation of redemption proceeds, hereafter do not require prior permission of Reserve Bank to remit the redemption proceeds of the NCDs/PCDs issued by them, provided, they have complied with all other conditions stipulated in the relevant approval letter.

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

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

Yours faithfully,

Grace Koshie
Chief General Manager

**Issue of International Credit Cards to Non-
Resident Indians (NRIs)/Persons of Indian Origin (PIOs)
A.P. (DIR Series) Circular No.40 (November 5, 2002)**

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

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

November 5, 2002

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Issue of International Credit Cards to Non-
Resident Indians (NRIs)/Persons of Indian Origin (PIOs)**

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.53 dated June 27, 2002 relating to the use of International Credit Cards (ICCs).

2. It is clarified that authorised dealers may issue ICCs to NRIs/PIOs, without prior approval of the Reserve Bank, subject to the condition that charges on the use of ICCs should be settled by the concerned NRIs/PIOs, only out of inward remittances or balances held in their Non-Resident External (NRE) Accounts/ Foreign Currency Non-Resident (FCNR) Accounts.

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

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

Yours faithfully,

**Grace Koshie
Chief General Manager**

**Issue of Corporate Guarantee
in lieu of Bid Bond Guarantee
A.P.(DIR Series) Circular No.41 (November 8, 2002)**

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

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

November 8, 2002

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Issue of Corporate Guarantee
in lieu of Bid Bond Guarantee**

Attention of authorised dealers is invited to Regulation 5 of the Notification No.FEMA.8/2000-RB dated May 3, 2000 in terms of which a person other than authorised dealer is permitted to give a guarantee in certain types of cases.

2. Reserve Bank has issued Notification No.FEMA.56/2002-RB dated March 18, 2002 (copy enclosed) amending its Notification referred to above, allowing exporters, desiring to submit bids for execution of projects abroad including service contract to issue Corporate Guarantee in lieu of Bid Bond Guarantee subject to the condition that the amount of such guarantee shall not exceed 5% of the contract value. Exporters, however, have to ensure that provisions contained in Memorandum PEM and other instructions issued by Reserve Bank from time to time for submission of bids are complied with.

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

4. Necessary amendments may be carried out in Notification No.FEMA.8/2000-RB dated May 3, 2000 as indicated in Notification No.FEMA.56/2002-RB dated March 18, 2002.

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

Yours faithfully,
Grace Koshie
Chief General Manager

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

Notification No.FEMA. 56 /2002-RB March 18, 2002

**Foreign Exchange Management (Guarantees)
(Amendment) Regulations, 2002**

In exercise of the powers conferred by clause (i) of sub-section (3) of Section 6, Sub-Section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in partial modification of its notification No.FEMA 8/2000-RB dated 3rd May 2000, the Reserve Bank of India makes the following Regulations to amend the Foreign Exchange Management (Guarantees) Regulations 2000, namely :-

Short title & commencement :-

- 1.(i) These Regulations may be called the Foreign Exchange Management (Guarantees) (Amendment) Regulations, 2002.
- (ii) They shall come into force from the date of their publication in the official Gazette.

Amendment to the Regulation

2. In the Foreign Exchange Management (Guarantees) Regulations, 2000 (hereinafter Referred to as “the said Regulations”).
 - (i) The existing Regulation 5, Sub-Regulation (a) shall be numbered as “(a)(i)”.
 - (ii) After Sub-Regulation (a)(i) as so numbered, the following Sub-Regulation shall be inserted, before Explanation, namely :-
 - (ii) a person resident in India being an exporter company may give guarantee in lieu of Bid Bond Guarantee, for bidding for a contract outside India without the approval of the Approving Authority provided that the amount of such guarantee shall not exceed 5% of the contract value.

Sd/-
(**K.J. UDESHI**)
Executive Director

Investment in Overseas Markets
A.P. (DIR Series) Circular No.42 (November 12, 2002)

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

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

November 12, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Investment in Overseas Markets

Attention of authorised dealers is invited to Paragraph 2 of AP(DIR Series) Circular No.38 dated November 2, 2002 on the above subject. We advise that credit ratings of securities for investment of undeployed FCNR(B) funds may be amended to read as AA(-) by Standard and Poor/FITCH IBCA as against AA mentioned therein.

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

Yours faithfully,
Grace Koshie
Chief General Manager

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

A.P.(DIR Series) Circular No.43
A.P.(FL/RL Series) Circular No.1

November 12, 2002

To

All Authorised Persons in Foreign Exchange

Madam / Sirs,

Memorandum of Instructions to Authorised Money Changers (AMCs)

Attention of the Full Fledged Money Changers (FFMCs) and Restricted Money Changers (RMCs) is invited to the Memorandum FLM and Memorandum RLM containing the procedural instructions issued to FFMCs and RMCs respectively.

2. The Reserve Bank has now brought out the Memorandum of Instructions to Authorised Money Changers (AMCs) i.e. Full Fledged Money Changers and Restricted Money Changers, containing procedural instructions issued to authorised money changers, for adherence while undertaking money changing transactions. A copy of the Memorandum AMC is enclosed.
3. The directions contained in the Memorandum AMC, supercede the instructions contained in the existing Memorandum FLM/RLM issued in June 1999, as amended from time to time.
4. FFMCs/RMCs may, however, continue to maintain the same set of books/registers as hitherto. A revised FLM 8 designed to capture data relating to purchases from franchisees is at Annexure.
5. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.
6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager

ANNEXURE

[A.P.(DIR Series) Circular No.43
dated November 12, 2002]

FLM 8

**Summary statement of purchases and sale
of foreign currency notes during the month
of....., 200**

**Name and address
of money changer**

RBI Licence No._____

	US \$	£	EURO	JY etc.
A. Opening balance				
Purchase of foreign currency notes from				
(a) Public				
(b) RMCs/FFMCs/Ads including imports				
(c) Franchisees				
B. Total Purchases [(a) + (b) + (c)]				
Sales of foreign currency notes under				
(a) BTQ				
(b) Business Visits				
(c) Sales to other FFMCs/ADs including exports				
C. Total Sales [(a) + (b) + (c)]				
Closing balance (A + B – C)				

We hereby certify that the statement is a true account of all transactions undertaken during the month in accordance with the Exchange Control Regulations.

Place :

(Signature of Authorised Official)

Stamp

Date :

Name : _____

Designation ; _____

AMC

MEMORANDUM OF INSTRUCTIONS TO AUTHORISED MONEY-CHANGERS

General

1. Authorised Money Changers (AMCs) are entities licensed by the Reserve Bank under Section 10 of the Foreign Exchange Management Act, 1999. An AMC may either be a Full Fledged Money Changer (FFMC) or a Restricted Money Changer (RMC). FFMCs are authorised to purchase foreign exchange from residents and non-residents visiting India, and to sell foreign exchange for certain approved purposes. RMCs are authorised only to purchase foreign exchange from residents and non-residents. FFMCs may appoint franchisees to undertake purchase of foreign currency as per the Scheme announced by the Reserve Bank. A copy of the Scheme is given in the Annexure.

Note:- RMCs and franchisees of FFMCs functioning within 10 kms from the borders of Pakistan and Bangladesh may also sell the currency of the bordering country, with the prior approval of the Reserve Bank.

2. Scope of Memorandum

(i) This Memorandum contains directions which AMCs should strictly observe in their dealings. Amendments to the Memorandum will be circulated in the form of A.M.(F.L.Series) circulars.

(ii) Directions contained in this Memorandum have been issued under Section 11(1) of Foreign Exchange Management Act 1999(42of1999).

3. Bringing in and taking out of Foreign Exchange

(i) Foreign exchange in any form can be brought into India freely without limit provided it is declared on the Currency Declaration Form (CDF) on arrival to the Custom Authorities. When foreign exchange brought in the form of currency notes or travellers cheques does not exceed US\$ 10,000/- or its equivalent and/or the value of foreign currency notes does not exceed US\$ 5000/- or its equivalent, declaration thereof on CDF is not insisted upon.

(ii) Taking out foreign exchange in any form, other than foreign exchange obtained from an authorised dealer or a money changer is prohibited unless it is covered by a general or special permission of Reserve Bank. Non-residents, however have general permission to take out an amount not exceeding the amount originally brought in by them subject to compliance with the provisions of sub-para (i) above.

4. Purchases of Foreign Currency from Public

(i) AMCs/franchisees may freely purchase foreign currency notes, coins and travellers cheques from residents as well as non-residents. Production of passport need be insisted upon only while encashing travellers cheques tendered by non-residents. Where the foreign currency was brought in by declaring on form CDF, the tenderer should be asked to produce

the same. The production of the form may, however, be waived if for any reason, the tenderer is unable to produce it.

(ii) AMCs may sell Indian rupees to foreign tourists/visitors against International Credit Cards and take prompt steps to obtain reimbursement through normal banking channels.

5. Encashment Certificate

(a) AMCs may issue certificate of encashment when asked for in cases of purchases from the public. These certificates bearing authorised signatures should be issued on the letter head of the money-changer and proper record maintained.

(b) In cases where encashment certificate is not issued, attention of the customers should be drawn to the fact that unspent local currency held by non-residents will be allowed to be converted into foreign currency only against production of a valid encashment certificate.

6. Purchases from other FFMCs and Authorised Dealers

FFMCs may purchase from other FFMCs, RMCs and authorised dealers any foreign currency notes, coins and encash travellers cheques tendered in the normal course of business. Rupee equivalent of the amount of foreign exchange purchases should be paid only by way of crossed account payee cheque/Demand Draft.

7. Sale of foreign exchange

(I) Private Visits

FFMCs may sell exchange upto the prescribed ceiling in the form of foreign currency notes/coins and travellers cheques to eligible resident Indian citizens for undertaking one or more private visits to any country abroad (except Nepal and Bhutan). Exchange for such visits may be released on the basis of declaration given by the traveller regarding the amount of foreign exchange availed of during a calendar year. Foreign nationals permanently resident in India are also eligible to avail of this quota for private visits provided the applicant is not availing of facilities for remittance of his salary, savings etc. abroad in terms of the existing Exchange Control regulations.

(II) Business visits :

FFMCs may sell exchange in the form of foreign currency notes/coins and traveller cheques to eligible travellers for business travel or for attending conference or specialised training.

Quantum of Exchange :

Amount prescribed by Reserve Bank from time to time.

Conditions

- (i) The sale of foreign exchange should be made only on personal application and identification. While issuing travellers' cheques, the condition for issue stipulated by the issuing company should be scrupulously observed and acknowledgement for receipt of travellers cheques duly obtained.
- (ii) Payment in excess of Rs.50,000/- towards foreign exchange sold should be received only by account payee cheque/demand draft. For this purpose, sales in instalments, should be reckoned as a single drawal for the journey.
- (iii) The sale of foreign currency/notes and coins within the overall entitlement of foreign exchange, should be restricted to the limits prescribed by Reserve Bank from time to time.

8. Sales against Reconversion of Indian Currency

FFMCs may convert into foreign currency, unspent Indian currency held by non-residents at the time of their departure from India, provided a valid Encashment Certificate is produced. .

Note : FFMCs may convert at their discretion, unspent Indian currency up to Rs.10,000 in the possession of non-residents if, for bonafide reasons, the person is unable to produce an Encashment Certificate after ensuring that the departure is scheduled to take place within the following seven days..

9. Cash Memo

FFMCs may issue a cash memo ,if asked for, on official letterhead to travellers to whom foreign currency is sold by them. The cash memo may be required for production to emigration authorities while leaving the country.

10. Rates of Exchange

AMCs may put through transactions relating to foreign currency notes and travellers cheques at rates of exchange determined by market conditions.

11. Display of Exchange Rate Chart

AMCs should display at a prominent place in or near the public counter, a chart indicating the rates for purchase/sale of foreign currency notes and travellers cheques.

12. Foreign Currency Balances

- (i) FFMCs should keep balances in foreign currencies at reasonable level and avoid build up of idle balances with a view to speculating on currency movements.
- (ii) RMCs/franchisees should surrender collection of foreign currency notes, coins and travellers cheques to an authorised dealer or to a FFMC within seven working days.

- (iii) The transactions between authorised dealers, FFCs and RMCs should, however, be settled by way of account payee crossed cheques/demand drafts. Under no circumstances should settlement be made in cash.

13. Replenishment of Foreign currency Balances

(i) FFCs may obtain their normal business requirements of foreign currency notes from other AMC (including RMC)/authorised dealers in foreign exchange in India, against payment in rupees made by way of account payee crossed cheque/Demand Draft.

(ii) Where FFCs are unable to replenish their stock in this manner, they may make an application to the Central Office, Reserve Bank through an authorised dealer for permission to import foreign currency into India. The import should take place through the designated authorised dealer through whom the application is made.

14. Export/Disposal of surplus Foreign Currency Notes/Travellers Cheques

FFCs may export surplus foreign currency notes/encashed travellers cheques to an overseas bank through the medium of designated authorised dealer in foreign exchange for realisation of the value through the latter. FFCs may also export surplus foreign currency to private money changers abroad subject to the condition that either the realisable value is credited in advance to the A.D.'s nostro account or a bank guarantee is issued by an international bank of repute covering the full amount of the foreign currency notes/coins to be exported.

15. Write-off of fake foreign currency notes

In the event of foreign currency notes purchased being found fake/forged subsequently, AMCs may write-off upto USD 2000 per year after approval of their Top Management after exhausting all available options for recovery of the amount. Any write-off in excess of the above amount, would require the approval of the concerned Regional Office of the Reserve Bank.

16. Registers and Books of Accounts of Money-changing Business

- (i) AMCs shall maintain such registers and books of account as prescribed by the Reserve Bank from time to time
- (ii) All registers and books should be kept up-to-date, cross-checked and balances verified daily.
- (iii) Transactions not pertaining to money-changing business of the AMC should not be mixed up with money-changing transactions. In other words, the registers and books of accounts should show clearly the trail of transactions pertaining to money-changing business.
- (iv) Separate registers should be maintained for each establishment, if the AMC maintains more than one place of business.

17. Submission of Statement to Reserve Bank

- (i) FFMCs should submit to the office of Reserve Bank which has issued the licence/unified licence, a monthly consolidated statement for all its offices in form FLM 8 so as to reach Reserve Bank not later than the 10th of the succeeding month.
- (ii) Similarly RMCs should submit to the office of Reserve Bank under whose jurisdiction they are functioning, a quarterly statement in form RLM 3. The statement duly certified by the Authorised Dealer/FFMC should reach Reserve Bank not later than the 10th day of the month following the quarter. In case the collections of foreign currencies are surrendered to different authorised dealers/FFMCs, separate quarterly statements should be prepared to facilitate independent certification by each such authorised dealer/FFMC.
- (iii) AMC's should submit to the Reserve Bank a monthly statement indicating details of receipt/purchase of US \$ 10,000/ its equivalent and above per transactions within 10 days of the close of the month. FFMCs should include transactions of their franchisees in their statement..

18. Inspection of Transactions of AMCs

Section 12(1) of Foreign Exchange Management Act 1999, empowers any officer of Reserve Bank specially authorised in this behalf to inspect the books and accounts and other documents of AMCs. AMCs should provide all assistance and co-operation to Inspecting Officers in carrying out their inspection. Failure to produce any books of account or other document or to furnish any statement or information or to answer any question relating to the money-changing transactions to the Inspecting Officers, shall be deemed to be a contravention of the provisions of the Act.

19. Concurrent Audit

- (i) FFMCs should put in place a system of Concurrent Audit of the transactions undertaken by them.
- (ii) All single branch FFMCs having a turnover of more than USD 100,000 or equivalent per month and all multiple branch FFMCs should institute a system of monthly audit. Single branch FFMCs having turnover of less than USD 100,000 or its equivalent may institute a system of quarterly audit.
- (iii) Appointment/selection of auditors is left to the discretion of the FFMCs. The auditors should check all the transactions of the FFMCs. The Statutory Auditors would be required to certify that the Concurrent Audit and the internal control systems are working satisfactorily.

20. Renewal of Licence

AMCs should apply for renewal of licence at least 3 months in advance of the expiry of the current licence to the Regional Office of Reserve Bank in whose jurisdiction their Head Office is situated.

21. Temporary Money-changing Facilities

AMCs are authorised to transact money-changing business only at the location or locations specifically indicated in the licence. If it is intended to provide money-changing facilities on a temporary basis on certain special occasions, a separate application should be made for the purpose to the concerned Regional Office of Reserve Bank giving full details such as period for which the exchange counter will be operated, volume of business expected, manner of accounting of the transactions, letter from organisers making available venue for the money changing facilities, etc.

22. Revocation of Licence

Reserve Bank may revoke the licence granted to an AMC at any time for reasons of public interest or if the AMC has not complied with any of the conditions of the money-changing licence issued by Reserve Bank or has made any false declaration or has not conducted the business in accordance with the provisions of this Memorandum read with the amendments issued from time to time or has contravened any of the Exchange Control regulations.

----- X -----

Annexure

SCHEME FOR AUTHORISED DEALERS AND FULL FLEDGED MONEY CHANGERS APPOINTING AGENTS/FRANCHISEES FOR UNDERTAKING RESTRICTED MONEY CHANGING

Objective

The objective of the Scheme is to provide easier conversion facilities for travellers and tourists, including NRIs, by enlarging the network of money changing facilities in the country. It is expected that the new facility given below, will enable banks and full fledged money changers to provide such facilities at all tourist centres and major cities for extended hours and on holidays.

Proposed Scheme

Under the proposed Scheme, in addition to the existing facilities, RBI would freely permit Banks i.e. ADs and FFMCs to enter into agency/franchising agreements at their option with entities for the purpose of carrying on Restricted Money Changing business i.e. conversion of foreign currency notes, coins or travellers cheques into rupees.

Franchisee

A franchisee can be any entity who has a place of business and whose bonafides are acceptable to the AD/FFMC. These franchisees would undertake only restricted money changing business.

Existing RMCs

Existing RMCs who are licensed by the Reserve Bank are free to undertake money changing under this scheme as a franchisee of the AD/FFMC on surrendering the existing RBI licence. Those who do not opt for operation under this Scheme may continue to undertake existing money changing business until further notice.

Procedure for application

The Franchiser i.e. an AD or an FFMC would need to apply to the Reserve Bank in Form RMC-F for putting in place arrangements under this Scheme. The application should be accompanied by a declaration that while selecting the franchisees adequate due diligence has been carried out and that such entities have undertaken to comply with all the provisions of the franchising agreement/prevailing RBI regulations regarding money changing. Approvals would be issued by the Reserve Bank on a one time basis. Thereafter, as and when new agency/franchise agreements are entered into, these would have to be reported to the Reserve Bank on a post-facto basis along with similar declaration as indicated above.

Agency/Franchise Agreement

Franchisers are free to decide on the tenor of the arrangement as also the commission or fee through mutual agreement with the franchisee.

The Agency/Franchise agreement to be entered into by an AD/FFMC should, however, include the following salient features :

- (a) The display of exchange rates by the franchisee. Exchange Rate of foreign currency into rupees should be the same or close to the daily exchange rate charged by the ADs/FFMC at its branches.
- b) The surrender of collections by the franchisee to the franchiser or other authorised persons, as may be agreed upon, within 7 days.
- c) The maintenance of proper record of transactions by the franchisee.
- d) The on-site inspection of premises and records of the franchisee by the franchiser at least once a year.

Reporting and Inspection

The franchisers i.e. ADs/FFMCs would be expected to put in place adequate arrangements for reporting of transactions by the franchisees to ADs/FFMCs in a simple format to be prescribed by them on a regular basis, say at monthly intervals.

Form RMC - F

1. Name of the AD/FFMC
2. Name and address of the franchisees Details of locations
 - i)
 - ii)
 - iii)
 - etc.
3. Arrangements in place to surrender the foreign exchange
4. Reporting and Inspection arrangements.

Authorised Signatory

Date:

MEMORANDUM AMC

MEMORANDUM OF INSTRUCTIONS TO AUTHORISED MONEY CHANGERS

RESERVE BANK OF INDIA

NOVEMBER 2002

Preface

This Memorandum (AMC) contains procedural instructions issued to authorised money changers for adherence while undertaking money changing transactions. The directions contained herein have been issued under Section 10(4) and Section 11(1) of Foreign Exchange Management Act, 1999 (42 of 1999).

Grace Koshie

Chief General Manager

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

12th November 2002

Commodity Hedging by Entities in the Special Economic Zones
A.P.(DIR Series)Circular No.44 (November 12, 2002)

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

A.P.(DIR Series)Circular No.44

November 12, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Commodity Hedging by Entities in the Special Economic Zones

Attention of authorised dealers is invited to paragraph 6 of Notification No.FEMA25/RB-2000 dated 3rd May, 2000 and paragraph A.6(i) Part A of the enclosure to A.P. DIR(Series) Circular No.19 dated January 24, 2002.

2. The Notification referred to above has since been partially modified vide Notification No.FEMA-66/2002-RB dated 27th July 2002 (copy enclosed) and accordingly, it has been decided to grant general permission to entities in the Special Economic Zones (SEZs) for undertaking hedging transactions in the international commodity exchanges/markets to hedge their commodity price risk on import/export, provided, such transactions are undertaken on "stand-alone" basis. By "stand-alone" it is meant that units in the SEZs would be completely isolated from financial contacts with their parent or subsidiaries in the mainland or within the SEZs as far as their import/export transactions are concerned.

3. Authorised Dealers may bring the contents of this circular to the notice of their concerned constituents in the SEZs and allow such transactions to be undertaken under the terms and conditions set out in the Annexure.

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).

Yours faithfully,
Grace Koshie
Chief General Manager

ANNEXURE

[A.P.(DIR Series) Circular No.44
dated November 12, 2002]

Guidelines/Terms & Conditions for undertaking hedging transactions

1. The focus will be on risk containment. Only off-set hedge will be 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 net inflow of premium direct or implied. 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. All payments/receipts incidental to hedging may be effected by the authorised dealer 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. These month-end reports may be kept on record for internal audit/inspection purpose.
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 arbitraging/speculative transactions. The responsibility of monitoring transactions in this regard will be that of the authorised dealer.
7. An annual certificate from Statutory Auditors should be submitted by the company/firm to the authorised dealer. The certificate should confirm that the prescribed terms and conditions have been complied with and that the corporate/firm's internal contracts are satisfactory. These certificates may be kept on record for internal audit/inspection.

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

Notification No.FEMA.66/2002-RBI

dated 27 July 2002

In exercise of the powers conferred by clause (h) of sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (Act 42 of 1999) and in partial modification of its Notification No.FEMA.25/RB-2000, dated May 3, 2000, the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Foreign exchange derivative contracts) Regulations, 2000, as amended from time to time, namely :

1. (i) These Regulations shall be called the Foreign Exchange Management (Foreign exchange derivative contracts) (Second Amendment) Regulations, 2002.

(ii) They shall come into force from with effect from their publication in the Official Gazette.
2. In the Foreign Exchange Management (Foreign exchange derivative contracts) Regulations, 2000, in paragraph 6, the following proviso shall be added, namely :

'Provided that a unit in the Special Economic Zone (SEZ) may, without prior approval of the Reserve Bank, enter into a contract in a commodity exchange or market outside India to hedge the price risk in the commodity on export/import, subject to the condition that such contract is entered into on a "stand-alone" basis.

Explanation : - The term "stand-alone" means that the unit in the SEZ is completely isolated from financial contracts with its parent or subsidiary in the mainland or within the SEZ(s) as far as its import/export transactions are concerned.'

Sd/-
(K.J.Udeshi)
Executive Director

Repatriation of refund of funds received for purchase of shares
A.P. (DIR Series) Circular No.45 (November 12, 2002)

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

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

November 12, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Repatriation of refund of funds received for purchase of shares

Under the current exchange control regulations authorised dealers require prior permission of the Reserve Bank to allow repatriation of funds received for purchase of shares.

2. It has now been decided to delegate the authority to authorised dealers to allow repatriation of surplus funds/refund of remittance received for purchase of shares to a person resident outside India in the following cases:

- (a) Refund of funds received towards allotment of shares under Regulation 5 (1) of the Reserve Bank Notification No. FEMA20/ 2000-RB dated May 3, 2000.
- (b) Remittance of surplus funds received for purchase of shares offered on rights basis.
- (c) Remittance on account of surplus funds received for purchase of shares or on account of cancellation of trade, under Two-way fungibility of ADRs/GDRs.

3. Authorised dealers may, accordingly allow remittances representing refund of funds received from a person resident outside India for purchase of shares, in the cases listed in paragraph 2 above, provided that the authorised dealers are satisfied :

- (i) with the bonafides of the applicant;

- (ii) that the repatriation represents refund of funds received for purchase of shares, by way of inward remittance from outside India or by debit to NRE/FCNR account maintained with an authorised dealer in India;
- (iii) that no part of remittance represents interest on the funds received.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

**Refund of purchase consideration on account of non-allotment
of flats/plots/cancellation of bookings/deals in respect of
immovable property purchased by NRIs/PIOs in India
A.P. (DIR Series) Circular No.46 (November 12, 2002)**

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

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

November 12, 2002

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**Refund of purchase consideration on account of non-allotment
of flats/plots/cancellation of bookings/deals in respect of
immovable property purchased by NRIs/PIOs in India**

Attention of authorised dealers is invited to paragraph 3 (i) of Schedule 1 to Reserve Bank of India. Notification No. FEMA 5/2000-RB dated May 3, 2000 in terms of which, refund of application / earnest money made by the house building agencies to Non-Resident Indians (including Persons of Indian Origin) on account of non- allotment of flat / plot, together with interest, if any (net of income tax payable thereon), is permitted to be credited to NRE A/c. of the account holder provided the original payment is made out of NRE / FCNR account of the account holder or from remittance received from outside India through normal banking channels and the authorised dealer is satisfied about the genuineness of the transaction.

2. With a view to allow credit to NRE/FCNR account of refund of purchase consideration by seller on account of cancellation of bookings/deals for purchase of residential, commercial property. Reserve Bank has issued Notification No. FEMA 64/2002-RB dated June 29, 2002 (copy enclosed) amending the above Notification. Accordingly, it will be in order for authorised dealers to allow Non-Resident Indians/Persons of Indian Origin to credit refund of application/earnest money/purchase consideration made by the housing building agencies/seller on account of non-allotment of flat/plot/cancellation of bookings/deals for purchase of residential, commercial property, together with interest, if any (net of income tax payable thereon), to NRE/FCNR account, provided, the original payment was made out of NRE/FCNR account of the account holder or remittance from outside India through normal banking channels and the authorised dealer is satisfied about the genuineness of the transaction.

3. Sub-paragraph (i) of paragraph 3 of Schedule 1 of the Notification No.FEMA 5/2000-RB dated May 3, 2000 viz. Foreign Exchange Management (Deposit) Regulations, 2000 may be substituted as indicated in the copy of the Notification enclosed.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

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

Notification No.FEMA.64 /2002-RB

dated June 29, 2002

In exercise of powers conferred by clause (f) of sub-section (3) of section 6, sub-section (2) of section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India makes the following amendments to Foreign Exchange Management (Deposit) Regulations 2000, namely :-

1. (i) These Regulations may be called the Foreign Exchange Management (Deposit) (Amendment) Regulations 2002.

(ii) They shall come into force on their publication in the Official Gazette.
2. In the Foreign Exchange Management (Deposit) Regulations 2000, sub-para (i) of para 3 of Schedule 1 to RBI Notification No.FEMA.5/2000-RB dated 3rd May 2000, shall be substituted as under :-

“ Refund of application / earnest money / purchase consideration made by the house building agencies / seller on account of non-allotment of flat / plot / cancellation of bookings / deals for purchase of residential / commercial property, together with interest, if any (net of income tax payable thereon), provided the original payment was made out of NRE / FCNR account of the account holder or remittance from outside India through normal banking channels and the authorised dealer is satisfied about the genuineness of the transaction.

Sd/-

(K.J. Udeshi)

Executive Director

**Exim Bank's Line of Credit of US\$ 10 Million
to Eastern and Southern African Trade and
Development Bank (PTA Bank)
A.P. (DIR Series) Circular No.47 (November 12, 2002)**

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

A.P. (DIR Series) Circular No.47

November 12, 2002

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Exim Bank's Line of Credit of US\$ 10 Million
to Eastern and Southern African Trade and
Development Bank (PTA Bank)**

Export Import Bank of India (Exim Bank) has concluded an agreement with Eastern and Southern African Trade and Development Bank (PTA Bank) on August 2, 2002, making available to the latter, a line of credit upto an aggregate sum of US\$ 10 million (U.S.Dollar Ten Million only). The credit has become effective from September 18, 2002, and is available for financing exports, from India, of eligible goods (listed in the Annexure) and related services, to buyers in any of the PTA Bank member countries viz. Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into the PTA Bank member countries shall be subject to the laws and regulations in force in the concerned countries.

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

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

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

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

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

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

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

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

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

9. The terminal dates for opening letters of credit and utilisation of credit are March 17, 2004, and September 17, 2004, respectively.

10. Shipments under the credit will have to be declared on GR/SDF Forms as usual. All copies of GR/SDF Forms should bear a prominent superscription reading 'Export under Exim Bank line of credit dated August 2, 2002, extended to Eastern and Southern African Trade and Development Bank (PTA Bank).' The number and date of this circular should be recorded in the space provided for. On receipt of full payment of bills in the manner stated above, authorised dealers should certify the duplicate copy/ies of the relative GR/SDF Form/s.

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

12. Authorised Dealers may please bring the contents of this circular to the notice of their exporter constituents.

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

Yours faithfully,
Grace Koshie
Chief General Manager

ANNEXURE

[A.P.(DIR Series) Circular No.47
dated November 13, 2002]

List of Eligible Goods for finance out of the Credit

PART 'A'

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

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

56. Refractories for use in hot blast stoves, hot blast main and bustle pipes and blast furnace proper
57. Rubber machinery
58. Road and construction equipment including road rollers, tar boilers, continuous batch plants, stone crushers, asphalt mixers, concrete mixers and vibrators.
59. Ships, boats, trawlers, steamers, launches, barges.
60. Solvent extraction machinery
61. Spraying equipment
62. Steam, diesel and petrol engines
63. Steel fabrication for bridges, factories etc.
64. Steel rails and railway track equipment including sleepers, fishplates, points and crossings.
65. Steel shuttering and scaffolding materials
66. Steel tanks
67. Sugar (including Khandsari) machinery
68. Tele-communication and signalling equipment
69. Textile machinery
70. Tractors and Trailers
71. Vending machines
72. Water supply equipment including pumping plant, large diameter fabricated steel pipes, C.I. spun pipes and storage tanks, water treatment and sewage treatment plant.
73. Weigh bridges
74. Welding machinery
75. Wood working machinery

PART 'B' - OTHER GOODS

1. Agricultural implements.
2. Auto parts
3. Bicycles, motorcycles, scooters, mopeds and parts
4. Construction materials including sanitary ware, tiles and precast cement products, false ceiling, flooring materials, pipes, decorative laminates, fittings, electricals and steel/aluminium doors and windows, provided they are exported as separate items and not as items forming part of civil construction/turnkey projects.
5. Agricultural chemicals and industrial chemicals.
6. Pressure cookers, watches and clocks, knitting/sewing machines, vacuum flasks, cutlery, plastic moulded luggage.

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

Investment in Overseas Market

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

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

November 16, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Investment in Overseas Market

Attention of authorised dealers is invited to paragraph 2 of A.P. (DIR Series) Circular No. 40 dated April 29, 2002, in terms which banks have been permitted to invest upto 25 per cent of their unimpaired Tier 1 capital or USD 10 million whichever was higher in overseas money market investments and/or debt instruments.

2. With a view to accord further flexibility in funds management to banks in India it has been decided that banks may now invest upto 50 per cent (as against the existing ceiling of 25 per cent) of their unimpaired Tier 1 capital or USD 25 million (as against the existing ceiling of USD 10 million) whichever is higher in overseas money market instruments and/ or debt instruments.

3. All the other existing instructions including the limit for borrowing from overseas market remain unchanged.

4. Necessary amendments to the Foreign Exchange Management (Borrowing or lending in foreign exchange) Regulations, 2000 are being notified separately.

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

Yours faithfully,

**Grace Koshie
Chief General Manager**

Foreign Exchange Management Act, 1999 – Advance Remittances for Imports

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

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

November 16, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Foreign Exchange Management Act, 1999 –
Advance Remittances for Imports**

Attention of authorised dealers is invited to para A.11 of the Annexure to A.P.(DIR Series) Circular No.9 dated August 24, 2000, in terms of which authorised dealers have been permitted to make advance remittances for import of goods. Sub-para (c) of the said paragraph requires a bank guarantee if the amount of advance remittance exceeds USD 25,000 or its equivalent.

2. With a view to simplifying and liberalising the procedure for import, it has been decided to raise the limit of USD 25,000 to USD 100,000 or its equivalent. Authorised Dealers may, therefore, allow advance remittances for import of goods upto USD 100,000 without prior approval of Reserve Bank.

3. In case importers fail to import the goods within the prescribed time period [including the extended period as may be permitted by authorised dealer under A.11(d) of the circular] from the date of advance remittances, the importer would be required to repatriate the amount remitted immediately. All other conditions stipulated in Para A.11 of the circular remain unchanged.

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

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

Yours faithfully,

**Grace Koshie
Chief General Manager**

Forward Cover for Foreign Institutional Investors

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

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

November 16, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Forward Cover for Foreign Institutional Investors

Attention of authorised dealers is invited to Regulation 5 of Notification No.FEMA.25/RB-2000 dated May 3, 2000. In terms of paragraph 1(b) of Schedule II to the Notification, a registered Foreign Institutional Investor (FII) has been permitted to enter into a forward contract with rupee as one of the currencies with an authorised dealer in India, provided that the value of the hedge does not exceed 15 per cent of the market value of the equity as at the close of business on 31st March 1999, converted at the rate of US \$ 1= Rs. 42.43 plus the increase in the market value/inflows thereafter.

2. With a view to further liberalise and simplify the facility, it has been decided to permit the FIIs to hedge the market value of their entire investment in equity as on a particular date without any reference to a cut-off date. If a hedge becomes naked in part or full owing to shrinking of the portfolio, it may be allowed to continue to the original maturity, if so desired.

3. All other instructions contained in Schedule II of the notification remain unchanged.

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

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

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

Yours faithfully,

**Grace Koshie
Chief General Manager**

Increase in release of foreign exchange for private visits abroad

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

November 18 , 2002

To

All Authorised Persons in Foreign Exchange

Madam/Sirs,

**Increase in release of foreign exchange
for private visits abroad**

In terms of Item No.2 of Schedule III to the Government of India's Notification No.G.S.R.381(E) dated May 3, 2000, Authorised Persons (APs) are required to obtain prior permission of the Reserve Bank to release foreign exchange exceeding US\$ 5,000 or its equivalent to resident individuals in one calendar year, for one or more private visits to any country (except Nepal and Bhutan).

2. As a measure of further liberalization, the above limit has been enhanced to US\$ 10,000 or its equivalent. Applications, for release of foreign exchange exceeding the above limit, may be submitted to the concerned Regional Office of the Reserve Bank, through the Authorised Persons.

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

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

Yours faithfully,

Grace Koshie
Chief General Manager

ADR/GDR/FCCB Issues

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

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

November 23, 2002

To
All Authorised Dealers in Foreign Exchange

Madam/Dear Sirs,

ADR/GDR/FCCB Issues

Attention of the authorised dealers is invited to A.P.(DIR Series) Circular No.21 dated February 13, 2002 enclosing therewith a copy of the Notification No. FEMA 41/2001-RB dated March 2, 2001. In terms of Regulation 4B of the said Notification, an Indian company may sponsor an issue of ADRs/GDRs with an overseas depository against shares held by its shareholders at a price to be determined by the Lead Manager, subject to compliance with provisions of the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and guidelines issued by the Central Government from time to time.

2. The Operative Guidelines for Disinvestment of shares by the Indian companies in the overseas market through issue of ADRs/GDRs as notified by the Government of India, Ministry of Finance vide Notification No.15/23/99-NRI dated 29th July 2002 are enclosed.

3. Government of India, Ministry of Finance has also issued Press Note No.15/4/2002-NRI on July 8, 2002 (copy enclosed) regarding utilisation of ADR/GDR/FCCB proceeds in the first stage acquisition of shares in the disinvestment process and also in the mandatory second stage offer to the public, in view of their strategic importance.

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

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

Yours faithfully,

**Grace Koshie
Chief General Manager**

Guidelines for ADR/GDR issues by the Indian Companies -
Disinvestment of shares by the Indian companies in the
Overseas market through issue of ADRs/GDRs

- (i) Divestment by shareholders of their holdings of Indian companies, in the overseas markets would be allowed through the mechanism of Sponsored ADR/GDR issue in respect of:-
 - (a) Divestment by shareholders of their holdings of Indian companies listed in India;
 - (b) Divestment by shareholders of their holdings of Indian companies not listed in India but which are listed overseas.
- (ii) The process of divestment would be initiated by such Indian companies whose shares are being offered for divestment in the overseas market by sponsoring ADR/GDR issues against the block of existing shares offered by the shareholders under the provisions of these guidelines.
- (iii) Such a facility would be available pari-passu to all categories of shareholders, of the company whose shares are being sold in the ADR/GDR markets overseas. This would ensure that no class of shareholders gets a special dispensation.
- (iv) The sponsoring company, whose shareholders propose to divest existing shares in the overseas market through issue of ADRs/GDRs will give an option to all its shareholders indicating the number of shares to be divested and the mechanism how the price will be determined under the ADR/GDR norms. If the shares offered for divestment are more than the pre-specified number to be divested, shares would be accepted for divestment in proportion to existing holdings.
- (v) The proposal for divestment of the existing shares in the ADR/GDR market would have to be approved by a special resolution of the company whose shares are being divested.
- (vi) The proceeds of the ADR/GDR issue raised abroad shall be repatriated into India within a period of one month of the closure of the issue.
- (vii) Such ADR/GDR issues against existing shares arising out of the divestment would also come within the purview of the existing SEBI Takeover Code if the ADRs/GDRs are cancelled and the underlying shares are to be registered with the company as shareholders.
- (viii) Divestment of existing shares of Indian companies in the overseas markets for issue of ADRs/GDRs would be reckoned as FDI. Such proposals would require FIPB approval as also other approvals, if any, under the FDI policy.
- (ix) Such divestment inducing foreign equity would also need to conform to the FDI sectoral policy and the prescribed sectoral cap as applicable. Accordingly the facility would not be available where the company whose shares are to be divested is engaged in an activity where FDI is not permitted.
- (x) Each case would require the approval of FIPB for foreign equity induction through offer of existing shares under the ADR/GDR route.
- (xi) Other mandatory approvals such as those under the Companies Act, etc. as applicable would have to be obtained by the company prior to the ADR/GDR issue.
- (xii) The issue related expenses (covering both fixed expenses like underwriting commissions, lead managers charges, legal expenses and reimbursable expenses) for public issue shall be subject to a ceiling of 4% in the case of GDRs and 7% in

the case of ADRs and 2% in case of private placements of ADRs/GDRs. Issue expenses beyond the ceiling would need the approval of RBI. The issue expenses shall be passed onto the shareholders participating in the sponsored issue on a pro-rata basis.

- (xiii) The shares earmarked for the sponsored ADR/GDR issue may be kept in an escrow account created for this purpose and in any case, the retention of shares in such escrow account shall not exceed 3 months.
- (xiv) If the issues of ADR/GDR are made in more than one tranche, each tranche would have to be treated as a separate transaction.
- (xv) After completing the transactions, the companies would need to furnish full particulars thereof including amount raised through ADRs/GDRs, number of ADRs/GDRs issued and the underlying shares offered, percentage of foreign equity level in the Indian company on account of issue of ADRs/GDRs, details of issue parameters, details of repatriation, and other details to the Exchange Control Department of the Reserve Bank of India, Central Office, Mumbai within 30 days of completion of such transactions.
- (xvi) The tax provision under Section 115 AC of the Income Tax Act 1961, which is applicable to non-resident investors for ADR/GDR offering against issue of fresh underlying shares would extend to non-resident investors investing in foreign exchange in ADRs/GDRs issued against disinvested existing shares, in terms of the relevant provisions of the Income Tax Act, 1961
- (xvii) Resident shareholders divesting their holdings will be subject to Capital Gain tax provisions applicable under the Income Tax Act 1961 i.e. Section 115 AC applicable for non-residents would not extend to them.

**F.No.15/4/2002-NRI
Government of India
Ministry of Finance
Department of Economic Affairs
Investment Division**

New Delhi,
dated the 08th July, 2002

Press Note

Guidelines for Euro Issues

Government has received some suggestions regarding permitting use of ADR/GDR/FCCB proceeds to acquire shares of PSUs under the disinvestment programme of the Government. As per the current guidelines, there are no enduse restrictions for ADR/GDR/FCCB proceeds other than the existing ban on investment in real estate and stock markets.

2. The suggestion is that in view of the impending large-scale disinvestment of PSU stocks in the near future, Indian bidders would be required to mobilise huge sums of money for purchasing such stocks. The domestic bidders might suffer from two structural

constraints. One relates to the restriction on bank financing to capital market and another relates to exposure limits to borrowers. Therefore, attention has been drawn to the prohibition of end-use of proceeds of ADRs/GDRs/FCCBs/ECBs. The view is that this prohibition not only puts restrictions on Indian bidders in the first stage offer to the Government, but also to fund the second stage of mandatory public offer under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

3. In view of the Government's policy to promote the disinvestment programme of PSU shares, the matter has been reconsidered.

4. In view of the above, a view has been taken that ADR/GDR/FCCB proceeds could be used in the first stage acquisition of shares in the disinvestment process and also in the mandatory second stage offer to the public, in view of their strategic importance.

5. These modifications shall come into effect after the date of issue of these guidelines.

Resident Foreign Currency (Domestic)
Account - Facility for Resident Individuals
A.P. (DIR Series) Circular No.53 (November 23, 2002)

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

A.P. (DIR Series) Circular No.53

November 23, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Resident Foreign Currency (Domestic)
Account - Facility for Resident Individuals

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.37 dated November 1, 2002 in terms of which, pending publication of the Notification by the Government, they are required to forward the request received by them for opening of Resident Foreign Currency (Domestic) Accounts to Regional Office of the Reserve Bank with their recommendations.

2. Reserve Bank has issued Notification No.FEMA.74/2002-RB dated November 1, 2002 (copy enclosed) amending its Notification No.FEMA.10/ 2000-RB dated May 3, 2000 allowing a person resident in India to open, hold and maintain with an authorised dealer in India a foreign currency account to be known as Resident Foreign Currency (Domestic) Account out of foreign exchange acquired in the form of currency notes, bank notes and travellers cheques.

3. Accordingly, it will be in order for authorised dealers to open, hold and maintain such account for a person resident in India subject to compliance with the terms and conditions stipulated in the Notification and A.P. (DIR Series) Circular No.37 referred to above.

4. Necessary amendments may be carried out in Notification No.FEMA.10/ 2000-RB dated May 3, 2000 as indicated in Notification No.FEMA.74/2002-RB dated November 1, 2002.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

Reserve Bank of India
(Exchange Control Department)
Central Office
Mumbai

Notification No. FEMA.74/2002-RB.

Dated: November 1, 2002

**Foreign Exchange Management (Foreign Currency Accounts by a
Person Resident in India) (Amendment) Regulations, 2002**

In exercise of the powers conferred by clause (b) of Section 9 and clause (e) of sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), and in partial modification of its Notification No. FEMA 10/2000-RB dated May 3, 2000, the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations 2000, namely :-

1. Short title and commencement

- (a) These Regulations may be called the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) (Fifth Amendment) Regulations, 2002.
- (b) They shall come into force on their publication in the Official Gazette.

2. Amendment of the Regulations

In the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2000, after Regulation 5 the following Regulation shall be added, namely :

“5 A. Opening, holding and maintaining a Resident Foreign Currency (Domestic) Account

(1) A person resident in India may open, hold and maintain with an Authorised Dealer in India a foreign currency account, to be known as Resident Foreign Currency (Domestic) Account, out of foreign exchange acquired in the form of currency notes, bank notes and travellers cheques :

- (a) while on a visit to any place outside India by way of payment for services not arising from any business in or anything done in India; or
 - (b) from any person not resident in India and who is on a visit to India, as honorarium or gift or for services rendered or in settlement of any lawful obligation; or
 - (c) by way of honorarium or gift while on a visit to any place outside India; or
 - (d) represents the unspent amount of foreign exchange acquired by him from an authorised person for travel abroad.
- (2) Debits to the account shall be for payments towards a current account transaction in accordance with the provisions of the Foreign Exchange Management (Current Account Transactions) Rules, 2000 and towards a capital account transaction permissible under the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000.
- (3) The account shall be maintained in the form of Current Account and shall not bear any interest.
- (4) There shall be no ceiling on the balances in the account.”

**Sd/
(K.J.Udeshi)
Executive Director**

**Remittance of Foreign Exchange for Miscellaneous purposes
A.P. (DIR Series) Circular No.54 (November 25, 2002)**

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

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

November 25, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Remittance of Foreign Exchange for Miscellaneous purposes

Attention of authorised dealers is invited to paragraph 3 of A.D. (M.A. Series) Circular No.11 dated May 16, 2000, advising them to be guided by the provisions of Exchange Control Manual (1993 edition) regarding matters listed in Annexure V of the circular, pending issue of further instructions.

2. The matter has been reviewed and authorised dealers may allow remittance of foreign exchange for miscellaneous purposes as indicated in the Annexure to this circular. Directions contained in the Annexure supercede the instructions contained in Part B and C of Chapter 8 of the Exchange Control Manual (1993 edition).
3. Authorised Dealers may please bring the contents of this circular to the notice of their constituents concerned.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie
Chief General Manager**

Annexure

[A.P. (DIR Series) Circular No.54
dated November 25, 2002]

**Clarification relating to remittance for certain Current
Account transactions under miscellaneous purposes**

1. Remittances towards cost of Euro Rail etc. passes/tickets, overseas hotel reservations, etc. for Indian travellers

Authorised dealers may allow tour operators to remit the cost of rail/road/water transportation charges outside India without any prior approval from the Reserve Bank net of commission/mark up, due to the Indian agent. The sale of passes/tickets in India can be made either against payment in Indian Rupees or in foreign exchange released for visits abroad. The cost of passes/tickets collected in Indian Rupees need **not** be adjusted in the travellers' entitlement of foreign exchange for private visit.

2. Remittances on account of Consolidated Tour Arrangements for Foreign Tourists Visiting Neighbouring Countries

In respect of consolidated tours arranged by travel agents in India for foreign tourists visiting India and neighbouring countries like Nepal, Bangladesh, Sri Lanka, etc., against advance payments/reimbursement through an Authorised Dealer, part of the foreign exchange received in India against such consolidated tour arrangements, may require to be remitted from India to these countries for services rendered by travel agents and hoteliers in the neighbouring countries. Authorised dealers may allow such remittances after verifying that the amount being remitted to the neighbouring country (inclusive of remittances, if any, already made against the tour) does not exceed the amount actually remitted to India; and **the country of residence of beneficiary is not Pakistan.**

3. Advertisements in television media abroad

- (a) For remittance relating to advertisements on foreign television, authorised dealers may be guided by the provisions of Item 13 of Schedule III to the Government Notification No.G.S.R.381(E) dated May 3, 2000. Authorised dealers may forward applications that do not satisfy the prescribed parameters to the Reserve Bank for consideration.
- (b) Remittance towards cost of advertisement in print media, radio, etc., outside India or on internet may be allowed by authorised dealers. In case of advertisement by a public sector undertaking they may be guided by Item (2) of Schedule II to the Government Notification No.G.S.R.381(E) dated May 3, 2000, as amended from time to time.

4. Payments of collected subscription to overseas TV media company

Authorised dealers may allow cable operators or collection agents in India of overseas TV media companies, to remit subscription collected from subscribers in India/advertisement charges collected from the advertisers who

are eligible to advertise on overseas TV channels without any prior permission from the Reserve Bank.

5. Bids in Foreign Currency for Projects to be executed in India

Persons resident in India are permitted to incur liability in foreign exchange and to make or to receive payments in foreign exchange, in respect of global bids where the Central Government has authorised such projects to be executed in India. In such cases, authorised dealers may sell foreign exchange to the concerned resident Indian company which has been awarded the contract.

6. Sale of overseas telephone cards

Authorised Dealers may allow agents in India of the overseas organisations issuing pre-paid telephone cards to remit the sale proceeds of such cards, net of their commission, to the issuers of the telephone cards. The cost of such cards collected in Indian Rupees **need not** be adjusted in the travellers' entitlement of foreign exchange for private visit.

7. Supply of Goods by a 100% EOU/EPZ Unit to another 100% EOU/EPZ Unit against payment in foreign exchange

100% EOUs and units in EPZs have been permitted to sell goods manufactured by them to other 100% EOUs/EPZ units against payment in foreign exchange. Authorised dealers may sell foreign exchange to the buyer units to make payment for such transactions.

Note : The above provisions will also apply, mutatis mutandis, to supply of computer services and hardware by one unit in Software Technology Park (STP)/Electronic Hardware Technology Park (EHTP) to another unit in STP/ EHTP against payment in foreign exchange.

8. Supply of goods by 100% Export Oriented Units (EOUs)/ Units in Export Processing Zones (EPZs), Electronic Hardware Technology Parks (EHTPs) and Software Technology Parks (STPs) to units in Domestic Tariff Area (DTA) against payment in foreign exchange

If the concerned authorities permit EOUs, units in EPZs, EHTPs and STPs to sell goods to buyers in DTA against payment in free foreign exchange, authorised dealers may sell foreign exchange to the buyers of such goods in DTA, without prior approval of the Reserve Bank.

9. Payment of fees in foreign currency - Embassy Affiliated educational institutions

Authorised dealers may sell foreign exchange towards payment of fees to Schools/Educational Institutions under the administrative control of foreign embassies.

**Foreign Currency Loans in India to holders of
FCNR(B) Deposits – Clarification
A.P (DIR Series) Circular No.55 (November 26, 2002)**

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

November 26, 2002

A.P (DIR Series) Circular No.55

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Foreign Currency Loans in India to holders of
FCNR(B) Deposits – Clarification**

Attention of authorised dealers is invited to AP (DIR Series) Circular No.24 dated September 25,2002 in terms of which they are permitted to grant foreign currency loans in India against the security of funds held in FCNR(B) deposit accounts to the account holders only, subject to the guidelines given in the Annexure thereto.

2. It is clarified that the prohibitions placed on grant of rupee loans against NRE/FCNR deposits for purpose of relending or carrying on agricultural/ plantation activities or for investment in real estate business shall also be applicable, to foreign currency loans granted in terms of the above circular.

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

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

Yours faithfully,

**Grace Koshie
Chief General Manager**

**Income Tax Clearance Certificate/No Objection Certificate
from Income Tax Authorities – Revision of format of
undertaking and certificate
A.P. (DIR Series) Circular No.56 (November 26, 2002)**

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

A.P. (DIR Series) Circular No.56

November 26, 2002

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Income Tax Clearance Certificate/No Objection Certificate
from Income Tax Authorities – Revision of format of
undertaking and certificate**

Attention of authorised dealers is invited to A.P.(DIR Series) Circular No.27 dated September 28, 2002 enclosing therewith a copy of the Government's circular No.759 dated November 18, 1997 (F.No.500/152/96-FTD) regarding undertaking to be obtained from a person making remittance of foreign exchange.

2. The Central Board of Direct Taxes, Ministry of Finance, Government of India, have now issued Circular No.10/2002 dated October 9, 2002 (F.No.500/152/96-FTD) **revising the format of undertaking and certificate** to replace the undertaking and certificate as prescribed in CBDT's circular dated November 18, 1997, referred to above.

3. A copy of the circular together with Annexures A and B, issued by CBDT is enclosed. Authorised Dealers should, therefore, before allowing the remittances, obtain the aforesaid undertaking accompanied by a certificate from the Accountant, as defined in Section 288 of the Income Tax Act, for compliance with the income-tax provisions.

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

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

Yours faithfully,

**Grace Koshie
Chief General Manager**

F.No.500/152/96-FTD
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes
(Foreign Tax Division)

New Delhi,
Dated : 9th October, 2002

To
All Chief Commissioners/Directors General of Income-Tax,

Sir,

**Sub : Remittances to a non-residents – deduction of tax at source –
Section 195 of the I.T. Act – Circular No.759 dated 18.11.1997 and
Circular No.767 dated 22nd May, 1998 - Revision of format of
undertaking and certificate – Regarding -**

Circular No.759 dated 18.11.1997 was issued by the Central Board of Direct Taxes to dispense with the requirement of a No Objection Certificate from Income-tax authorities for remittance to a non-resident as required by the Reserve Bank of India. By the aforesaid circular, remittances were allowed to be made by the RBI without insisting upon a No Objection Certificate from the Department provided the person making the remittance furnished an undertaking in duplicate accompanied by a certificate from an accountant. The format of the application and the certificate has been circulated to the authorised dealers by the Reserve Bank of India through their Circular No.A.D. (MA Series) Circular No.48 dated 29.11.1997.

2. However, it has recently been observed that often the certificates have been issued prescribing NIL deduction of tax at source in certain cases where tax was liable to be deducted or prescribing deduction of tax at a lower rate than was payable on the basis of the provisions of the Act and the applicable DTAC. The certificate does not provide for necessary details or the reasons for adopting a certain rate for deduction of tax. This results in unnecessary calling of information from the assessee at a later stage and thus gives rise to an avoidable perception of grievance on the part of the tax-payer. Therefore, in order to streamline the procedure as well as to ensure the correct deduction of tax at source, the proforma of the undertaking to be given by the remitter and the certificate to be issued by a chartered accountant have been re-considered and new formats are being prescribed which are enclosed as Annexure A and B to this circular. The revised proforma for 'undertaking' as well as the 'certificate' shall apply in terms of Circular No.759 dated 18.11.1997 of CBDT. Other requirements of the Circular remain unchanged. It is reiterated that the persons making the remittances shall submit the undertaking and certificate as per annexures A & B to the Reserve Bank of India/authorised dealer banks, who shall in turn forward the same to the Assessing Officer mentioned in the undertaking.

3. The Reserve Bank of India is being requested to circulate the amended format of the 'undertaking' and the 'certificate' to their authorised dealers.

4. This circular comes into effect with immediate effect.

Yours faithfully,

Sd/-

(Devendra Shanker)
Director (FTD)
Central Board of Direct Taxes

Annexure 'A' FORM & APPLICATION FOR REMITTANCE U/S 195 OF THE INCOME TAX ACT	PDF	WORD
Annexure 'B' CERTIFICATE	PDF	WORD

Circular No.759

F.No.500/152/96-FTD
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi,
Dated : 18th November, 1997

To
All the Chief Commissioners of Income-Tax,
Directors General of Income-Tax

Sir,

**Subject : Remittance to a non-resident – deduction of tax at source –
Submission of No Objection Certificate – Dispensing with – regarding**

1. Section 196 of the Income-tax Act, 1961 provides that any person responsible for paying to a non-resident any sum chargeable under the Act shall, at the time of credit of such income to the account of the payee or at the time of repayment thereof in cash or by cheque or draft or any other mode, whichever is earlier, deduct income-tax thereon at the rates in force.

2. The Reserve Bank of India have provided in their Office Manual that no remittance shall be allowed unless a No Objection Certificate has been obtained from the Income-tax Department. It has since been decided that henceforth remittances may be allowed by the Reserve Bank of India without insisting upon a No Objection Certificate from the Income-Tax Department and on the person making the remittance furnishing an undertaking (in duplicate) addressed to the Assessing Officer accompanied by a certificate from an Accountant (other than an employee) as defined in the explanation below Section 288 of the Income-tax Act 1961 in the form annexed to this circular. The person making the

remittances shall submit the undertaking along with the said certificate of the Accountant to the Reserve Bank of India, who in turn shall forward a copy thereof to the Assessing Officer.

3. The contents of this Circular may be brought to the notice of all the officers working in your charge.

Yours faithfully,

Sd/-

(Rajat Bansal)

Under Secretary (FTD)

Undertaking

To

(Designation of the Assessing Officer),

I/we

(Name, address & Permanent Account Number)
propose to make a remittance
of _____
(Amount)

being _____
(Nature of payment)

to _____
(Name & complete address of the person to whom the remittance has been made)
after deducting a sum of Rs. _____ being the tax @ _____, which is the appropriate rate
of tax deductible at source on the said amount of remittance.

2. A certificate from the accountant as defined in Explanation below Section 288 of the Income-tax Act certifying the nature and amount of income, amount of tax payable and the amount actually paid, is also annexed.

3. In case it is found that the tax actually payable on the amount of remittance made has either not been paid or has not been paid in full, I/we undertake to pay the said amount of tax along with interest found due in accordance with the provision of the Income-tax Act.

4. I/we will also be subject to the provisions of penalty and prosecution for the said default as per the Income-tax Act.

5. I/we also undertake to submit the requisite documents etc. for enabling the Income-tax Department to determine the nature and amount of income and tax, interest, penalty etc. payable thereon.

(Name and Signature)

Date :

Place :

(The Undertaking shall be signed by the person authorised to sign the return of income of the person making the payment)

=====

Certificate

I/we have examined the books of accounts of

M/s

(Name, address and Permanent Account Number of person making the remittance)

for ascertaining the nature of the remittance,

of _____

(Amount of remittance)

to

(Name and complete address of the person to whom the remittance is being made)
and the rate at which the tax is deductible at source thereon and hereby certify that a sum of
Rs. _____ has been deducted as tax at the appropriate rate and has been paid to the
credit of the Government.

(Accountant)

Place :

Date :

Evidence of Import
A.P. (DIR Series) Circular No.57 (November 27, 2002)

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

A.P. (DIR Series) Circular No.57

November 27, 2002

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Evidence of Import

Attention of all authorised dealers is invited to paragraph 3 of the AP (DIR Series) Circular No. 15 dated September 9, 2002 in terms of which in cases of imports into India where the amount of foreign exchange remitted is less than USD 1,00,000 or its equivalent, authorised dealers may accept, either Exchange Control copy of Bill of Entry for home consumption or a certificate from the Chief Executive Officer (CEO) or Auditor of the Company that the goods for which remittance was made have actually been imported into India, provided :-

- i) the importer is a company listed on a stock exchange in India and whose net worth is not less than Rs.100/- crores on the date of last audited balance sheet,

OR

- ii) the importer is a Public Sector Company or an Undertaking of the Government of India or its Departments.

2. It has been decided to extend the above facility to autonomous bodies, including scientific bodies/academic institutions, such as Indian Institute of Science/Indian Institute of Technology, etc. **whose accounts are audited by the Comptroller and Auditor General of India (CAG)**. Accordingly, it will be in order for authorised dealers to accept the documentary evidence as indicated in paragraph 3 of the circular dated September 9, 2002, referred to above from such autonomous bodies together with a declaration from the auditor/CEO of such institutions that their accounts are audited by CAG.

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

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

Yours faithfully,

Grace Koshie
Chief General Manager

Indian Direct Investment in SAARC Countries and Myanmar

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

December 2, 2002

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

To
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Indian Direct Investment in SAARC Countries and Myanmar

Attention of authorised dealers is invited to the Sub-Regulation 2(i) and (ii) of Regulation 6 of the Reserve Bank Notification No. FEMA 19/RB-2000 dated May 3, 2000 as amended from time to time.

2. As a part of further liberalisation it has been decided to enhance the existing ceiling for Indian investment in Myanmar and SAARC countries (excluding Pakistan) under the automatic route to USD 150 million or its equivalent, against existing limit of USD 100 million and to Rs.700 crores against existing limit of Rs.350 crores for rupee investment in Nepal and Bhutan.

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

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

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

Yours faithfully,

**Grace Koshie
Chief General Manager**

**Issue of International Credit Cards to Non-
Resident Indians (NRIs)/Persons of Indian Origin (PIOs)
A.P. (DIR Series) Circular No.59 (Dec 9, 2002)**

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

A.P. (DIR Series) Circular No.59

December 9, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Issue of International Credit Cards to Non-
Resident Indians (NRIs)/Persons of Indian Origin (PIOs)**

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.53 dated June 27, 2002 relating to the use of International Credit Cards (ICCs) and the subsequent clarification issued vide A.P. (DIR Series) Circular No.40 dated November 5, 2002.

2. As per the existing instructions, NRIs/PIOs are required to settle charges on the use of ICCs, only out of inward remittances or balances held in their Non-Resident (External) Rupee Accounts (NRE) / Foreign Currency (Non-Resident) Accounts (Banks) (FCNR). On a review, it has since been decided to permit settlement of credit card charges out of funds held in the card holders' Non- Resident (Ordinary) Rupee Accounts (NRO) as well. Accordingly, authorised dealers may allow debits to NRO accounts of their NRI/PIO constituents to the extent of the card limit for use of credit cards issued by banks in India . The debits shall also be subject to the conditions for use of the International Credit Cards by residents.
3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
4. Necessary amendments to the Foreign Exchange Management (Deposit) Regulations 2000 are being notified separately.
5. The Directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie
Chief General Manager**

Full convertibility of Deposit Schemes – NRNR/NRSR Accounts- Clarifications
A.P. (DIR Series) Circular No.60 (Dec 10, 2002)

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

A.P. (DIR Series) Circular No.60

December 10, 2002

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Full convertibility of Deposit Schemes –
NRNR/NRSR Accounts- Clarifications

Attention of authorised dealers is invited to A.P(DIR Series) Circular No.28 dated March 4, 2002 and clarifications issued from time to time on the subject.

2. Our clarifications to the queries from authorised dealers on some of the operational aspects of the deposit schemes, are as under :

(i) Renewal of overdue NRNR deposits

As the authorised dealers cannot accept fresh deposits by way of renewal or otherwise under NRNR Scheme with effect from April 1, 2002, overdue NRNR deposits should not be renewed. If the matured and overdue NRNR deposit receipts are presented for renewal after April 1, 2002 the same may be credited to the NRE accounts of the deposit holders on the date of presentation.

(ii) Credit of matured NRNR deposits to NRE
Account and thereafter to FCNR(B) Account

The maturity proceeds of NRNR deposits credited to NRE Account can subsequently be transferred to FCNR(B) account in terms of paragraph 4(c) of Schedule 1 to RBI Notification No.FEMA.5/2000-RB dated May 3, 2000.

(iii) Repatriation of maturity proceeds of NRNR Accounts

If the NRNR deposit holder does not hold NRE account, he may be allowed to repatriate the maturity proceeds of the NRNR Deposit outside India.

(iv) Credit of matured NRNR deposits to RFC Account

NRNR deposits maturing on or after April 1, 2002 held by such NRNR deposit holders, who have since become residents, may be credited to their RFC accounts.

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

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

Yours faithfully,

Grace Koshie
Chief General Manager

**“Write-off” of unrealised export bills-Surrender of export incentives
A.P.(DIR Series) Circular No.61(December 14, 2002)**

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

December 14, 2002

A.P.(DIR Series) Circular No.61

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**“Write-off” of unrealised export bills-
Surrender of export incentives**

Attention of authorised dealers is invited to paragraph C.18 of A.P (DIR Series) Circular No.12 dated September 9, 2000 in terms of which they have been permitted to allow “write-off” of unrealised export dues and A.P. (DIR Series) Circular No.30 dated April 4, 2001 in terms of which authorised dealers have been granted powers to permit “write-off” annually upto 5% of average annual realisation to status holder exporters subject to certain conditions.

2. While permitting “write-off” one of the conditions specified is that the export benefits, if any, availed of by the exporter are surrendered. It has, however, been brought to our notice that there were instances where exporters had not surrendered export incentives in respect of export bills for which “write-offs” were permitted by their bankers.

3. With a view to ensuring that exporters invariably surrender the export incentives in respect of export bills for which they seek “write-off”, authorised dealers should obtain document/s evidencing surrender of export incentives availed of **before** permitting “write-off” for the relevant outstanding bills.

4. The authorised dealers are advised to put in a place a system under which their internal inspectors or auditors (including external auditors appointed by authorised dealers) should carry out random sample check/percentage check of “write-off” outstanding export bills.

5. The authorised dealers may please note that the terms and conditions stipulated in the circulars referred to above remain unchanged.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

**Exchange Earners' Foreign Currency (EEFC) Account Scheme
A.P. (DIR Series) Circular No.62 (December 17, 2002)**

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

December 17, 2002

A.P. (DIR Series) Circular No.62

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

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

Attention of authorised dealers is invited to sub-paragraph No.1(A)(ii) of the Schedule to the Reserve Bank Notification No.FEMA 10/2000-RB dated 3rd May 2000 as amended from time to time, in terms of which payments received in foreign exchange by a 100 per cent Export Oriented Unit or a unit in (a) Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology Park are allowed to be credited to Exchange Earner's Foreign Currency (EEFC) Account.

2. It has been decided that, payments received in foreign exchange by a unit in Domestic Tariff Area (DTA) for supply of goods to a unit in Special Economic Zone (SEZ) out of its foreign currency account are to be treated as eligible foreign exchange earnings for the purpose of credit to the EEFC Account. It will, therefore, be in order for authorised dealers to credit such payments received in foreign exchange by a unit in DTA to its EEFC Account.

3. The facility will be available in respect of foreign exchange received by the recipients from the date of this circular.

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

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

Risk Management and Inter Bank Dealings
A.P.(DIR Series) Circular No.63 (December 21, 2002)

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

December 21, 2002

A.P.(DIR Series) Circular No.63

To
All Authorised Dealers in Foreign Exchange

Madam/Sir,

Risk Management and Inter Bank Dealings

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

1. Foreign currency-rupee swaps

In terms of our circular EC.CO.FMD/447/02.03.75/2000-2001 dated November 25, 2001, Authorised dealers are permitted to offer foreign currency rupee swaps to a person resident in India to hedge long term exposures subject to the condition that the market access by Authorised dealers on account of such swaps shall not exceed USD 25 million. Thereafter, on specific requests, certain banks were permitted higher limits.

It has been decided that such specified limits will not be applicable to swaps offered to facilitate customers to hedge their foreign exchange exposures. Accordingly, authorised dealers are free to offer such swaps to customers subject to overall prudential and risk management guidelines. **The specified limits would, however, continue for swap transactions facilitating customers to assume a foreign exchange liability, thereby resulting in supply in the market.** Positions arising out of cancellation of swaps by customers need not be reckoned within the cap.

2. Investments in Overseas Market

In terms of A.P.(DIR Series) Circular No.48 dated November 16, 2002, Authorised dealers were permitted to invest upto 50 per cent of their unimpaired Tier I capital or USD 25 million, whichever is higher, in overseas money market and/or debt instruments.

It has been decided to withdraw the above caps. Accordingly, Authorised dealers are now free to undertake investments in overseas markets subject to the limits approved by the banks' Board of Directors. All other existing instructions on the subject remain unchanged.

3. Booking of forward contracts based on past performance

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

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

4. Booking and cancelling of forward contracts

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

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

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

5 Hedging of capital of foreign banks

In terms of our circular No.EC.CO.FMD.6/02.03.75/2002-03 dated November 20, 2002, foreign banks operating in India are permitted to hedge their Tier I capital held in Indian books, subject, inter-alia, to the condition that the hedge transactions are spread over a period of six months.

It has been decided to withdraw this restriction and banks are now free to make their own decision as regards the timing of the hedge transactions. All other conditions remain unchanged.

6. Forward cover for foreign direct investments

In terms of paragraph 3 of Schedule II to Notification No.FEMA.25/RB-2000 dated May 3, 2002, Reserve Bank may allow a person resident outside India to book forward contract to hedge the investments made in India since January 1, 1993. It has been decided to accord

general permission to Authorised dealers to offer such forward contracts to persons resident outside India. Accordingly, Authorised dealers are free to offer forward contracts to persons resident outside India subject to verification of the exposure in India. **These forward contracts once cancelled are not eligible to be rebooked.**

7. **All the above facilities would be available upto March 31, 2003, subject to review.**

8. Necessary amendments to the Foreign Exchange Management Regulations, 2000 are being issued separately.

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

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

Yours faithfully,

G. Padmanabhan
Officer-in-Charge

Annexure

[A.P.(DIR Series) Circular No.63
dated December 21, 2002]

Information relating to exposures in foreign currency as on 1st April

Name of the corporate:

		Amount in USD million equivalent	Of col.(1) amounts already hedged
		(1)	(2)
i)	Import transactions due within the year	@	£
ii)	Non-trade payments falling due within one year	£	£
iii)	Non-trade payments falling due beyond one year	£	£

Note

Authorised dealers may consolidate the above data for the bank as a whole for individual corporate and forward a report to Chief General Manager, Exchange Control Department, Reserve Bank of India, Central Office, Forex Markets Division, Mumbai-400 001 (copy to Chief General Manager, Department of External Investments and Operations, Reserve Bank of India, Central Office, Data Cell, Mumbai -400 001) before 30th June every year.

@ Calculated on the basis of last three years' average, duly factoring in subsequent major changes, if any.

£ Based on actuals.

**Resident Foreign Currency (Domestic) Account –Facility for Resident Individuals
A.P.(DIR Series) Circular No.64(December 24, 2002)**

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

December 24, 2002

A.P.(DIR Series) Circular No.64
To
All Authorised Dealers in Foreign Exchange

Madam/Sir,

**Resident Foreign Currency (Domestic) Account –
Facility for Resident Individuals**

Attention of authorised dealers is invited to A.P.(DIR Series) Circular No.53 dated November 23, 2002 and Notification No.FEMA.74/2002-RB dated November 1, 2002, in terms of which residents are permitted to open, hold and maintain, with an Authorised dealer in India, a Resident Foreign Currency (Domestic) Account out of foreign exchange acquired in the form of currency notes, bank notes and travellers cheques for certain specified purposes.

2. It has now been decided that besides the purposes and the manner indicated in the above notification, Resident Foreign Currency (Domestic) Account may also be credited with/opened out of, foreign exchange earned and/or gifts received from close relatives (as defined in the Companies Act) and repatriated to India through normal banking channels by resident individuals. Foreign exchange earnings could be through export of goods and/or services, royalty, honorarium, etc.

3. Necessary amendments to Notification No.FEMA.74/ 2002-RB dated November 1, 2002 are being issued separately.

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

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

Yours faithfully,
G. Padmanabhan
Officer-in-Charge

**Foreign Exchange Management Act, 1999 –
Advance Remittances for Services to be Rendered
A.P. (DIR Series) Circular No.65 (January 6, 2003)**

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

A.P. (DIR Series) Circular No.65

January 6, 2003

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Foreign Exchange Management Act, 1999 –
Advance Remittances for Services to be Rendered**

Attention of authorised dealers is invited to paragraph 5 of A.P. (DIR Series) Circular No.19 dated October 30, 2000 in terms of which authorised dealers are required to obtain a bank guarantee from a bank of international repute situated outside India or a guarantee from an authorised dealer in India, if such guarantee is issued against the counter guarantee of bank of international repute situated outside India, for advance remittances for any current account transaction exceeding USD 25,000 or its equivalent.

2. With a view to further liberalising the procedure for import of services, it has been decided to raise the limit of USD 25,000 to USD 100,000 or its equivalent. Accordingly, authorised dealers may, henceforth, allow advance remittance for all admissible current account transactions upto USD 100,000 without prior approval of Reserve Bank.

3. Where the advance amount exceeds USD 100,000 or its equivalent, a guarantee from a bank of international repute situated outside India, or a guarantee from an authorised dealer in India, if such a guarantee is issued against the counter-guarantee of a bank of international repute situated outside India, should be obtained from the overseas beneficiary.

4. The authorised dealer should also follow-up to ensure that the beneficiary of the advance remittance fulfils his obligation under the contract or agreement with the remitter in India, failing which, the amount is repatriated to India.

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

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

Yours faithfully,

**Grace Koshie
Chief General Manager**

Overseas Investments
A.P. (DIR Series) Circular No.66 (January 13, 2003)

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

January 13, 2003

A.P. (DIR Series) Circular No.66

To

All Authorised Dealers in Foreign Exchange

Madam/Sir,

Overseas Investments

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

2. At present residents are not permitted to make investments in equity of companies registered overseas except by way of setting up joint ventures or wholly owned subsidiaries. It has now been decided to permit relaxations as under :-

(i) **Corporates**

Listed Indian companies are permitted to invest abroad in companies, (a) listed on a recognised stock exchange and (b) which has the shareholding of at least 10 per cent in an Indian company listed on a recognised stock exchange in India (as on 1st January of the year of the investment). Such investments shall not exceed 25 per cent of the Indian company's net worth, as on the date of latest audited balance sheet.

(ii) **Individuals**

Resident individuals are permitted to invest in overseas companies indicated at (i) above without any monetary limit.

(iii) **Investment by Mutual Funds**

At present, Mutual Funds are permitted to invest in ADRs/GDRs of the Indian companies and rated debt instruments, within an overall cap of USD 500 million. It has now been decided to permit Mutual Funds to also invest in equity of overseas companies indicated at (i) above. It has also been decided to enhance the overall cap to USD 1 billion. Accordingly, Mutual Funds desirous of availing of this facility may approach the Reserve Bank after obtaining the necessary permission from SEBI in the matter.

3. The above relaxations are subject to the following:-
 - a. All transactions are routed through a designated authorised dealer and rupee payments received out of the bank account of the investor.
 - b. Authorised Dealer before allowing the remittances shall ensure that the investments are made strictly in accordance with the conditions stipulated in paragraph 2 above, viz., that such investments are permitted in securities of companies listed on recognised stock exchange abroad and that such companies in turn have at least 10 per cent share holding in an Indian company listed on a recognised stock exchange in India.
 - c. Authorised Dealers shall retain with them full particulars of investments such as names /addresses of the investors, companies in which the investments are made and details of securities held.
 - d. Authorised dealer shall forward to the Chief General Manager, Exchange Control Department, Reserve Bank of India, Overseas Investment Division, Mumbai a monthly statement on or before 10th of the succeeding month indicating the amount of remittances allowed/received in respect of purchases/sales and the net investment outstanding in respect of each of the categories mentioned above. Reporting format is being advised separately.
4. The above relaxations, subject to review, shall be effective for a period upto June 30, 2003.
5. Necessary amendments to the Foreign Exchange Management Regulations, 2000 are being issued separately.
6. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
7. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

G. Padmanabhan
General Manager-in-Charge

Facilities to NRIs/PIOs and Foreign Nationals – Liberalisation
A.P. (DIR Series) Circular No.67 (January 13, 2003)

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

January 13, 2003

A.P. (DIR Series) Circular No.67
To
All Authorised Dealers in Foreign Exchange

Madam/Sir,

Facilities to NRIs/PIOs and Foreign Nationals - Liberalisation

A. Facilities to NRIs/PIOs

Attention of authorised dealers is invited to the following AP (DIR Series) Circulars on the subject :

(i) AP(DIR Series) Circular No.1 dated July 2, 2002.

(ii) AP(DIR Series) Circular No.19 dated September 12, 2002.

2. At present, authorised dealers are allowed to repatriate funds held by NRIs/PIOs in their NRO Accounts, for the following purposes :

(i) Education upto USD 30,000 per academic year.

(ii) Medical Expenses upto USD 100,000

(iii) Sale Proceeds of immovable property, held for a period of 10 years, upto USD 100,000 per calendar year.

B. Remittance of proceeds of assets by foreign nationals and assets acquired by NRIs/PIOs by way of inheritance/legacy

3. Authorised dealers are presently permitted to allow remittance of assets of foreign nationals, including retired employees/widows of Indian citizens resident outside India and assets in India acquired by NRIs/PIOs by way of inheritance/legacy upto USD 100,000.

4. It has now been decided to remove the present dispensation of permitting different amounts for different purposes and also to enhance the overall limit to USD 1 million per calendar year. Accordingly, it will be in order for authorised dealers to allow remittance/s upto USD 1 million, out of balances held in NRO accounts/sale proceeds of assets, on production of an undertaking and certificate by a person making the remittance, as stipulated in A.P. (DIR Series) Circular No.27 dated September 28, 2002 read with A.P. (DIR Series) Circular No.56 dated November 26, 2002.

5. The existing prohibition regarding repatriation of assets to a citizen of Pakistan, Bangladesh, Sri Lanka, China, Afghanistan, Iran, Nepal and Bhutan shall continue.
6. The above relaxations, subject to review, shall be effective for a period upto June 30, 2003.
7. Necessary amendments to the Foreign Exchange Management Regulations, 2000 are being issued separately.
8. Authorised dealers may bring the contents of the circular to the notice of their constituents concerned.
9. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,
G. Padmanabhan
General Manager-in-Charge

**Acquisition of Foreign Securities by Resident Individual under ESOP Scheme
A.P. (DIR Series) Circular No.68 (January 13, 2003)**

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

January 13, 2003

A.P. (DIR Series) Circular No.68

To
All Authorised Dealers in Foreign Exchange

Madam/Sir,

**Acquisition of Foreign Securities by
Resident Individual under ESOP Scheme**

Attention of authorised dealers is invited to the Regulation 19 of Notification No.FEMA.19/2000-RB dated May 3, 2000 and AP (DIR Series) Circular No.32 dated April 28, 2001 read with A.P. (DIR Series) Circular No.16 dated December 15, 2001 in terms of which a resident individual, who is an employee or a director of an Indian Office or branch of a foreign company or of a subsidiary in India of a foreign company or of an Indian company, is permitted to remit upto USD 20,000 in a calendar year for purchase of equity shares offered by the said foreign company under Employees Stock Option (ESOP) Scheme.

2. It has now been decided to remove the limit of USD 20,000 for purchase of foreign securities by resident individual. Accordingly, remittances for the acquisition of foreign securities under ESOP Scheme may be permitted by authorised dealers as per the terms of offer without any monetary limit. The other conditions as indicated below remain unchanged :

- (i) The shares under ESOP should be offered at the concessional price.
- (ii) The foreign equity holding in the Indian company should not be less than 51 per cent.

3. The above relaxations, subject to review, shall be effective for a period upto June 30, 2003.

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

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

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

Yours faithfully,
G. Padmanabhan
General Manager-in-Charge

Retention of Proceeds of ADRs/GDRs abroad
A.P. (DIR Series) Circular No.69 (January 13, 2003)

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

January 13, 2003

A.P. (DIR Series) Circular No.69
To
All Authorised Dealers in Foreign Exchange

Madam/Sir,

Retention of Proceeds of ADRs/GDRs abroad

Attention of authorised dealers is invited to Clause (4) of Regulation 4 of Schedule I to Notification No.FEMA.20/2000-RB dated May 3, 2000, in terms of which, Indian companies issuing shares to overseas depository for the purpose of issuing ADRs/GDRs are permitted to invest funds abroad for a temporary period pending repatriation to India, subject to the conditions stipulated therein.

2. It has now been decided that Indian companies may retain abroad funds raised through ADRs/GDRs, for any period to meet their future forex requirements. Further, pending repatriation or utilisation of foreign resources raised, the Indian company may invest the foreign currency funds in :-

- i) deposits or Certificate of Deposit or other products offered by banks who have been rated not less than AA(-) by Standard and Poor/Fitch IBCA or Aa3 by Moody's;
- ii) deposits with branch outside India of an authorised dealer in India; and
- iii) treasury bills and other monetary instruments of one year maturity having minimum rating as indicated at (i) above.

3. The corporates will be required to report (in soft copy form) the details of such funds raised and retained abroad within 30 days from the date of closure of the issue to the Chief General Manager, Exchange Control Department, Foreign Investment Division, Reserve Bank of India, Central Office, Mumbai-400 001.

4. The above relaxations, subject to review, shall be effective for a period upto June 30, 2003.

5. Necessary amendments to the Foreign Exchange Management Regulations, 2000 are being issued separately.

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

: 2 :

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

Yours faithfully,
G. Padmanabhan
General Manager-in-Charge

External Commercial Borrowings - Parking of funds abroad
A.P.(DIR Series) Circular No.70 (January 13, 2003)

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

January 13, 2003

A.P.(DIR Series) Circular No.70

To
All Authorised Dealers in Foreign Exchange

Madam/Sir,

External Commercial Borrowings - Parking of funds abroad

Authorised dealers are aware that corporates raising External Commercial Borrowings (ECBs) are required to bring the funds to India in terms of para 15(A) of the Guidelines on Policies & Procedures for ECBs 1999-2000 issued by Government of India. Such funds are, however, permitted, on application, to be retained abroad in a bank account with the permission of the concerned Regional Office of Reserve Bank.

2. It has now been decided that corporates raising ECBs may retain the funds abroad in a bank account for their future forex requirements subject to the following :-

- a) The debits in the account should be only for approved purposes for which the loan is raised.
- b) The payment to the overseas supplier, if any, shall be made against usual import documents including Bill of Lading/Airway Bill. Further, documentary evidence in support of imports made into India should be submitted to the concerned Regional Office of Reserve Bank alongwith the ECB2 return, duly certified by a Chartered Accountant.
- c) The deposit held abroad should not be utilised for any fund based or non-fund based facilities in India.
- d) The account should be closed as soon as the forex requirements are met and any unspent balance should be repatriated to India immediately.

3. The following details of the account (in soft copy form) should be submitted to the concerned Regional Office of Reserve Bank, through the authorised dealer, within 8 days of opening of the account.

- i. Name of the bank and branch
- ii. Date of opening of account and account no.
- iii. Name of the borrower
- iv. Name of the lender.
- v. GOI/RBI approval no. & date.
- vi. RBI Registration no.
- vii. Purpose of loan

- viii. Amount of loan
 - ix. Amount in equivalent USD
 - x. Amount parked abroad
4. Further, the details of balances held abroad should be reported in the relative ECB2 return, as hitherto.
5. The above relaxations, subject to review, shall be effective for a period upto June 30, 2003.
6. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.
7. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999).

Yours faithfully,
G. Padmanabhan
General Manager-in-Charge

**Acquisition of immovable property outside India-
Branches/trading offices overseas
A.P. (DIR Series) Circular No.71 (January 13, 2003)**

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

A.P. (DIR Series) Circular No.71

January 13, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/Sir,

**Acquisition of immovable property outside India-
Branches/trading offices overseas**

In terms of Regulation 3 of Notification No.FEMA7/2000-RB dated May 3, 2000 no person resident in India shall acquire or transfer any immovable property outside India without general or special permission of Reserve Bank.

2. It has now been decided to permit Indian corporates who have set up overseas offices to acquire immovable property outside India for their business as also staff residential purposes with the prior permission of Reserve Bank. Applications in the form annexed may be submitted to the Chief General Manager, Reserve Bank of India, Central Office, Exchange Control Department, Trade Division (Exports), Amar Building, Mumbai through the authorised dealer.

3. Further enquiries if any, in the matter may be sent to E-mail : tradedivisionexport@rbi.org.in.

4. The above relaxations, subject to review shall be effective for a period upto June 30, 2003.

5. Necessary amendments to the Foreign Exchange Management Regulations, 2000 are being issued separately.

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

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

Yours faithfully,
G. Padmanabhan
General Manager-in-Charge

ANNEXURE

[A.P.(DIR Series) Circular No.71

dated January 13, 2002]

**Application for acquisition of immovable
property overseas- Branches/trading offices**

1. Name and address of the company -
(i) In India :
(ii) Abroad :
2. Date of establishment of office abroad :
3. Net worth for the previous 3 years
based on audited balance-sheet :
4. Overdue export outstandings, if any. :
5. Details of property proposed to be acquired :
6. Purpose for acquiring property :
7. Amount of funds to be remitted :
8. Source of funds :
9. Whether under investigation
of Enforcement Directorate/Directorate of
Revenue Intelligence etc. :

We hereby certify that the particulars given above are true to the best of our knowledge and belief. We undertake to strictly abide by the instructions issued and the conditions that may be stipulated by Reserve Bank.

(Signature of Authorised Official)

Place :-

Date :-

Name:-

Designation:-

To,
Chief General Manager
Exchange Control Department
Reserve Bank of India
Central Office,
Trade Division (Exports),
Amar Building
Mumbai 400 001

**Foreign Exchange Management (Insurance)
Regulations, 2000 - Life Insurance Memorandum (LIM)
A.P.(DIR Series) Circular No.72 (January 17, 2003)**

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

January 17, 2003

A.P.(DIR Series) Circular No.72

To

All Authorised Dealers in Foreign Exchange

Madam/Sir,

**Foreign Exchange Management (Insurance)
Regulations, 2000 - Life Insurance Memorandum (LIM)**

Attention of authorised dealers is invited to the Notification No.FEMA 12/2000-RB dated May 3, 2000 viz., Foreign Exchange Management (Insurance) Regulations, 2000. The Memorandum of Exchange Control Regulations relating to Life Insurance in India ([LIM](#)) since brought out is enclosed. The major changes in procedure as per Memorandum are summarised in the [Annexure](#).

2. Necessary amendments to the Foreign Exchange Management Regulations, 2000 are being issued separately.
3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999).

Yours faithfully,
Grace Koshie
Chief General Manager

ANNEXURE
[A.P.(DIR Series) Circular No.72
dated January 17, 2003]

Major changes effected in the revised LIM

Sr. No.	Subject Matter	Changes
1.	Scope of Memorandum	The earlier instructions of LIM covered only LIC which was the only institution permitted to undertake the business of Life Insurance. The present instructions contained in the Memorandum are applicable to LIC as well as Life Insurance Companies which are registered with IRDA.
2.	Re-insurance Arrangement	The re-insurance arrangement of Life Insurance Companies registered with IRDA are to be decided by the Company's Board themselves and IRDA is to be

		kept informed. Authorised Dealers designated by these insurance companies are now permitted to make remittances falling due under such approved re-insurance arrangements.
3.	Settlement of claims in foreign currency favouring residents and crediting the same to RFC Accounts.	In the LIM issued under FERA, residents were not permitted to retain any receipts in foreign currency as the same had to be surrendered to the authorised dealer within 7 days. Under FEMA resident beneficiaries of foreign currency life insurance policies are being permitted to retain the proceeds in foreign currency in RFC Accounts.
4.	Permitting credit of foreign currency claims favouring non-residents to NRE/ FCNR Accounts.	In the revised LIM the proceeds of policies denominated in foreign currency or the rupee policies for which premia are paid in foreign currency or out of NRE/FCNR Accounts are now permitted to be credited to NRE/FCNR Account of non-resident without prior approval of Reserve Bank .
5.	Restrictions on issue of rupee policies to foreign nationals	The restrictions on issue of rupee policies maturing within 7 years to foreign nationals not permanently resident in India have been withdrawn.
6.	Export of Policies	The restrictions in regard to export of policies have been withdrawn under revised LIM.
7.	Instructions addressing Exchange Control concerns	The revised LIM is modified in such a manner whereby only issues of exchange control concern are addressed. Other operational instructions not relating to exchange control have been excluded.

[A.P.(DIR Series) Circular No.72
dated January 17, 2003]

LIM

Memorandum of Foreign Exchange Regulations Relating to Life Insurance in India

1. Introduction

Life insurance business in India can be undertaken by insurance companies registered with Insurance Regulatory and Development Authority (IRDA) and as per the regulations notified by Reserve Bank of India under Notifications No. 1 and 12/2000-RB dated May 3, 2000.

2. Scope of Memorandum

Exchange Control Regulations governing issue of life insurance policies in rupees and foreign currencies to non-residents, collection of premia, settlement of claims, maintenance and operations of foreign currency accounts abroad, reinsurance, investment of surplus funds abroad and allied matters are set out in this Memorandum. The receipt and payment of foreign exchange shall be as per Notification FEMA 14/2000-RB dated May 3, 2000 i.e. Foreign Exchange Management (Manner of Receipt and Payment) Regulations. For current account transactions, insurers may be guided by the rules notified by Government of India vide G.S.R. 381(E) dated May 3, 2000, as amended from time to time and the various notifications issued under FEMA 1999 by Reserve Bank.

3. Definitions

For the purpose of this Memorandum the terms "Person resident in India", "Person resident outside India" and "foreign currency" will have the same meaning as defined under Foreign Exchange Management Act, 1999 (42 of 1999).

"Foreign nationals" will have the same meaning as defined in Regulation 4 of FEMA Notification No. 12/2000-RB dated May 3, 2000.

"Person of Indian Origin" will have the same meaning as defined in FEMA Notification No.5 /RB-2000 dated May 3, 2000.

4. Issue of policies and collection of premia

a) Residents

- (i) Policies may be issued in foreign currency to resident persons of Indian nationality or origin who have returned to India after being non-resident provided the premia are paid out of remittances from foreign currency funds held by them abroad or from their Resident Foreign Currency (RFC) account with authorised dealers in India.
- (ii) Policies denominated in foreign currency or rupees may be issued to foreign nationals not permanently resident in India provided the premia are paid out of foreign currency funds or from their income earned in India or repatriable superannuation/pension fund in India.
- (iii) Conversion of Rupee policies on the lives of persons resident in India into foreign currency or transfer of records of such policies to a country outside India is not permitted without prior approval of Reserve Bank.

b) Non Residents

- (i) Insurers may issue policies denominated in foreign currency through their offices in India or abroad to non-residents provided the premia are collected in foreign currency from abroad or out of NRE/FCNR accounts of the insured or his family members held in India.
- (ii) For policies denominated in rupees issued to non-residents, funds held in NRO accounts can be accepted towards payment of premia.
- (iii) Policies issued to Indian nationals and persons of Indian origin resident abroad by overseas offices of insurers may be transferred to Indian register, together with the actuarial reserves held against the policies, on the policy holders' return to India. Foreign currency policies in such circumstances shall be converted into rupee policies except in cases where the policy has been in force for at least 3 years prior to policy holder's return to India and the policy holder wishes to retain and continue the foreign currency policy. Requests received for payment in foreign currency towards premia on such policies may be permitted by authorised dealers provided the policy holder undertakes to repatriate to India the maturity proceeds or any claim amounts due on the policy through normal banking channels.

5. Settlement of claims

- (i) The basic rule for settlement of claims on rupee life insurance policies in favour of claimants resident outside India is that payments in foreign currency will be permitted only in proportion in which the amount of premia paid in foreign currency in relation to the total premia payable.
- (ii) Non-resident beneficiaries of insurance claims/maturity /surrender value settled in foreign currency may be permitted to credit the same to NRE/FCNR account, if they so desire.
- (iii) Resident beneficiaries of insurance claims/maturity/surrender values settled in foreign currency may be permitted to credit the same to RFC accounts, if they so desire.
- (iv) Claims/maturity proceeds/surrender value in respect of rupee life insurance policies issued to non-resident Indians for which premia have been collected in non-repatriable rupees may be paid only in rupees by credit to NRO account of the

- beneficiary. This would also apply in cases of death claims being settled in favour of non-resident assignees/nominees.
- (v) Claims/maturity proceeds/surrender value in respect of rupee policies issued to foreign nationals not permanently resident in India may be paid in rupees or may be allowed to be remitted abroad, if the claimant so desires.

6. Commission to overseas Agents

Insurers may pay commission to their agents who are permanently resident outside India regardless of the fact that part of the business booked by them may be on the lives of persons resident in India and relative premia are paid in rupees in India. Remittances of commission from India to such agents abroad will be governed by instructions contained in Government Notification No.G.S.R. 381(E) dated May 3, 2000 relating to Current Account transactions as amended from time to time.

7. Reinsurance

In terms of the existing instructions, reinsurance arrangements for the insurance companies registered with IRDA are to be decided by the companies themselves on an annual basis and approved by the respective insurance company's Board in consultation with IRDA. Authorised dealers, designated by these insurance companies may allow remittances for the reinsurance arrangements in accordance with the terms and conditions laid down by the respective Board of insurance companies.

8. Foreign Currency accounts

Insurers may open, hold and maintain with a bank outside India foreign currency accounts for facilitating transactions and expenses relating/incidental to life insurance business undertaken in foreign countries in accordance with regulations laid down in the Memorandum. Insurers should transfer to India regularly all surplus funds held at foreign centres and endeavour to keep in their foreign currency accounts only minimum balances required for normal business.

9. Investments abroad

Renewal of existing investments, reinvestment of redemption proceeds of existing investments and fresh investments out of funds held abroad, in Government/Semi-Government securities and bank deposits may be made by insurers freely without prior approval of Reserve Bank provided they are for meeting statutory requirements in the foreign country concerned. All other investments will require prior approval of Reserve Bank.

10. Utilisation of Foreign Currency Funds

- (i) Insurers may freely use its foreign currency balances for meeting all the normal expenses of its overseas offices inclusive of taxes and other dues in connection with maintenance and upkeep of buildings and properties held by insurers in foreign countries as well as purchase of cars for official use.
- (ii) Insurers may also freely use their overseas funds for settlement of provident fund, gratuity and other retirement benefits to retiring employees of overseas offices.
- (iii) Insurers may grant loans, without prior permission of Reserve Bank, to employees of their overseas offices (other than Indian nationals who had been deputed or posted from India) against provident fund balances held in the country concerned provided loan recoveries will be made in foreign currency.

**Foreign Exchange Management Act, 1999 – Current Account Transactions – Use of
International Credit Cards abroad
A.P.(DIR Series) Circular No.73 (January 24, 2003)**

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

January 24, 2003

A.P.(DIR Series) Circular No.73

To

All Authorised Dealers in Foreign Exchange

Madam/Sir,

**Foreign Exchange Management Act, 1999 –
Current Account Transactions –
Use of International Credit Cards abroad**

Attention of authorised dealers is invited to the Government of India Notification No.G.S.R.381(E) dated 3rd May 2000, notifying the Foreign Exchange Management (Current Account Transactions) Rules, 2000, as amended vide Notification No.S.O.301(E) dated 30th March 2001, in terms of which drawal of exchange for certain current account transactions has been prohibited and restrictions have been placed on certain other transactions.

2. Government of India has since issued Notification No.G.S.R.33(E) dated 15th January 2003 (copy enclosed) amending the Notification No.G.S.R.381(E) dated 3rd May 2000. Authorised dealers are, accordingly, advised that the restrictions contained in Rule 5 of the Foreign Exchange Management (Current Account Transactions) Rules, 2000, requiring prior approval of Reserve Bank, will not be applicable for use of International Credit Cards (ICCs) by residents for making payment towards expenses, while on a visit outside India, to the extent of the limit of the card. Further, while no separate monetary/item-wise ceiling is imposed by Reserve Bank for use of ICCs under Foreign Exchange Management Act, 1999, the restriction on the use of ICCs for purchase of prohibited items, like lottery tickets, banned or proscribed magazines, participation in sweep-stakes, payment for call-back services, etc., would continue.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

The Gazette of India
Extraordinary
Part II – Section 3 – Sub-Section (I)
Published by Authority
New Delhi, Thursday, January 16, 2003/Pausa 26, 1924

No.23 Ministry of Finance and Company Affairs,
(Department of Economic Affairs)

NOTIFICATION

New Delhi, the 15th January, 2003

G.S.R.33(E) - In exercise of the powers conferred by Section 5 and Sub-section (1) and clause (a) of Sub-section (2) of Section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999), and in consultation with Reserve Bank, the Central Government having considered it necessary in the public interest, makes the following amendments in the Foreign Exchange Management (Current Account Transactions) Rules, 2000, namely :-

1. **Short title and commencement** - (1) These rules may be called the Foreign Exchange Management (Current Account Transactions) (Amendment) Rules, 2003.
(2) They shall come into force from the date of their publication in the Official Gazette.

2. In the foreign Exchange Management (Current Account Transactions) Rules, 2000, after rule 6, the following rule shall be inserted, namely :-

‘7. Use of International Credit Card while outside India – Nothing contained in rule 5 shall apply to the use of International Credit Card for making payment by a person towards meeting expenses while such person is on a visit outside India”.

Foot note : The Principal rules were published in the Official Gazette vide G.S.R.381(E) dated 3rd May, 2000 in Part II, Section 3, Sub-section (i) and subsequently amended vide S.O.301(E) dated 30th March, 2001.

[F.No.1/5/EC/2000 Vol.II]
SANJIVA MISRA, Jt. Secy.

**Delhi High Court Order dated 22-1-2003 in Civil Writ Petition No:460 of 2003 - World
Cup 2003- Remittance of foreign exchange
AP (DIR Series) Circular No. 74 (January 24, 2003)
Reserve Bank of India
Exchange Control Department
Central Office
Mumbai**

AP (DIR Series) Circular No. 74

January 24, 2003

To
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**Delhi High Court Order dated 22-1-2003 in
Civil Writ Petition No:460 of 2003 - World Cup 2003-
Remittance of foreign exchange**

Attention of the Authorised Dealers is invited to the order dated 22-1-2003 passed by the Hon'ble Delhi High Court in Civil Writ Petition No:460 of 2003. The operative portion of the said Order is reproduced below:

“That in the event of Indian Players or Indian Team being disqualified or debarred from participating in the World Cup or not being allowed participation or any penalty or damages is imposed upon players or the BCCI or any punitive action being taken against the players or BCCI , Respondents No: 1 (Union of India) and 2 (Reserve Bank of India) to ensure that appropriate executive action is taken that no foreign exchange is released and no other benefit or concession is given to the sponsors, who admittedly are within the jurisdiction of this Court, namely, Respondents No: 7 to 9 [Respondent No: 7 – Pepsi Foods Limited, DLF Corporate Park, DLF, Gurgaon, Haryana, Respondent No: 8 – Hero Honda Motors Limited, 34,Basant Lok Community Centre, Vasant Vihar, New Delhi – 110 057, Respondent No: 9 – LG Electronics India Pvt Ltd, 221, Okhla Industrial Estate, Phase III, New Delhi – 110 020] and in that event Respondent No: 7, 8 & 9 shall stand restrained from advertising in the World Cup 2003 matches. Ordered accordingly. We may further clarify that the view we have taken and the directions we have made in this petition, at this stage, are prima-facie in nature and will not prejudice either of the parties in contesting the petition on merits ”.

2. Accordingly, all Authorised Dealers are hereby directed **not** to release any foreign exchange to the above mentioned respondents 7 to 9 viz., – Pepsi Foods Limited, Hero Honda Motors Limited and LG Electronics India Pvt Ltd, in connection with the World Cup event, **without prior clearance from the Reserve Bank of India** having its Exchange Control Department at Central Office, Mumbai or at any of its Regional Offices, until further directions to the contrary in this behalf.

3. The directions contained in this circular are purely temporary in nature pursuant to the aforesaid order of the Hon'ble Delhi High Court and issued in exercise of powers conferred under Section 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie
Chief General Manager

Sponsored ADRs/GDRs- Receipt of Disinvestment proceeds

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

February 3, 2003

A.P. (DIR Series) Circular No.75

To
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Sponsored ADRs/GDRs- Receipt of Disinvestment proceeds

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.52 dated November 23, 2002 and Notification No. FEMA 41/2001-RB dated March 3, 2001, in terms of which Indian companies are permitted to sponsor an issue of American Depository Receipts/Global Depository Receipts (ADRs/GDRs) with an overseas depository against the shares held by its shareholders subject to compliance with the provisions of the issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and the Operative Guidelines notified by the Government of India.

2 As a measure of further liberalisation and in order to encourage Indian companies to list ADRs/GDRs on the overseas exchanges, through the scheme of sponsored ADRs/GDRs, it has been decided to permit resident shareholders of Indian companies, who offer their shares for conversion to ADRs/GDRs, to receive the sale proceeds in foreign currency. However, the conversion to such ADRs/GDRs should have the approval of Foreign Investment Promotion Board (FIPB). Further, the sale proceeds, so received by residents, are also permitted to be credited to their Exchange Earners' Foreign Currency/Resident Foreign Currency (Domestic) [EEFC/RFC(D)] accounts or to their Rupee accounts in India at their option.

3. Disinvestment proceeds under the scheme, receivable by residents, who have since became non-residents, would also be eligible for credit to their foreign currency accounts abroad or any of their accounts in India at their option.

4. The above facility will be available until further notice.

5. Necessary amendments to the Foreign Exchange Management Regulations, 2000 are being issued separately.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

**R-Return and Guide to Authorised Dealers for
Compilation of R Returns - Submission of
documents/statements/schedules – Discontinuation
A.P.(DIR Series) Circular No.76 (February 3, 2003)**

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

February 3, 2003

A.P.(DIR Series) Circular No.76

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**R-Return and Guide to Authorised Dealers for
Compilation of R Returns - Submission of
documents/statements/schedules – Discontinuation**

Attention of all authorised dealers is invited to paragraph 3 of A.D. (M.A. Series) Circular No.11 dated May 16, 2000 read with paragraph 15 of Annexure (viz. Guide to authorised dealers for compilation of R>Returns) to A.D.(M.A. Series) Circular No.12 dated March 11, 1998, in terms of which they are required to submit documents prescribed therein along with R>Returns. It has now been decided that with the switch over to Electronic Reporting System in FET-ERS (5.0 version) the submission of documents/statements/schedules prescribed in the said paragraph (copy enclosed) may be discontinued with effect from the first fortnight of **February 2003**.

2. Authorised Dealers are, however, advised to **continue** to submit the hard copy of the **cover-page**, viz. R-Return (NOSTRO) and R-Return (VOSTRO), together with FET-ERS (Version 5.0), in floppy form.

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

Yours faithfully,
Grace Koshie
Chief General Manager

**[A.P. (DIR Series) Circular No.76
dated February 3, 2003]**

15. The following documents / statements / schedules* relating to payments from and receipts in both Nostro and Vostro accounts during the period under report should accompany the respective R>Returns (* as per the formats enclosed) :

**Documents to
be submitted
along with
R>Returns**

(i) Forms A1 and A2/statement of travel transactions in lieu of Forms A2 together with covering schedules duly segregated as under, statement of sales to overseas banks/branches and Forms A3 (in the case of Vostro account) :

(ii) SCH 1 (a) for Forms A1 relating to payments below the equivalent to Rs.5,00,000/- towards imports into India

(b) for Forms A1 relating to payments equivalent to Rs.5,00,000/- and above towards imports into India

(iii) SCH 2 (a) for Forms A2 relating to payments below the equivalent to Rs.5,00,000/- towards purposes other than imports

(b) for Forms A2 relating to payments equivalent to Rs.5,00,000/- and above towards purposes other than imports

(iv) ENC Statement relating to physical exports, bills in respect of which were negotiated , purchased, discounted or sent for collection during the reporting period.

(v) GR/PP/SOFTEX Forms relating to exports where full export value has been realised, with invoices/accounts sales, etc as enclosures to SCH 3/SCH 5.

(vi) SCH 3 for exports where full value has been realised

(vii) SCH 4 for exports where part value has been realised

(viii) SCH 5 for exports where full value has been received in advance

(ix) SCH 6 for exports where part value has been received in advance.

(x) Supplementary statement of receipts, i.e., debits to Mirror (of NOSTRO) accounts or VOSTRO accounts, for purposes other than exports, involving amounts equivalent of Rs.1,00,000/- and above as per the format enclosed.

(xi) Exchange Control copies of import licences which have been fully utilised/expired, under a covering schedule giving licence numbers and dates.

(xii) **Selected large branches of ADs (critical branches) who have been advised to submit the data relating to sale and purchase transaction with public duly classified purpose-wise, on a floppy, should submit the floppy along with R>Returns.**

**Current Account Transactions –
Remittance for Advertisement on Foreign Television
A.P.(DIR Series) Circular No.77 (February 10, 2003)**

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

A.P.(DIR Series) Circular No.77

February 10, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

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

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.44 dated May 14, 2002, regarding approval for remittances for advertisement on foreign television. In terms of para 2 of the circular, authorised dealers are required to obtain Chartered Accountant's certificates from their customers.

2. With a view to simplifying the procedure, it has been decided as under :-
 - (i) A Chartered Accountant's certificate, for export earnings of more than Rs.10 lakhs, in each of the preceding two years, **need not be insisted** in case the export earnings prescribed (i.e. minimum Rs.10 lakhs in each of the previous two years), have been realised through the same authorised dealer, through whom the remittance is sought to be made.
 - (ii) A Chartered Accountant's certificate should, however, be obtained certifying that the remittance represents advertisement charges incurred by the Corporate towards telecast **in foreign countries and not in India alone**. This certificate will have to be obtained for **each** remittance.
3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager

**Exchange Earners' Foreign Currency (EEFC) Account Scheme
A.P. (DIR Series) Circular No.78 (February 14, 2003)**

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

A.P. (DIR Series) Circular No.78

February 14, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Exchange Earners' Foreign Currency (EEFC) Account Scheme

Attention of authorised dealers is invited to para 3(iv) of Schedule to Notification No.FEMA.10/2000-RB dated 3rd May 2000. Exporters are presently permitted to grant trade related loans/advances not exceeding USD 3 million from their EEFC Account to their overseas importer customer subject to compliance with Notification No.FEMA.3/2000-RB dated 3rd May 2000 viz. the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000.

2. As a measure of relaxation to the EEFC Account Scheme, it has been decided to remove the ceiling of USD 3 million. Accordingly, it will be in order for authorised dealers to permit their exporter constituents to extend trade related loans/advances to overseas importers out of their EEFC balances without any ceiling. This relaxation shall be effective upto June 30, 2003, subject to review.

3. The transactions relating to loans/advances from EEFC Accounts may be reported by the authorised dealer on a quarterly basis, starting with the quarter ending March 31, 2003 as per the format annexed, to the concerned Regional Office of Reserve Bank.

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

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

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

Yours faithfully,

**G. Padmanabhan
General Manager-in-Charge**

ANNEXURE

[A.P. (DIR Series) Circular No.78
dated February 14, 2003]

**Statement showing the details of trade related loans
and advances by exporters to overseas importers from EEFC Account**

(Quarter ending _____)

Name of the Bank, branch

A.D. Code No. :

Name and address of the EEFC account holder	Name and address of overseas importer customer	Amount of loan/advance	<u>Schedule/mode of repayment</u>			Remarks
			Month and Year	Amount of Principal	Amount of Interest (if any)	

Signature of Authorised official

Stamp

Date :

Release of Exchange for Private Travel
A.P. (DIR Series) Circular No.79 (February 17, 2003)

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

A.P. (DIR Series) Circular No.79

February 17, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Release of Exchange for Private Travel

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.31 dated October 18, 2002 annexing thereto particulars of the Nodal Officers of Reserve Bank nominated at Regional Offices for dealing with applications for release of exchange for private travel exceeding USD 5,000 and subsequent A.P. (DIR Series) Circular No.51 dated November 18, 2002 enhancing the said limit to USD 10,000.

2. It has since been decided to nominate Nodal Officers at Jammu, Srinagar and Nagpur Offices as indicated below :

Jammu Office : Shri R.P. Gupta, Deputy General Manager,
Tel No. : 0191-470865
Fax No. : 0191-473116
E-Mail : rdjammu@rbi.org.in

Srinagar Office : Shri S.C. Sharma, Officer-in-Charge,
Telfax No. : 0194-2478133

Nagpur Office : Shri M.P. Vijaykumar,
Manager,
Tel No. : 0712-532351
Fax No.: 0712-536756
E-mail : mpvijaykumar@rbi.org.in

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

**Exim Bank's Line of Credit of
USD 25 Million to Vneshtorgbank, Russia
A.P. (DIR Series) Circular No.80 (February 18, 2003)**

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

A.P. (DIR Series) Circular No.80

February 18, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/ Sirs,

**Exim Bank's Line of Credit of
USD 25 Million to Vneshtorgbank, Russia**

Export-Import Bank of India (Exim Bank) has concluded an agreement with Vneshtorgbank, Russia (Bank for Foreign Trade, Russia) on July 3, 2002 making available to the latter, a line of credit (LOC) up to an aggregate sum of USD 25 million (US Dollar Twenty five Million only). The credit has become effective from November 14, 2002 and is available for financing exports from India of eligible goods (listed in the Annexure) and related services to buyers in the borrower's country i.e. Russian Federation. The eligible goods will include initial spares, drawings and designs, together with services related thereto.

2. The terminal dates for opening letters of credit and utilisation of credit are November 13, 2003 and May 13, 2004, respectively.
3. Shipments under the credit will have to be declared on GR/SDF Forms as usual.
4. No agency commission shall be payable in respect of exports financed under the above line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b/c & f/c.i.f value in respect of goods specified in the Annexure and which require after-sales service. In such cases, commission will have to be paid in the Russian Federation only by deduction from the invoice of the relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 per cent of the f.o.b/c & f/c.i.f. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.
5. Authorised Dealers may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain further details of the Line of Credit from Exim Bank's office or their web-site.
6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,
Grace Koshie
Chief General Manager

List of Eligible Goods for finance out of the Credit

PART 'A'

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

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

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

PART 'B'

1. Agricultural implements.
2. Auto parts
3. Bicycles, motorcycles, scooters, mopeds and parts
4. Construction materials including sanitary ware, tiles and precast cement products, false ceiling, flooring materials, pipes, decorative laminates, fittings, electricals and steel/aluminium doors and windows, provided they are exported as separate items and not as items forming part of civil construction/turnkey projects.

5. Agricultural chemicals and industrial chemicals.
6. Pressure cookers, watches and clocks, knitting/sewing machines, vacuum flasks, cutlery, plastic moulded luggage.
7. Domestic electric appliances
8. Drugs and Pharmaceuticals
9. Electrical equipment including low tension insulators, batteries and accumulators, parts of electrical machinery and lamps, fuses and electrodes for industrial application.
10. Electronic components.
11. Electronic goods including radios, TV, public address systems, record players, tape recorders.
12. Fibreglass, PVC and plastics based products including pipes and tubes, tyre cord.
13. Ferrous/non-ferrous castings, forgings, stampings, extrusions and rolled products.
14. Ferrous/non-ferrous pipes, tubes, sheets, strips, foils, rods, wires, wire ropes
15. Heating and cooling equipment including air conditioners, refrigerators, water coolers.
16. Industrial rubber products including tyres and tubes, cots and aprons, conveyor belts, rubber rollers, hose pipes.
17. Instruments for measurement, scientific survey and for surgical applications.
18. Industrial fasteners, bearings, valves, gears and gaskets.
19. X-ray and other electro-medical and other hospital equipments
20. Office equipments including typewriters, calculators, duplicators, teleprinters.
21. Metal and plastic furniture
22. Hand tools, cutting tools, grinding wheels, moulds dies.
23. Gas cylinders, fire fighting equipment, photographic equipment, helmets, including fibreglass helmets.
24. Any item not included in Part `B' above may be financed by agreement between Exim Bank and the Borrower.

Indo-Lao Credit Agreement dated November 6, 2002, for USD 10 Million
A.P. (DIR Series) Circular No.81 (February 27, 2003)

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

February 27, 2003

A.P. (DIR Series) Circular No.81

To
All Authorised Dealers in Foreign Exchange

Madam/ Sirs,

Indo-Lao Credit Agreement dated November 6, 2002, for USD 10 Million

The Government of India have extended a line of credit of an amount of USD 10 million (US Dollar Ten Million only) to the Government of the Lao People's Democratic Republic under a credit agreement entered into between the two Governments on November 6, 2002. The credit will be available to the Government of the Lao People's Democratic Republic, (Lao PDR), for importing from India capital goods of Indian manufacture including original spare parts and accessories purchased along with the capital goods and included in the original contract as also consultancy services and consumer durables as mentioned in the { [HYPERLINK \l "anx" }](#). The contents of Annexure may be modified by way of additions, deletions or substitutions from time to time as may be mutually agreed to, between the two Governments. The credit will not cover third country imports. The export of goods and services from India and their import into Laos under the line of credit shall take place through normal commercial channels and will be subject to the laws and regulations in force in both the countries. The broad terms and conditions of the line of credit are as under :-

- i) All contracts will be subject to the approval of the Government of India and the Government of the Lao PDR and shall contain a clause to that effect. All contracts should be sent to the Ministry of Finance, Department of Economic Affairs, Government of India, New Delhi for approval. After each contract has been approved, intimation thereof will be sent to the Government of the Lao PDR and to the State Bank of India, New Delhi, by the Ministry of Finance, Government of India.
- ii) The credit will be available for 90 per cent of the f.o.b. value of the eligible goods and services to be exported from India. The 10 per cent of the f.o.b. value shall be paid by the importer in freely convertible foreign currency at the time of opening of the letter of credit. Accordingly, letters of credit should specify that 10 per cent f.o.b. value shall be met out of the remittances from Lao PDR while the balance 90 per cent shall be financed from the credit. The value of the contract should be expressed in US Dollars.
- iii) All disbursements under the credit shall be made under letters of credit opened by the banks in Lao PDR. All letters of credit will be advised by banks in Lao PDR to the State Bank of India, New Delhi for onward transmission to the exporter/s either direct or through another bank in India, if any, nominated by the exporter/s. Normal commercial practices followed in respect of advising payments under letters of credit will be adopted to ensure that the remaining 10 per cent of the amount of letter of credit is received in US Dollars. All claims to the State Bank of India for payment of 90 per cent of the f.o.b. value will need to be supported by a certificate of the negotiating bank that the 10 per cent amount directly payable has been received. Each letter of credit should be supported by a copy of the contract and should contain the following reimbursement clause :-

“Reimbursement for 90 per cent of the f.o.b. value of the contract shall be provided by the State Bank of India, New Delhi from USD 10 million credit extended by the Government of India to the Government of the Lao PDR. The letter of credit is negotiable after the State Bank of India has issued an advice that it is operative. The letter of credit will be made operative by the State Bank of India after verifying that the reimbursement from the credit is sought for 90 per cent of the f.o.b. value only and it will be the responsibility of the negotiating bank to ensure that the remaining 10 per cent of the amount of the letter of credit is received in US Dollars. All claims to the State Bank of India for payment of 90 per cent of the f.o.b. value will need to be supported by a certificate of the negotiating bank to the effect that 10 per cent directly payable has been received.”

2. Contracts to be financed under the credit agreement should be signed and relative letters of credit established by December 31, 2003, and the full amount be drawn under the credit by December 31, 2004. If the full amount is not drawn by the aforesaid date, the balance will be cancelled and the final instalment of the repayment to be made by the Government of the Lao PDR shall be reduced accordingly, except as may otherwise be agreed to, by the Government of India.
3. Shipments of goods and export of consultancy services covered by the credit agreement should be declared on GR/SDF/SOFTEX Form with prominent superscription reading “Exports to Lao PDR under Credit Agreement dated November 6, 2002 between the Government of India and the Government of the Lao PDR. The number and date of this circular should be recorded on the GR/SDF/SOFTEX Form in the space provided therefor. On receipt of the full payment of the bills in the manner indicated above, authorised dealers should certify duplicate copies of the relative GR/SDF/SOFTEX Forms.
4. Ordinarily, no agency commission shall be payable in respect of exports financed under the line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b. value in respect of capital goods which require after sales service. In such cases, commission will have to be paid in Laos by deduction from the invoice value of the relevant shipment and the reimbursable amount will be 90 per cent of the f.o.b. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.
5. Authorised Dealers may bring the contents of this circular to the notice of their constituents engaged in exports to Lao People’s Democratic Republic.
6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999)

Yours faithfully,
Grace Koshie
Chief General Manager

Annexure

[A.P. (DIR Series) Circular No.81
dated February 27, 2003]

**Nature of goods referred to in India- Lao PDR
Credit Agreement of 2002**

Capital goods (along with original spare parts and accessories purchased with the capital goods and included in the original contract), consumer durables and consultancy.

**External Commercial Borrowings (ECBs) – Prepayment
A.P.(DIR Series) Circular No.82 (March 1, 2003)**

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

A.P.(DIR Series) Circular No.82

March 1, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/Sir,

External Commercial Borrowings (ECBs) – Prepayment

Attention of Authorised Dealers is invited to A.P.(DIR Series) Circular No.22 dated September 17, 2002 in terms of which automatic route for prepayment of ECBs was liberalised and made available to all category of borrowers without any conditions upto USD 100 million if prepaid out of local resources/market purchases. There was, however, no limit if prepayment is made out of balances held in Exchange Earners' Foreign Currency (EEFC) account or out of inflow of foreign exchange through fresh equity.

2. It has now been decided to remove the ceiling of USD 100 million for prepayment out of local resources/market purchases. Authorised Dealers may therefore, allow remittances towards prepayment of outstanding ECBs without any limit.
3. All other conditions stipulated in the circular referred to above shall remain unchanged.
4. The facility under the automatic route for prepayment of ECBs as contained in this circular will be available till further notice, subject to review.
5. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager

**Overseas Direct Investment – Liberalisation of Automatic Route
A.P.(DIR Series) Circular No.83 (March 1, 2003)**

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

A.P.(DIR Series) Circular No.83

March 1, 2003

To

All authorised Dealers in Foreign Exchange

Madam/Sirs,

Overseas Direct Investment – Liberalisation of Automatic Route

Attention of authorised dealers is invited to Regulation 6 of the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000 notified by the Reserve Bank, vide Notification No. FEMA 19/RB-2000 dated May 3, 2000, as amended from time to time.

2. Authorised dealers are aware that at present, Indian companies are permitted to make investment without prior approval of the Reserve Bank, up to an amount of USD 100 million provided that the drawal of foreign exchange from an authorised dealer in India does not exceed 50 per cent of the net worth of Indian company, the Indian company is not on the Reserve Bank's caution/defaulters list, and, the investment is made in a foreign entity engaged in the same core activity.

3. As a part of further liberalisation it has been decided as under :

- i) The limit of 50 per cent of net worth for market purchases of foreign exchange for investment in JV/WOS abroad is enhanced to 100 per cent of the net worth of the investing company.
- ii) An Indian company with a proven track record would now be eligible to invest up to 100 per cent of its net worth within the overall limit of USD 100 million by way of market purchases for investment in a foreign entity engaged in any bonafide business activity.

4. However, companies wishing to undertake financial activities would continue to be governed by the requirements prescribed in Regulation 7 of FEMA Notification No.19/RB-2000 dated 3rd May 2000.

5. The prohibition in respect of Two-Tier investments as prescribed vide A.P.(DIR) Circular No.23 dated February 19, 2002 shall remain unchanged.

6. The stipulation regarding non-availability of the automatic route facility to those companies that figure on Reserve Bank's caution/defaulters list shall continue.
7. Necessary amendment to the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000 are being issued separately.
8. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
9. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager

**Import of goods – Establishment of stand-by Letters of Credit
A.P.(DIR Series) Circular No.84 (March 3, 2003)**

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

March 3, 2003

A.P.(DIR Series) Circular No.84

To
All Authorised Dealers in Foreign Exchange
Madam/Sirs

**Import of goods – Establishment of stand-by
Letters of Credit – Subscription to ISP 98**

Attention of authorised dealers is invited to paragraph 3 of A.P.(DIR Series) Circular No.9 dated August 13,2002, in terms of which authorised dealers have been permitted to open stand-by Letters of Credit on behalf of their constituents who are Independent Power Producers, in cases involving assured supply of spare parts.

2. With a view to further simplifying and liberalising the procedure for import and in consultation with Foreign Exchange Dealers' Association of India (FEDAI), it has been decided to allow authorised dealers to open stand-by Letters of Credit on behalf of their importer constituents for import into India any goods, import of which is permissible under the EXIM Policy. Detailed guidelines for issuance of such stand-by letters of credit are being issued by the FEDAI. It will, therefore, be in order for authorised dealers to open stand-by Letters of Credit for import of goods into India on behalf of their constituents subject to adherence to the guidelines issued by FEDAI.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

**Indo-Cambodia Credit Agreement dated November 6, 2002 for USD 10 Million
A.P.(DIR Series) Circular No.85 (March 4, 2003)**

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

A.P.(DIR Series) Circular No.85

March 4, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Indo-Cambodia Credit Agreement dated November 6, 2002 for USD 10 Million

The Government of India have extended a line of credit of USD 10 million (US Dollar Ten Million only) to the Royal Government of Cambodia under a credit agreement entered into, between the two Governments on November 6, 2002. The credit will be available to the Royal Government of Cambodia for import from India of capital goods of Indian manufacture including original spare parts and accessories purchased together with the capital goods and included in the original contract as also project and consultancy services connected with the project as specified in the Annexure. The contents of the Annexure may be modified by way of additions, deletions or substitutions from time to time as may be mutually agreed to between the two Governments. The credit will not cover third country imports. The export of goods from India and their import into Cambodia shall take place through normal commercial channels and will be subject to the laws and regulations in force in both the countries.

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

- a) All export contracts under the line of credit will be subject to the approval of the Government of India and the Royal Government of Cambodia and shall contain a clause to that effect. The contracts should be forwarded to the Ministry of Finance, Department of Economic Affairs, Government of India, New Delhi, for approval. The Royal Government of Cambodia and the State Bank of India, New Delhi, will be informed in respect of each approved contract by the Ministry of Finance, Government of India.
- b) The credit of USD 10 million will be available on f.o.b.(free on board) basis and will cover 90 per cent value of the eligible goods to be exported from India. The contracts should be expressed in U.S.Dollars. Ten per cent of the f.o.b. value should be paid by the importers in freely convertible foreign currency at the time of opening the letters of credit. Letters of credit should specify that the 10 per cent of f.o.b. value shall be met out of remittances from Cambodia while the balance 90 per cent shall be financed from the credit.

- c) All disbursements under the credit should be made under letters of credit opened by banks in Cambodia. All letters of credit shall be advised by banks in Cambodia to the State Bank of India, New Delhi, for onward transmission to the exporters either direct or through another bank in India, if any, nominated by the exporters. Normal commercial practices followed in respect of advising payments under letters of credit will be adopted to ensure that the remaining 10 per cent of the amount of letter of credit is received in US Dollars. All claims to the State Bank of India for payment of 90 per cent of the f.o.b. value will need to be supported by a certificate of the negotiating bank that the 10 per cent directly payable has been received. Further, each letter of credit should be supported by a copy of the contract and should contain the following reimbursement clause:

"Reimbursement for 90 per cent of the f.o.b. value of the contract shall be provided by the State Bank of India, New Delhi, from USD 10 million credit extended by the Government of the Republic of India to the Royal Government of Cambodia. The letter of credit is negotiable after the State Bank of India has issued an advice that it is operative. The letter of credit will be made operative by the State Bank of India after verifying that the reimbursement from the credit is sought for 90 per cent of the f.o.b. value only and it will be responsibility of the negotiating bank to ensure that the remaining 10 per cent of the amount of the letter of credit is received in US Dollars. All claims to the State Bank of India for payment of 90 per cent of the f.o.b. value will need to be supported by a certificate of the negotiating bank to the effect that the 10 per cent directly payable has been received."

3. The contracts to be financed under the credit agreement for items in the Annexure should be signed and relative letters of credit established by December 31, 2003 and the full amount in respect of the contracts be drawn by December 31, 2004. If the full amount of the loan is not drawn by this date, the balance will be cancelled and the final instalments of the repayment to be made by the Royal Government of Cambodia shall be reduced accordingly, except, as may otherwise be agreed to, by the Government of India.

4. Shipments of goods covered by the credit agreement should be declared on GR/SDF Forms, with a prominent superscription reading 'Exports to Cambodia under credit agreement dated November 6, 2002 between the Government of India and the Royal Government of Cambodia'. The number and date of this circular should also be recorded on the GR/SDF Forms in the space provided therefor. On receipt of the full payment of the bills in the manner indicated above, authorised dealers should certify duplicate copies of the relative GR/SDF Forms.

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

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

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

Section 10(4)
(42 of 1999).

Yours faithfully,

Grace Koshie
Chief General Manager

ANNEXURE

[A.P. (DIR Series) Circular No.85
dated March 4, 2003]

Nature of goods referred to in Indo-Cambodian
Credit Agreement of 2002

Capital goods (along with original spare parts and accessories purchased with the capital goods and included in the original contract), project and consultancy services connected with the project likely to be set up from the credit.

**Exim Bank's Line of Credit of US\$ 5 Million to Seychelles Marketing Board (SMB)
A.P. (DIR Series) Circular No.86 (March 4, 2003)**

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

A.P. (DIR Series) Circular No.86

March 4, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/ Sirs,

**Exim Bank's Line of Credit of US\$ 5 Million
to Seychelles Marketing Board (SMB)**

Export-Import Bank of India (Exim Bank) has concluded an agreement with Seychelles Marketing Board on November 25, 2002 making available to the latter, a line of credit (LOC) up to an aggregate sum of USD 5 million (US Dollar Five Million only). The credit has become effective from December 5, 2002 and is available for financing exports from India of eligible goods (listed in the Annexure) and related services to buyers in the borrower's country i.e. Republic of Seychelles. The eligible goods will include initial spares, drawings and designs together with services related thereto.

2. The terminal dates for opening letters of credit and utilisation of credit are June 4, 2004 and December 4, 2004 respectively.
3. Shipments under the credit will have to be declared on GR/SDF Forms as usual.
4. No agency commission shall be payable in respect of exports financed under the above line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b/ c & f/c.i.f value in respect of goods specified in the Annexure and which require after-sales service. In such cases, commission will have to be paid in the Seychelles only by deduction from the invoice of the relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 per cent of the f.o.b/ c& f/c.i.f. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.
5. Authorised Dealers may bring the contents of this circular to the notice of their exporter constituents and also advise them to obtain further details of the Line of Credit agreement from the Exim Bank's office or their website .
6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie
Chief General Manager

ANNEXURE

[A.P. (DIR Series) Circular No.86
dated March 4, 2003]

List of Eligible Goods for finance out of the Credit

PART 'A'

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

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

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

- 74. Welding machinery
- 75. Wood working machinery

PART 'B'

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

22. Hand tools, cutting tools, grinding wheels, moulds dies.
23. Gas cylinders, fire fighting equipment, photographic equipment, helmets, including fibreglass helmets.
24. Any item not included above that may be agreed upon between Exim Bank and the Borrower for being financed under the Credit.

**International Seminar/Conference/Convention etc.
in India - Temporary Foreign Currency Accounts
A.P.(DIR Series) Circular No.87 (March 20, 2003)**

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

A.P.(DIR Series) Circular No.87

March 20, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**International Seminar/Conference/Convention etc.
in India - Temporary Foreign Currency Accounts**

Attention of authorised dealers is invited to Notification No.FEMA 10/2000-RB dated 3rd May 2000 viz. the Foreign Exchange Management (Foreign Currency Accounts by person resident in India) regulation 2000. Authorised Dealers are also aware that opening of temporary Foreign Currency Accounts in India is permitted by Reserve Bank on case to case basis.

2. Reserve Bank has been receiving applications for opening temporary foreign currency accounts from organisers of international Seminars, Conferences, Conventions etc. for holding such events in India. These accounts are operated for the receipt of the delegate fees and payment towards expenses including payment to special invitees from abroad.

3. With a view to facilitate expeditious disposal of such applications, it has been decided that authorised dealers may, henceforth, consider such requests, subject to the organisers obtaining the prior approval from the concerned Administrative Ministry of Government of India for the conduct of the relevant event, including invitation to foreign participants/speakers/faculty.

4. The facility would be subject to the following conditions:-

A. CREDITS:

All inward remittances in foreign currency towards registration fees payable by overseas delegates, grant, sponsorship fees and donations, received from abroad, in connection with the conference, convention, etc.

B. DEBITS:

- (i) Payment to foreign/special invitees attending the conference, etc., on the specific invitation of the organisers, towards travel, hotel charges, etc., and honorarium to foreign guest speakers.
- (ii) Remittance towards refund of registration fees to foreign delegates and unutilised sponsorship/grant amount, if any.

- (iii) Bank charges, if any.
- (iv) Conversion of funds into rupees.

- C. All other credits/debits would require the prior approval of Reserve Bank of India.
- D. The account should be closed immediately, after the conference/event is over.

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

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

Yours faithfully,

Grace Koshie
Chief General Manager

**Guidelines for prepayment of Foreign Currency
Convertible Bond (FCCB) Issues by Indian companies
A.P.(DIR Series) Circular No.88 (March 27, 2003)**

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

A.P.(DIR Series) Circular No.88

March 27, 2003

To
All Authorised Dealers in Foreign Exchange
Madam/Sirs,

**Guidelines for prepayment of Foreign Currency
Convertible Bond (FCCB) Issues by Indian companies**

Attention of authorised dealers is invited to A.P.(DIR Series) Circular No.29 dated March 11, 2002 allowing an Indian company or a body corporate, created by an Act of Parliament, to issue FCCBs under the automatic route without the approval of Government or the Reserve Bank.

2. Government of India has since decided to allow Indian companies to prepay the existing FCCBs and accordingly has issued Press Note dated February 5, 2003 notifying the Guidelines for prepayment of FCCB issues by an Indian company (copy enclosed). It will, therefore, be in order for authorised dealers to allow Indian companies to prepay the existing FCCBs subject to the conditions stipulated in the Press Note referred to above.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

F.No.15/11/99-NRI
Government of India
Ministry of Finance & Company Affairs

Department of Economic Affairs
(Investment Division)

PRESS NOTE

New Delhi,
dated the 5th February 2003

**Guidelines for prepayment of FCCB issues
by the Indian companies**

A Scheme for issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipts Mechanism) was notified by the Government of India in November, 1993. Revisions/modifications in the operative guidelines for Euro-issues are announced from time to time.

2. With a view to further liberalising the scheme, it has been decided by the Government to allow Indian companies to prepay the existing FCCBs subject to the following conditions :-

- (a) This provision of pre-payment (premature purchase) of existing FCCBs will be available upto 30th September, 2003. The existing condition of minimum maturity period for redemption of bonds (i.e. 5 years) is put on hold till 30th September 2003.
- (b) The initiation power/right of prepayment is vested with the issuer of Bonds and not with the holder of bonds. However, the actual pre-payment is subject to the consent of the holder of the bond.
- (c) The pre-payment should be at most the face value of bonds and not exceeding the face value (inclusive of all expenses for such buy-back).
- (d) The bonds purchased from the holders must be cancelled and should not be re-issued or re-sold.
- (e) The funds resources for making such prepayment by the Company shall not be by resorting to fresh external debt.
- (f) This prepayment scheme of FCCBs will not have any effect on the bondholders of Indian Companies not opting this window or on the non-participating bondholders of Indian companies opting this window.

3. This scheme is available under automatic route upto a limit of US \$ 100 million if the prepayment is made out of local resources and without any limit if prepayment is out of EEFC funds or inward remittances towards equity subject to the fulfilling of the conditions mentioned in para 2 of this guideline.

4. After completing the transactions, the companies would be required to furnish full particulars thereof including the number of bonds repurchased (i.e. prepaid), the rate of repurchase (including expenses, if any), the number of residual bonds, source of funds to the Ministry of Finance & Company Affairs, Department of Economic Affairs and the Foreign Investment Division, Exchange Control Department of the Reserve Bank of India, Central Office, Mumbai within 30 days of completion of such transactions.

5. All transactions under this scheme shall be performed on or before 30th September 2003.

Sd/-
(G.S.Dutt)
Joint Secretary (FT&I)

**Deferred Payments Protocols dated 30th April 1981 and 23rd December 1985 between the
Government of India and erstwhile USSR
A.P. (DIR Series) Circular No.89 (March 28, 2003)**

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

A.P. (DIR Series) Circular No.89

March 28, 2003

To
All Authorised Dealers in Foreign Exchange
Madam/Sirs,

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

Attention of authorised dealers is invited to AP (DIR Series) Circular No.4 dated July 9, 2002 wherein the rupee value of the special currency basket effective from June 27, 2002 was indicated.

2. Authorised Dealers are advised that a further change has taken place on March 7, 2003 and accordingly the rupee value of the special currency basket effective from March 11, 2003 has been fixed at Rs.57.5227.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

Risk Management and Inter Bank Dealings
A.P. (DIR Series) Circular No.90 (March 29, 2003)

Reserve Bank of India
Exchange Control Department
Central Office
Mumbai 400001

A.P. (DIR Series) Circular No.90

March 29, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Risk Management and Inter Bank Dealings

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.63 dated December 21, 2002.

2. It is advised that the relaxations/facilities referred to therein will continue until further notice.

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

Yours faithfully,
Grace Koshie
Chief General Manager

Export of Goods and Services - Facilities to Units in Special Economic Zones (SEZs)
A.P.(DIR Series) Circular No.91 (April 1, 2003)

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

A.P.(DIR Series) Circular No.91

April 1, 2003

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**Export of Goods and Services -
Facilities to Units in Special Economic Zones (SEZs)**

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.28 dated March 30, 2001 and subsequent circulars issued extending various facilities to units in Special Economic Zones. It has been decided to extend the following facilities to the units located in the Special Economic Zones (SEZs) : -

A. Realisation of export proceeds

In terms of para 11(c) of AP (DIR Series) Circular No.28 dated March 30, 2001, units situated in Special Economic Zones have been permitted to realise and repatriate to India the full value of goods or software within a period of twelve months from the date of export. It has now been decided to remove the stipulation of twelve months or extended period thereof for realisation of export proceeds. Accordingly, there shall be no prescription of any time limit for realisation of exports made by units in SEZs. However, the units in SEZs will continue to follow the GR/PP/SOFTEX export procedure outlined in Part B of Annexure to A.P.(DIR Series) Circular No.12 dated September 9, 2000 as amended from time to time.

B. Job work abroad

To promote international operations, units in SEZs are permitted to undertake job work abroad and export goods from that country itself subject to fulfilment of the following conditions :

- (i) Processing / manufacturing charges are suitably loaded in the export price and are borne by the ultimate buyer.
- (ii) The exporter has made satisfactory arrangements for realisation of full export proceeds subject to the usual GR procedure.

C. Receipts of payment in precious metals for EOUs and units in SEZs

Attention of authorised dealers is invited to para. A.4 of Annexure to AP (DIR Series) Circular No.12 dated September 9, 2000 in terms of which the amount representing the full

export value of goods exported shall be received through an authorised dealer in the manner specified in Notification No.FEMA. 14/2000-RB dated May 3, 2000 (Manner of Receipt & Payment) Regulations, 2000. It has been decided that payment of export may also be received by the Gem & Jewellery units in SEZs and EOUs in form of precious metals i.e. Gold / Silver / Platinum equivalent to value of jewellery exported on the condition that the sale contract provides for the same and the approximate value of the precious metal is indicated in the relevant GR/SDF/PP forms.

D. 'Netting off' of export receivables against import payments

It has been decided that authorised dealers may allow requests received from exporters for ' netting off ' of export receivables against import payments for units located in Special Economic Zones subject to the following :

- (i) The ' netting off ' of export receivables against import payments is in respect of the same Indian entity and the overseas buyer / supplier (bilateral netting). The netting may be done as on date of balance sheet of the unit in SEZ.
- (ii) The details of export of goods is documented in GR(O) forms/DTR as the case may be while details of import of goods / services is recorded through A1/A2 form as the case may be. The relative GR / SDF forms will be treated as complete by the designated authorised dealer only after the entire proceeds are adjusted / received.
- (iii) Both the transactions of sale and purchase in 'R' Returns under FET-ERS are reported separately.
- (iv) The export / import transactions with ACU countries are kept outside the arrangement.
- (v) All the relevant documents are submitted to the concerned authorised dealer who should comply with all the regulatory requirements relating to the transactions.

E. Capitalisation of import payables

Units in SEZs are permitted to issue equity shares to non-residents against import of **capital goods** subject to the following :-

- a) The valuation should be verified by a Committee consisting of Development Commissioner and the appropriate Customs officials.
 - b) The SEZ units issuing equity in the above manner should report the particulars of the shares issued in the form 'FC-GPR' prescribed under para 9 of Schedule I [Regulation 5(1)] to Notification No.FEMA.20/2000- RB dated May 3, 2000 to the concerned Regional Office under whose jurisdiction the SEZ falls, together with the copy of the valuation certificate. A copy of the report may be forwarded to Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, Government of India, Udyog Bhavan, New Delhi-110 001.
2. Necessary amendments to the Foreign Exchange Management Regulations are being notified separately.
 3. These facilities will be available in respect of the shipments made on or after April 1, 2003.

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

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

Yours faithfully,
G. Padmanabhan
Chief General Manager

**Risk Management and Inter-Bank Dealings
A.P. (DIR Series) Circular No.92 (April 4, 2003)**

**Reserve Bank of India
Exchange Control Department
Central Office
Mumbai 400001**

A.P. (DIR Series) Circular No.92

April 4, 2003

To

All Authorised Dealers in Foreign Exchange

Dear Madam/Sirs,

Risk Management and Inter-Bank Dealings

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.19 dated January 24, 2002 and various amendments issued on the captioned subject from time to time.

2. Instructions pertaining to forward exchange cover, other derivative products, Rupee accounts of Non-resident banks and inter-bank dealings etc., have been consolidated as indicated in the enclosures to this circular. These instructions supersede the instructions contained in the circulars mentioned above.

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

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

Yours faithfully,

G . Padmanabhan

Chief General Manager

PART – A

RISK MANAGEMENT

Section I

Facilities for Residents other than authorised dealers:

Forward Exchange Contracts

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

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

A.2 Authorised dealers may also allow importers and exporters to book forward contracts on the basis of a declaration of an exposure and based on past performance subject to the conditions prescribed by Reserve Bank of India in this regard. {Ref: EC.CO.FMD/453/02.03.75/2001-02 dated December 1, 2001 and AP (DIR Series) Circular No.63 dated December 21,2002}.

A.3 .A forward contract once cancelled may be rebooked subject to conditions prescribed by the Reserve Bank from time to time {Ref: EC.CO. FMD.790/ 02.03.75/2001-02 dated March 26, 2002 and AP (DIR Series) Circular No.63 dated December 21,2002}.

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

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

Contracts other than Forward Contracts

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

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

(iii) Foreign currency – rupee swaps between Corporates who run long-term foreign currency or rupee exposures may be arranged by authorised dealers subject to the conditions prescribed by Reserve Bank of India. {Ref: AP (DIR Series) Circular No.63 dated December 21,2002}

NOTE:

- i. Authorised dealers should not offer leveraged swap structures to clients.**
- ii. Authorised dealers should not allow the swap route to become a surrogate for forward contracts for those who do not qualify for forward cover.**

Other Derivatives – Foreign Currency Options:

- A.5 (i) Authorised dealers in India may write cross currency options in accordance with the provisions contained in paragraphs 2&3 of Schedule I to the Reserve Bank Notification No FEMA 25/RB-2000 dated 3rd May 2000.
- (ii) Option should be written on a fully covered back-to-back basis. The cover transaction may be undertaken with a bank outside India, an off-shore banking unit situated in a Special Economic Zone or an internationally recognized option exchange or another authorised dealer in India.
- (iii) Authorised dealers desirous of writing options, should obtain one time approval, before undertaking the business, from the Chief General Manager, Exchange Control Department, (Forex Markets Division), Reserve Bank of India, Central Office, Mumbai, 400 001.

Hedging of commodity price risk in the International Commodity Markets

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

Note: The term "stand alone" 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. {Ref: A.P. (DIR Series) Circular No. 44 dated November 12, 2002}.

Facilities for Foreign Institutional Investors (FIIs)

- A.7 (i) Designated branches of authorised dealers maintaining accounts of FIIs may provide forward cover to such customers subject to the conditions laid down in paragraph 1 of Schedule II to the Reserve Bank Notification No. FEMA 25/RB-2000 dated 3rd May 2000, as amended from time to time. At present, FIIs are allowed to hedge the market value of their entire investment in equity as on a particular date. If a hedge becomes naked in part or full owing to shrinking of the portfolio, for reasons other than sale of securities, the hedge may be allowed to continue to the original maturity, if so desired.

- (ii) The eligibility for cover may be determined on the basis of the declaration of the FII. A review may be undertaken on the basis of market price movements, fresh inflows, amounts repatriated and other relevant parameters to ensure that the forward cover outstanding is supported by underlying exposure.
- (i) A monthly statement should be furnished to the Chief General Manager, Reserve Bank of India, Exchange Control Department (Forex Markets Division), Central Office, Mumbai-400 001 before the 10th of the succeeding month indicating the name of the FII / fund, the eligible amount of cover and the actual cover taken.

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

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

Facilities for hedging of Foreign Direct Investment in India.

A.9. Authorised Dealers may enter into forward contracts with residents outside India to hedge the investments made in India since January 1, 1993, subject to verification of the exposure in India.

Section II

Facilities for Authorised Dealers

Management of Bank's Assets-Liabilities:

A.10 Authorised dealers may use the following instruments to hedge their assets-liability portfolio :

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

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

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

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

Hedging of Gold Prices

A.11 (i) Banks authorised by Reserve Bank to operate the Gold Deposit Scheme may use exchange-traded and over-the-counter hedging products available overseas to manage

the price risk. However, while using products involving options, it may be ensured that there is no net receipt of premium, either direct or implied. Banks, which are allowed to enter into forward gold contracts in India in terms of the guidelines issued by the Department of Banking Operations and Development (including the positions arising out of inter-bank gold deals) are also allowed to cover their price risk by hedging abroad in the manner indicated above.

- (ii) 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 Reserve Bank.

A.12 Hedging of Tier I Capital

Foreign banks may hedge the entire Tier I Capital held by them in Indian books subject to conditions laid down by Reserve Bank.

{Ref: EC.CO.FMD/6/02.03.75/2002-03 dated November 20, 2002 and Ref: AP (DIR Series) Circular No.63 dated December 21,2002}

PART -B

Accounts of Non-resident Banks

General

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

Rupee Accounts of Non-Resident Banks

- B.2 (i) Banks may open/close rupee accounts (non-interest bearing) in the names of their overseas branches or correspondents without prior reference to Reserve Bank. Opening of rupee accounts in the names of branches of Pakistani banks operating outside Pakistan requires specific approval of Reserve Bank.
- (ii) The Head/Principal Office of each bank should furnish an up-to-date list (in triplicate) of all its offices/branches, which are maintaining rupee accounts of non-resident banks as at the end of December every year giving their code numbers allotted by Reserve Bank. The list should be submitted before 15th January of the following year to the Central Office of Reserve Bank (Central Statistical Division). The offices/branches should be classified according to area of jurisdiction of Reserve Bank Offices within which they are situated.

Funding of Accounts of Non-resident Banks

- B.3 (i) Banks may freely purchase foreign currency from their overseas correspondents/branches at on-going market rates to lay down funds in their accounts for meeting their bona-fide needs in India.

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

NOTE:

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

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

Transfers from other Accounts

B.4 Transfer of funds between the accounts of the same bank or different banks is freely permitted.

Conversion of Rupees into Foreign Currencies

B.5 Balances held in rupee accounts of non-resident banks may be freely converted into foreign currency. All such transactions should be reported in Form A2 and the corresponding debit to the account should be in form A3 under the relevant R Returns.

Responsibilities of Paying and Receiving Banks

B.6 In the case of credit to accounts the paying banker should ensure that all Control requirements are met and are correctly furnished in form A1/A2 as the case may be.

Refund of Rupee Remittances

B.7 Requests for cancellation or refund of inward remittances may be complied with without reference to Reserve Bank after satisfying themselves that the refunds are not being made in cover of transactions of compensatory nature.

Overdrafts/Loans to Overseas Branches/Correspondents

B.8 (i) Banks may permit their overseas branches/ correspondents temporary overdrawals not exceeding Rs.500 lakhs in aggregate, for meeting normal business requirements. This limit applies to the amount outstanding against all overseas branches and correspondents in the books of all the branches of the bank in India. This facility should not be used to postpone funding of accounts. If overdrafts in excess of the above limit are not adjusted within five days a report should be submitted to the Central Office of Reserve Bank (Forex Markets Division) within 15 days from the close of the month, stating the reasons therefor. Such a report is not necessary if arrangements exist for value dating.

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

Rupee Accounts of Exchange Houses

B.9 Opening of rupee accounts in the names of exchange houses for facilitating private remittances into India requires approval of Reserve Bank. Remittances through exchange houses for financing trade transactions are permitted upto Rs.2,00,000 per transaction.

PART -C

Inter-Bank Foreign Exchange Dealings

General

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

Position and Gaps

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

Inter-bank transactions

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

- a) With authorised dealers in India:
 - (i) Buying/Selling/Swapping foreign currency against rupees or another foreign currency
 - (ii) Placing/Accepting deposits and Borrowing/Lending in foreign currency.
- b) With banks overseas and Off-shore Banking Units in Special Economic Zones
 - (i) Buying/Selling/Swapping foreign currency against another foreign currency to cover client transactions or for adjustment of own position,
 - (ii) Initiating trading positions in the overseas markets .

Note A: Funding of accounts of Non-resident banks - refer to paragraph B.4

B: Form A2 need not be completed for sales in the interbank market, but all such transactions shall be reported to Reserve Bank in R Returns

Foreign currency accounts

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

- (ii) Banks are free to undertake investments in overseas markets subject to the limits approved by their Board of Directors. Such investments may be made in overseas money market instruments and/or debt instruments issued by a foreign state with a residual maturity of less than one year and rated at least as AA (-) by Standard & Poor / FITCH IBCA or Aa3 by Moody's. For the purpose of investments in debt instruments other than the money market instruments of any foreign state, bank's Board may lay down country ratings and country - wise limits separately wherever necessary.

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

- (iii) Banks may also invest the undeployed FCNR (B) funds in overseas markets in long-term fixed income securities subject to the conditions laid down by Reserve Bank of India. {Ref: AP (DIR Series) Circular No. 40 dated April 29, 2002.}
- (iv) Foreign currency funds representing surpluses in the nostro accounts may be utilised for:
 - a) making loans to resident constituents for meeting their foreign exchange requirements or for the rupee working capital/capital expenditure needs subject to the prudential/interest-rate norms, credit discipline and credit monitoring guidelines in force.
 - b) extending credit facilities to Indian wholly owned subsidiaries/ joint ventures abroad in which at least 51% equity is held by a resident company, subject to the guidelines issued by Reserve Bank (Department of Banking Operations & Development).
- (v) Banks may write off/transfer to unclaimed balances account, unreconciled debit/credit entries as per instructions issued by Department of Banking Operations and Development, from time to time.

Loans/Overdrafts

- C .5 (i) Banks may avail of loans/overdrafts from their Head Office, overseas branches, correspondents up to 25% of their unimpaired Tier-I capital or US\$ 10 million or its equivalent, whichever is higher. The funds so raised may be used for purposes other than lending in foreign currency to constituents in India and repaid without reference to the Reserve Bank. As an exception to this rule authorised dealers are permitted to use borrowed funds as also foreign currency funds received through swaps for granting foreign currency loans in terms of IECD Circular No 12/04.02.02/2002-03 dated January 31, 2003. The aforesaid limit applies to the aggregate amount availed of by all the offices and branches in India from all their branches/correspondents abroad. If drawals in excess of the above limit are not adjusted within five days, a report should be submitted to the Chief General Manager, Reserve Bank of India Exchange Control Department, Forex Markets Division, Amar Building, Fort, Mumbai 400001 within 15 days from the close of the month in which the limit was exceeded. Such a report is not necessary if arrangements exist for value dating.
- (ii) Banks may avail of loans in excess of the limits prescribed in sub-paragraph (i) above solely for replenishing their rupee resources in India without prior approval of Reserve Bank. Such rupee funds may be used only for financing the banks' normal business operations and should not be deployed in the call money etc. markets. A report on each borrowing should be immediately forwarded to the Chief General Manager, Reserve Bank of India Exchange Control Department, Forex Markets Division, Amar Building, Fort, Mumbai 400001 whose prior permission will be required for repayment of such loans. Such permission will be given only if the bank has no borrowings outstanding either from Reserve Bank or other bank/financial institution in India and is clear of all money market borrowings for a period of at least four weeks before the repayment.
- (iii) Interest on loans/overdrafts may be remitted (net of taxes) without the prior approval of Reserve Bank.

Reports to Reserve Bank

- C.6 (i) The Head/Principal Office of each authorised dealer should submit to the Chief General Manager, Exchange Control Department (Forex Markets Division), Reserve Bank of India, Central Office, Mumbai 400 001 daily statements of foreign exchange turnover in Form FTD and Gaps position and cash balances in Form GPB as per Annexure II. These statements should be transmitted online through wide area network (WAN).
- (ii) The Head/Principal Office of each authorised dealer should submit a statement in duplicate in form BAL giving details of their holdings of all foreign currencies on fortnightly basis so as to reach the Regional Office of Reserve Bank under whose jurisdiction the Head/Principal Office is situated within seven calendar days from the close of the reporting period to which it relates.
- (iii) The Head/Principal Office of each authorised dealer should forward a statement of Nostro/Vostro Account balances on a monthly basis in the format given in Annexure III to the Director, Division of International Finance, Department of Economic Analysis and Policy, Reserve Bank of India, Central Office Building, 8th Floor, Fort, Mumbai-400 001. The data may also be transmitted by fax or e-mail at the numbers/addresses given in the format.
- (iv) Authorised dealers may consolidate the data on cross currency derivatives transactions undertaken by residents in terms of Paragraph 2 and 3 of Schedule I to the Notification and submit half-yearly reports to the Chief General Manager, Exchange Control Department, (Forex Markets Division), Reserve Bank of India, Central Office, Mumbai-400 001 as per the format indicated in the Annexure IV.
- (v) Authorised dealers may forward details of exposures in foreign exchange as on 1st April every year as per the format appended to AP (DIR Series) Circular no. 63 dated December 21, 2002 to the Chief General Manager, Exchange Control Department, (Forex Markets Division), Reserve Bank of India, Central Office, Mumbai, 400 001.

ANNEXURE I

(See paragraph C.2)

Guidelines for Foreign Exchange Exposure Limits of Authorised Dealers

1. Coverage

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

2. Capital

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

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

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

a) Net Spot Position

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

b) Net Forward Position

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

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

c) Options Position

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

4. Calculation of the Overall Net Open Position

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

- (i) Calculate the net open position in each currency (paragraph 3 above).
- (ii) Calculate the net open position in gold.
- (iii) Convert the net position in various currencies and gold into rupees in terms of existing RBI / FEDAI Guidelines.
- (iv) Arrive at the sum of all the net short positions..
- (v) Arrive at the sum of all the net long positions.

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

5. Capital Requirement

As prescribed by Reserve Bank from time to time.

ANNEXURE II

FTD

(see Paragraph C.6)

Statement showing daily turnover of foreign exchange

		Merchant			Inter bank		
		Spot, Cash, Ready, T.T. etc.	Forward	Cancellation of Forwards	Spot	Swap	Forwards
FCY/INR	Purchase from						
	Sales to						
FCY/FCY	Purchase from						
	Sales to						

GPBStatement showing gaps, position and cash balances

US Dollars Balances : IN USD MILLION

(Cash Balance + All Investments)

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

Of the above FCY/INR : IN RS. CRORE

AGL maintained : VaR maintained:

US DOLLAR MATURITY MISMATCH IN MILLION

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

Annexure III**[see paragraph C.6 (iii)]****Statement of Nostro/Vostro Balances for the month of.****Name & address of the Authorised Dealer.**

Sr.no.	Currency	Net balance	Net balance	
--------	----------	-------------	-------------	--

		in Nostro Account	in Vostro Account.	
1	USD			
2	EUR			
3	JPY			
4	GBP			
5	Rupee			
6	Other currencies (in US \$ million)			

Note: In case the variation in each item above (given at 1 to 5) exceeds 10% in a month, the reason may be given briefly, as a footnote.

The above statement should be addressed to:

The Director
Division of International Finance
Department of Economic Analysis & Policy
Reserve Bank of India,
Central Office Building, 8th Floor,
Mumbai – 400 001.
Phone: 022-2266 3791
Fax: 022-2262 2993, 2266 0792
e.mail: rkpattnaik@rbi.org.in
brijeshp@rbi.org.in

Annexure IV
[see paragraph 1.6 (iv)]

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		

Booking of Forward Contracts Based on Past Performance
A.P.(DIR Series) Circular No.93 (April 5, 2003)

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

A.P.(DIR Series) Circular No.93

April 5, 2003

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Booking of Forward Contracts Based on Past Performance

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

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

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

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

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

Yours faithfully,
G.Padmanabhan
Chief General Manager

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
2002-03						
2001-02						
2000-01						

Export of Goods and Services - Export of goods on promotional grounds
A.P. (DIR Series) Circular No. 94 (April 26, 2003)

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

A.P. (DIR Series) Circular No. 94

April 26, 2003

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Export of Goods and Services -
Export of goods on promotional grounds

Authorised Dealers are aware that Reserve Bank considers applications for grant of GR waiver from recognised and well established exporters for export of various items free of cost to the overseas buyer for export promotion.

2. With a view to facilitate expeditious disposal of such applications, it has now been decided that authorised dealers may henceforth consider such requests for export of goods free of cost, for export promotion upto 2 per cent of average annual exports of the applicant during the preceding three years subject to a ceiling of Rs.5 lakhs.
3. It may be noted that applications which do not conform to the above guidelines may be referred to the regional offices of Reserve Bank for consideration.
4. Authorised Dealers granting such permissions should maintain a record of permissions issued by them.
5. Authorised Dealers may bring the contents of the circular to the notice of their constituents concerned.
6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie
Chief General Manager

**Foreign Exchange Management Act, 1999 -Providing housing loan in rupees to NRIs/PIOs
A.P. (DIR Series) Circular No.95 (Apr 26 2003)**

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

A.P. (DIR Series) Circular No.95

April 26, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Foreign Exchange Management Act, 1999 -
Providing housing loan in rupees to NRIs/PIOs**

Attention of authorised dealers is invited to Regulation 8 of Notification No.FEMA 4/2000-RB dated May 3, 2000, in terms of which an authorised dealer or a housing finance institution in India approved by the National Housing Bank may provide housing loan to a non-resident Indian or a person of Indian origin resident outside India for acquisition of a residential accommodation in India subject to conditions indicated therein.

2. Reserve Bank has been receiving requests from certain institutions seeking permission for grant of loans to Non-Resident Indians for renovation/repairs/improvement to residential accommodation owned by them. The matter has been examined and it is now clarified that authorised dealers/housing finance institutions referred to above may grant loans to Non-Resident Indians (NRIs)/Persons of Indian Origin (PIOs) for purpose of repairs/renovation/improvement of residential accommodation owned by them in India.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

Capital Account Transactions – Liberalisation – Clarification
A.P. (DIR Series) Circular No.96 (April 28, 2003)

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

A.P. (DIR Series) Circular No.96

April 28, 2003

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Capital Account Transactions – Liberalisation - Clarification

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.66 dated January 13, 2003 advising certain liberalisation measures in respect of overseas direct investment by various categories of investors. The matter has been reviewed and clarification on certain issues is indicated in [Annexure I](#) to this circular.

2. Authorised dealers are required to put in place an adequate reporting mechanism and obtain such declaration/undertaking from their constituents to enable them to maintain a database. However, in order to ensure availability of uniform database, designated branches of authorised dealers may maintain the details of transactions routed through them as under :-

- (i) Name/address/Telephone/Fax No./e-mail ID/PAN No.
- (ii) Amount remitted to broker
- (iii) Date of remittance
- (iv) Date of purchase of shares
- (v) Name of the scrip purchased
- (vi) Amount paid
Price/Premium brokerage/Total
- (vii) Date of sale of shares
- (viii) Amount received
Price/Premium/Total
- (ix) Net balance held abroad

3. As stated in part 3(d) of the circular referred to above, a format for forwarding to Reserve Bank monthly statement prepared on the basis of the database mentioned at para 2 above, in respect of each of the categories of the investors is given in [Annexure II](#). Authorised dealers may ensure that the monthly statements are forwarded by the designated branches in terms of A.P. (DIR Series) Circular No.43 dated April 30, 2002 to the Chief General Manager, Exchange Control Department, Reserve Bank of India, Overseas Investment Division, Amar Building, 3rd Floor, Sir P.M.Road, Fort, Mumbai-400 001. The statements should reach Reserve Bank of India on or before 10th of the succeeding month.

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

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

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

Yours faithfully,

Grace Koshie
Chief General Manager

ANNEXURE I

[A.P.(DIR Series) Circular No.96
dated April 28, 2003]

**Overseas Investments by
resident individuals/corporates - Clarifications**

1. Remittance towards registration with overseas brokerage firms

Authorised dealers are permitted to allow initial remittances towards registration charges for individuals/corporates to register themselves with overseas brokerage firms.

2. Availment of various facilities provided by overseas brokerage firms

At present overseas investment is permitted in companies listed on a recognised stock exchange and which have a minimum shareholding of 10 per cent in an Indian company listed on a recognised stock exchange in India. Investment in money market funds or bank deposits is not permitted. Investment is allowed in equity instruments by way of cash remittances only. Investment with borrowed funds is not permitted. Similarly, the investors are not permitted to lend the securities acquired and lying with the brokers or with a depository for the purpose of earning any return thereon.

3. Investment in -

- (a) **Listed companies where subsidiaries
are holding 10% or more stake in listed Indian companies**
- (b) **Listed foreign companies where investment is
through a Special Purpose Vehicle (SPV) and**
- (c) **Listed foreign financial funds holding 10 per cent stake in a
listed Indian company**

Investment in the companies referred to above is not permitted.

4. Permission to Indian investors to open overseas bank accounts and securities accounts

A separate circular is being issued.

ANNEXURE-II

[A.P.(DIR Series) Circular No.96
dated April 28, 2003]

Statement Indicating Investment made in terms of AP (Dir Series) Circular No. 66 Dated January 13, 2003

Statement of Investments made during the month of-----

Name of the Bank-----

Branch-----

AD Code-----

Individuals

(USD in thousands)

	No. of Investors	Investments made during the month (Outflow)	Disinvestments made during the month (Inflow)	Net amount of Investment held abroad
	(1)	(2)	(3)	(2)-(3)
Position as on 1 st of-----		Xx	xx	
Position as on 30 th / 31 st of----				

Corporates

(USD in thousands)

	No. of Investors	Investments made during the month (Outflow)	Disinvestments made during the month (Inflow)	Net amount of Investment held abroad
	(1)	(2)	(3)	(2)-(3)
Position as on 1 st of-----		xx	xx	
Position as on 30 th / 31 st of----				

Mutual Funds*

(USD in thousands)

Name of the Mutual Fund	Investments made during the month (Outflow)			Disinvestments made during the month (Inflow)			Net amount of Investment held abroad		
	ADR/ GDR	Debt Instru- ments	Equity	ADR/ GDR	Debt Instru- ments	Equity	ADR/ GDR	Debt Instru- ments	Equity
Position as on 1 st of-----	xx	xx	xx	xx	xx	xx			
Position as on 30 th / 31 st of--									

* Separate statement in respect of each Mutual Fund by the designated AD has been dispensed with.

Overseas Investments
A. P. (DIR Series) Circular No.97 (April 29, 2003)

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

A. P. (DIR Series) Circular No.97

April 29, 2003

To
All Authorised Dealers in Foreign Exchange

Madam/ Sirs,

Overseas Investments

1. Corporates/ Individuals

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No. 66 dated January 13, 2003, in terms of which, Indian corporates and resident individuals are permitted to invest in the equity of listed foreign companies who have shareholding of at least 10 per cent in Indian companies listed on a recognised stock exchange in India.

As a measure of further liberalisation, it has now been decided to permit Indian corporates and resident individuals to invest within the respective ceilings as applicable, in rated bonds/fixed income securities also. The rating should be at least A-1/ AAA by Standard & Poor or P-1/ Aaa by Moody's or F1 /AAA by Fitch IBCA etc. for short term obligations and corresponding ratings for long term ones.

2. Investment by Mutual Funds

At present, Indian Mutual Funds are permitted to invest in ADRs / GDRs of Indian companies and rated debt / equity instruments within an overall cap of USD 1.0 (One) billion. Mutual Funds desirous of availing of this facility have to approach the Reserve Bank, under FEMA 1999 after obtaining necessary permission from Securities and Exchange Board of India (SEBI) in the matter.

It has now been decided to accord general permission and dispense with the requirement of obtaining separate permission from the Reserve Bank under FEMA 1999. Accordingly, Mutual Funds desirous of availing of this facility and having the approval from SEBI for undertaking such investments, need not obtain separate approval from the Reserve Bank.

3. Monthly reporting requirement to the Reserve Bank stipulated vide A.P. (DIR Series) Circular No.96 dated April 28, 2003 would continue.

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

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

Booking of Forward Contracts
A.P. (DIR Series) Circular No.98 (April 29, 2003)

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

A.P. (DIR Series) Circular No.98

April 29, 2003

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs

Booking of Forward Contracts

Attention of Authorised Dealers is invited to A.P. (DIR Series) Circular No.92 dated April 4, 2003. It has been decided to enlarge the scope of forward contracts to cover the following transactions.

1. Inflows under Foreign Direct Investment

Forward contracts are currently not available for inflows on account of foreign investments into India. It has now been decided to permit residents outside India to enter into forward sale contracts with Authorised Dealers in India to hedge the currency risk arising out of their proposed Foreign Direct Investment in India. Such contracts 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.

The tenor of the contracts should not exceed six months beyond which permission of the Reserve Bank would be required to continue with the contract. Forward contracts, if cancelled, shall not be eligible to be rebooked for the same inflows and exchange gains, if any, on cancellation shall not be passed on to the overseas investor.

2. Transactions denominated in foreign currency and settled in Indian Rupees

Paragraph A of Schedule I to Notification No. FEMA 25/ RB-2000 dated May 3, 2000 allows residents in India to book forward contracts in respect of transactions for which sale and/or purchase of foreign exchange is permitted under the Act or rules or regulations, directions or orders made or issued there under.

Hitherto, forward cover was not available in respect of transactions denominated in foreign currency but settled in Indian Rupees. It has now been decided to permit booking of forward contracts for hedging such transactions. These contracts shall be held till maturity and cash settlement would be made on the maturity date by cancellation of the contracts. Forward contracts covering such transactions once cancelled, are not eligible for rebooking.

As in the case of all forward contracts, Authorised Dealers may obtain a declaration from their constituents while booking such contracts confirming that the underlying exposure had not been hedged earlier.

3. Cross Currency Forward Contracts for balances in FCNR(B) Accounts

Paragraph 2 (b) of Schedule II to Notification No.FEMA 25/RB-2000 dated May 3, 2000 permits a non-resident Indian (NRI) or Overseas Corporate Bodies (OCBs) to enter into forward contracts with rupee as one of the currencies to hedge the balances held in Foreign Currency Non-Resident (FCNR) accounts.

In order to facilitate better hedging opportunities to the holders of FCNR(B) deposits, it has now been decided to allow deposit holders to book cross currency (i.e. not involving the rupee) forward contracts to convert the balances in one foreign currency to another foreign currency in which FCNR(B) deposits are permitted to be maintained, at the option of the account holder. Such contracts, once cancelled, are not eligible to be rebooked.

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

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

Non-Resident Deposits - Comprehensive Single Return
A.P.(DIR Series) Circular No.99 (April 30, 2003)

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

A.P.(DIR Series) Circular No.99

April 30, 2003

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Non-Resident Deposits - Comprehensive Single Return

Authorised Dealers are aware that the National Statistical Commission has recommended introduction of a computerised Comprehensive Single Return (CSR) for collection of data on Non-Resident deposits. With a view to implement the recommendation, Reserve Bank has developed a software package captioned 'NRD-CSR', for reporting the data on non-resident deposits through floppy disks on monthly basis as indicated therein.

2. The banks receiving and maintaining Non-Resident Deposits are accordingly required to submit the data in CSR format on monthly basis with effect from April 2003 onwards through electronic media i.e. floppy/ email. To facilitate the banks in this endeavour, the NRD-CSR package is being supplied to all the banks for the use of their head offices as well as their branches. The application has two parts, one for branches and the other for head offices. Head offices of banks will report consolidated data from all concerned branches in the prescribed format to Reserve Bank. This will replace the existing returns in forms STAT-5, 8 & 9 in due course. However, banks may continue to submit STAT-5, STAT-8 & STAT-9 returns as hitherto till further instructions.

3. The reporting format and codes to be used are given in Annexure I. The data in the prescribed format through electronic media pertaining to each month should reach Reserve Bank of India, Department of Statistical Analysis and Computer Services, C/8, Bandra Kurla Complex, Mumbai 400 051 on or before 10th of the month following the month for which it pertains. Thus the data in the revised format for the month of April 2003 should reach Reserve Bank on or before May 10, 2003.

4. The package is also available on the RBI website (www.rbi.org.in).

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

Annexure I

[A.P.(DIR Series) Circular No.99 dated April 30, 2003]

**Non-Resident Deposits - Comprehensive Single Return:
Format for electronic Reporting**

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

Format for reporting data by bank head offices to RBI in floppy			
Periodicity: Monthly			
No	Column Description	Column Type	Remarks
1.	Bank Code	7 N	Bank Working and rest are zero.
2.	Reference period	6 N	Period of Reporting (YYYYMM)
3.	Period of data (YYYYMM)	6 N	Actual period of the data record. YYYY represents Year and MM represents Month
4.	N.R. D. Scheme code	4 A	As per code Box 1
5.	Category of Account holder	1 A	I for Individual O for OCBs
6.	Original Maturity	1 N	As per code box 2
7.	Remaining Maturity	1 N	As per code box 2
8.	Country (SWIFT code)	2 A	SWIFT Country code
9.	A/c Currency (SWIFT code)	3 A	As per code box 3
10.	Record - type Code	2 A	As per Code Box 4
11.	Record - Amount	15 N	Amount equivalent in A/c currency in integer (without decimal point).

Note: Period of data can be the reporting period or prior period, to include back data, which are not yet reported to RBI. **Important:** Please do report data once only. Reporting same data repeatedly will lead to inconsistency. Once data is created using the NRD-CSR package, it also includes one more file giving Bank name, address & contact details.

In case file is prepared by bank from banks own system please report details about bank name, code, postal address, city, pin, name of officer concerned, phone & fax numbers with email id in the forwarding letter.

Details of codes used in the NRD-CSR electronic reporting format are as follows:

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

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

Code Box: 3 Currency Code		
Sr. No.	Currency Name	Currency Code
1.	Deutsche Mark	DEM
2.	EURO	EUR
3.	Pound Starling	GPB
4.	United States Dollar	USD
5.	Japanese Yen	JPY
Probable currencies acceptable under Non-Resident Deposits during the last few years as per SWIFT Code.		

Code Box 4			
Record Type Code			
No.	Record Type	Description of data item on the record	Code
1.	Inflow	Fresh inflow from abroad	FI
2.		Amount of interest reinvested	IR
3.		Amount of renewed / transfer from other A/c	PR
4.		Local inflow (for NRO Savings A/c)	LI
5.	Outflow	Amount of principal remitted abroad	PA
6.		Amount of interest remitted abroad	IA
7.		Amount of principal remitted locally	PL
8.		Amount of interest remitted locally	IL
9.		Local withdrawals	LW
10.		Transfers to other A/c	TR
11.	Balances	Opening Balance, including unclaimed	OB
12.		Closing Balance, including unclaimed	CB
13.		Unclaimed Balance	UC
14.		Interest Accrued as on end of Ref. Month	AI
15.		Interest Suspense Balance (Interest Arrears)	SB
16.		Average Interest rate for a group	AR
Note: These codes are used by the NRD-CSR package and maintained internally			

Export of Goods and Services - Exports to Warehouses Abroad
A.P. (DIR Series) Circular No.100 (May 2, 2003)

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

A.P. (DIR Series) Circular No.100

May 2, 2003

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Export of Goods and Services-
Exports to Warehouses Abroad

Attention of authorised dealers is invited to note 'B' of paragraph C.6 of Annexure to A. P. (DIR Series) Circular No.12 dated September 9, 2000 in terms of which Reserve Bank on an application made to it may permit individual exporters to hire warehouses abroad, subject to certain conditions.

2. It has now been decided that authorised dealers may consider the applications received from exporters and grant permission for opening / hiring of warehouses abroad subject to the following conditions : -

- a) Applicant's export outstanding does not exceed 5 per cent of exports made during the previous year.
- b) Applicant has a minimum export turnover of USD 1,00,000/- during the last year.
- c) Period of realisation should be as applicable i.e., 180 days for non-status holder exporters and 365 days for status holder exporters.
- d) All transactions should be routed through the designated branch of the authorised dealer.

3. Authorised dealers may grant such permissions, initially for one year and renewal thereof may be considered subject to the applicant satisfying the requirement at 2 (a). Authorised dealers granting the permission should maintain a proper record of the approvals granted.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

Repatriation of sale proceeds of immovable property in India acquired by NRIs / PIOs
A.P.(DIR Series) Circular No.101 (May 5, 2003)

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

A.P.(DIR Series) Circular No.101

May 5, 2003

To
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Repatriation of sale proceeds of
immovable property in India acquired by NRIs / PIOs

Attention of authorised dealers is invited to clause (iii) of sub-regulation (b) of Regulation 6 of Notification No. FEMA 21/2000-RB dated 3rd May 2000 read with Notification No. FEMA 65/2002-RB dated 29th June 2002 in terms of which, authorised dealers have been permitted to allow repatriation of sale proceeds of immovable property (other than agricultural land/plantation property/farm house) acquired by NRIs/PIOs to the extent of the amount paid by them for acquisition of immovable property in foreign exchange received from abroad through normal banking channels or out of the funds held in their NRE/ FCNR accounts.

2. Similarly, in terms of Regulation 8 of Notification No.FEMA 4/2000-RB dated 3rd May 2000, authorised dealers or housing finance institutions in India approved by National Housing Bank are permitted to provide housing loan to NRIs/PIOs for acquisition of residential accommodations in India, subject to the conditions stipulated therein.

3. It has now been decided that where the loan amount so raised for purchase of residential accommodation is subsequently repaid by NRIs/PIOs by remitting funds from abroad or by debit to their NRE/FCNR accounts such repayments in foreign exchange of rupee loans obtained for acquiring residential accommodation may be treated as equivalent to foreign exchange received for the purpose of clause (iii) of sub-regulation (b) of Regulation 6 of Notification No.FEMA 21/2000-RB dated 3rd May 2000 referred to above, as amended from time to time.

4. Accordingly, it will be in order for authorised dealers to allow repatriation of sale proceeds of residential accommodation purchased by NRIs/PIOs out of funds raised by them by way of loans from the authorised dealers/housing finance institutions to the extent of such loan/s repaid by them out of foreign inward remittances received through normal banking channel or by debit to their NRE/FCNR accounts.

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

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

Yours faithfully,

Grace Koshie
Chief General Manager

Rejection Risk Insurance – Remittance - Liberalisation
A.P. (DIR Series) Circular No.102 (May 7, 2003)

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

A.P. (DIR Series) Circular No.102

May 7, 2003

To
All Authorised Dealers in Foreign Exchange
Madam/Sirs,

Rejection Risk Insurance – Remittance - Liberalisation

Attention of authorised dealers is invited to sub-regulation (2) of Regulation 4 of Notification No.FEMA.12/2000-RB dated May 3, 2000 in terms of which a person resident in India is required to obtain a 'no objection' certificate from Central Government before taking any general insurance policy issued by an insurer outside India.

2. Central Government has since conveyed their no objection to allow exporters of sea-food and other perishable food/food products to avail of Rejection Risk Insurance Cover from an insurer outside India. Accordingly, it will be in order for authorised dealers to allow remittance on behalf of their exporters clients towards premium for the rejection risk insurance policies taken by them for export of sea-food and other perishable food/food products from an insurer outside India.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

International Credit Cards - Liberalisation of Facilities for Residents
A.P.(DIR Series) Circular No.103 (May 21,2003)

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

A.P.(DIR Series) Circular No.103

May 21,2003

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

International Credit Cards - Liberalisation of Facilities for Residents

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.73 dated January 24, 2003, relating to the use of International Credit Cards.

2. As a step towards further liberalisation, resident individuals maintaining a foreign currency account with an authorised dealer in India or a bank abroad, as permissible under extant Foreign Exchange Regulations, are free to obtain International Credit Cards issued by overseas banks and other reputed agencies. The charges incurred against the card either in India or abroad, can be met out of funds held in such foreign currency account/s of the card holder or through remittances, if any, from India only through a bank where the card-holder has a current or savings account. The remittance for this purpose, should also be made directly to the card-issuing agency abroad, and not to a third party.
3. It is also clarified that the applicable credit limit will be the limit fixed by the card issuing banks. There is no monetary ceiling fixed by the RBI for remittances, if any, under this facility.
4. It is further clarified that the same restriction, as is applicable presently to use of ICCs by residents, would apply for purchase of prohibited items, like lottery tickets, banned or proscribed magazines, participation in sweepstakes, payment for call back services, etc.
5. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,
Grace Koshie
Chief General Manager

Foreign Exchange Management Act, 1999 – Liberalisation
A.P.(DIR Series) Circular No.104 (May 31, 2003)

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

A.P.(DIR Series) Circular No.104

May 31, 2003

To
All Authorised Dealers in Foreign Exchange

Madam/Sir,

Foreign Exchange Management Act, 1999 - Liberalisation

Attention of authorised dealers is invited to our A.P.(DIR Series) Circulars listed below, announcing certain liberalised facilities in Capital Account transactions for a period upto June 30, 2003, subject to review.

Sr. No.	A.P.(DIR Series) Circular No.	Date	Subject
1.	66	13.01.2003	Overseas Investments – By Corporates, Individuals and Mutual Funds.
2.	67	13.01.2003	Facilities to NRIs/PIOs and Foreign Nationals
3.	68	13.01.2003	Acquisition of foreign securities by Resident individuals under ESOP Scheme
4.	69	13.01.2003	Retention of Proceeds of ADRs/GDRs abroad
5.	70	13.01.2003	External Commercial Borrowings – Parking of funds abroad
6.	71	13.01.2003	Acquisition of immovable property outside India – Branches/trading offices overseas
7.	78	14.02.2003	EEFC Account Scheme – Extension of trade related loans/advances to overseas importers

2. It has now been decided to extend these facilities beyond June 30, 2003 till further notice.

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

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

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

Yours faithfully,

: 2 :

Grace Koshie
Chief General Manager

**Supply of goods by Special Economic Zones (SEZs) to Units in Domestic Tariff
Area (DTA) against payment in foreign exchange
A.P.(DIR Series) Circular No.105 (June 16, 2003)**

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

A.P.(DIR Series) Circular No.105

June 16, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Supply of goods by Special Economic Zones (SEZs) to Units in Domestic Tariff
Area (DTA) against payment in foreign exchange**

Attention of authorised dealers is invited to paragraph 8 of Annexure to A.P.(DIR Series) Circular No.54 dated November 25, 2002, in terms of which Units in Domestic Tariff Areas (DTAs) have been permitted to purchase foreign exchange from authorised dealers to pay for the goods supplied to them by 100% EOUs, EPZs, EHTPs and STPs. It has now been decided to extend this facility to units in DTAs for making payment towards goods supplied to them by Units in Special Economic Zones (SEZs).

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

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

Yours faithfully,

**Grace Koshie
Chief General Manager**

Foreign Exchange Management Act - 1999 Import of Goods into India
A.P.(DIR Series) Circular No.106 (June 19, 2003)

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

A.P.(DIR Series) Circular No.106

June 19, 2003

To

All Authorised Dealers in Foreign Exchange.

Madam/Sir,

Foreign Exchange Management Act - 1999 Import of Goods into India

Attention of authorised dealers is invited to the Annexure to A.P.(DIR Series) Circular No. 9 dated August 24, 2000 containing directions to be followed by authorised dealers while dealing with applications relating to import of goods into India. With a view to liberalising and simplifying the procedure for import, existing guidelines have been reviewed and the revised directions are laid down in the Annexure to this circular.

2. As import trade is regulated by the Directorate General of Foreign Trade(DGFT) under Ministry of Commerce & Industry, Department of Commerce, Government of India, authorised dealers, while undertaking import transactions, should ensure that the imports into India are in conformity with the Export Import Policy in force and Foreign Exchange Management (Current Account Transactions) Rules, 2000 framed by Government of India vide Notification No. G.S.R.381 (E) dated May 3, 2000 and the directions issued by Reserve Bank under Foreign Exchange Management Act from time to time.

3. Authorised dealers have to follow normal banking procedures and adhere to the provisions of Uniform Customs and Practices for Documentary Credits (UCPDC), etc. while opening letters of credit for import into India on behalf of their constituents. In respect of import of drawings and designs, compliance with the provisions of Research & Development Cess Act, 1986 may be ensured. Authorised dealers may also advise importers to ensure compliance with the provisions of Income Tax Act, wherever applicable.

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

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

Yours faithfully,

Grace Koshie
Chief General Manager

IMPORT OF GOODS

Section A

A.1 General

Rules and Regulations from the Exchange Control angle to be followed by the authorised dealers while undertaking import payment transactions on behalf of their clients are set out in the following paragraphs. Where specific regulations do not exist, authorised dealers may be governed by normal trade practices. Authorised dealers may particularly note to adhere to “Know Your Customer” (KYC) guidelines issued by Reserve Bank (Department of Banking Operations & Development) in all their dealings.

A.2 Form A 1

Applications by persons, firms and companies for making payments, exceeding USD 500 or its equivalent, towards imports into India must be made on appropriate form A 1.

A.3 Import Licences

Authorised dealers may freely open letters of credit and allow remittances for import of goods unless they are included in the negative list requiring licence under the EXIM Policy in force. In such cases, licences marked ‘For Exchange Control purposes’ should be called for and special conditions, if any, attached to such licences adhered to. Exchange Control copy of the import licence submitted by importer for opening of Letter of Credit or making remittance, when fully utilised, should be retained by authorised dealers and may be preserved till its scrutiny by the internal auditors or inspectors is completed.

A.4 Obligation of Purchaser of Foreign Exchange

- (i) In terms of Section 10(6) of the Foreign Exchange Management Act, 1999 (FEMA), any person acquiring foreign exchange is permitted to use it either for the purpose mentioned in the declaration made by him to an authorised dealer under Section 10(5) of the Act or to use it for any other purpose for which acquisition of exchange is permissible under the said Act, or Rules or Regulations framed thereunder.
- (ii) Where foreign exchange acquired has been utilised for import of goods into India the authorised dealer should ensure that importer furnishes an evidence of import to his satisfaction, as laid down in paragraph A.10.
- iii) In addition to the permitted methods of payment for imports laid down in Notification No.FEMA14/2000-RB dated 3rd May 2000, payment for import can also be made by way of credit to non-resident account of the overseas exporter maintained with a bank in India. In such cases also authorised dealer should ensure compliance with the instructions contained in sub-paragraphs (i) and (ii) above.

A.5 Time Limit for Settlement of Import Payments

- (i) In terms of the extant regulations, remittances against imports should be completed not later than six months from the date of shipment except in cases where amounts are withheld towards guarantee of performance etc. Deferred payment arrangements including payments beyond a period of six months from date of shipment are treated as External Commercial Borrowings (ECBs). For deferred or delayed payment imports, authorised dealers may adhere to the instructions issued vide A.P.(DIR Series) Circular No.25 dated September 27, 2002 read with regulations 5(3) of Notification No. FEMA 3/2000-RB dated 3rd May 2000.
- (ii) Authorised dealers may permit settlement of import dues delayed due to disputes, financial difficulties etc. Interest in respect of such delayed payments may be permitted in terms of the directions in para A.7 below.

NOTE: Remittances against import of books may be allowed without restriction as to time limit, provided, interest payment, if any, is as per the instructions in para A.7

A.6 Advance Remittance

Authorised dealers may allow advance remittance for import of goods without any ceiling subject to the following conditions :

- a) If the amount of advance remittance exceeds USD 100,000 or its equivalent, an unconditional, irrevocable standby Letter of Credit or a guarantee from an international bank of repute situated outside India or a guarantee of an authorised dealer in India, if such a guarantee is issued against the counter-guarantee of an international bank of repute situated outside India, is obtained.
- b) Physical import of goods into India is made within six months (three years in case of capital goods) from the date of remittance and the importer gives an undertaking to furnish documentary evidence of import within fifteen days from the close of the relevant period.
- c) In the event of non-import of goods, authorised dealer should ensure that the amount of advance remittance is repatriated to India or is utilised for any other purposes for which release of exchange is permissible under the Act, Rules or Regulations made thereunder.

A.7 Interest on Import Bills

Authorised dealers may allow payment of interest on usance bills or overdue interest **for a period of less than three years** from the date of shipment at the rate prescribed in A.P. (DIR Series) Circular No.25 dated September 27, 2002 without prior approval of Reserve Bank.

A.8 Remittances against Replacement Imports

Where goods are short-supplied, damaged, short-landed or lost in transit and the Exchange Control copy of the import licence has already been utilised to cover the opening of a letter of credit against the original goods which have been lost, the original endorsement to the extent of the value of the lost goods may be cancelled by authorised dealers and fresh remittance

for replacement imports permitted without reference to Reserve Bank, provided the insurance claim relating to the lost goods has been settled in favour of the importer. It may be ensured that the consignment being replaced is shipped within the validity period of the licence.

A.9 Guarantee for Replacement Import

In case replacement goods for defective import are being sent by the overseas supplier before the defective goods imported earlier are reshipped out of India, authorised dealers may issue guarantees at the request of importer client for despatch/return of the defective goods, according to their commercial judgement.

A.10.1 Evidence of Import

- (i) In case of all imports, where value of foreign exchange remitted/paid for import into India exceeds USD 25,000 or its equivalent, it is obligatory on the part of the authorised dealers through whom the relative remittance was made, to ensure that the importer submits :-
 - a) the Exchange Control copy of the Bill of Entry for home consumption, or
 - b) in case of 100% Export Oriented Units the Exchange Control copy of the Bill of Entry for warehousing, or
 - c) Customs Assessment Certificate or Postal Appraisal Form, as declared by the importer to the Customs Authorities, where import has been made by post, as an evidence that the goods for which the payment was made have actually been imported into India.
- ii) Where imports are made in non-physical form, i.e., software or data through internet/datacom channels and drawings and designs through e-mail/fax, a certificate from a Chartered Accountant that the software/data/ drawing/ design has been received by the importer, may be obtained.

Note: Authorised dealers should advise importers to keep Customs Authorities informed of the imports made by them under this clause.

- iii) In respect of imports on D/A basis, authorised dealers should insist on production of evidence of import at the time of effecting remittance of import bill. However, if importers fail to produce documentary evidence due to genuine reasons such as non-arrival of consignment, delay in delivery/customs clearance of consignment, etc., authorised dealers may, if satisfied with the genuineness of request, allow reasonable time, not exceeding three months from the date of remittance, to the importer to submit the evidence of import.
- iv) Authorised dealers should acknowledge receipt of evidence of import e.g. Exchange Control copy of the Bill of Entry, Postal Appraisal Form or Customs Assessment Certificate, etc., from importers by issuing acknowledgement slips containing all relevant particulars relating to the import transactions.
- v) Internal inspectors or auditors (including external auditors appointed by authorised dealers) should carry out 100 per cent verification of the documents evidencing import,

e.g. Exchange Control copies of Bills of Entry or Postal Appraisal Forms or Customs Assessment Certificates, etc.,

- vi) Documents evidencing import into India should be preserved by authorised dealers for a period of one year from the date of its verification. However, in respect of cases which are under investigation by investigating agencies, the documents may be destroyed **only** after obtaining clearance from the investigating agency concerned.

A.10.2 Authorised dealers may accept either Exchange Control copy of Bill of Entry for home consumption or a certificate from the Chief Executive Officer (CEO) or auditor of the company that the goods for which remittance was made have actually been imported into India provided :-

- i) the amount of foreign exchange remitted is less than USD 1,00,000 or its equivalent,
 - ii) the importer is a company listed on a stock exchange in India and whose net worth is not less than Rs.100 crores as on the date of its last audited balance sheet,
- or

the importer is a public sector company or an undertaking of the Government of India or its departments.

The above facility may also be extended to autonomous bodies, including scientific bodies/academic institutions, such as Indian Institute of Science / Indian Institute of Technology etc. whose accounts are audited by the Comptroller and Auditor General of India(CAG). Authorised dealers may insist on a declaration from the auditor/CEO of such institutions that their accounts are audited by CAG.

A.11 Follow up for Import Evidence

- i) In case an importer does not furnish any documentary evidence of import, as required under paragraphs A.10.1 & 2 above, within 3 months from the date of remittance involving foreign exchange exceeding USD 25,000, the authorised dealer should rigorously follow-up for the next 3 months, including issue of registered letters to the importer.
- ii) Authorised dealers should forward to Reserve Bank a statement on half- yearly basis as at the end of June & December of every year, in form BEF (format enclosed) furnishing details of import transactions, exceeding USD 25,000 in respect of which importers have defaulted in submission of appropriate document evidencing import within 6 months from the date of remittance. The said half-yearly statement should be submitted to the Regional Office of Reserve Bank under whose jurisdiction the authorised dealer is functioning, within 15 days from the close of the half-year to which the statement relates.

A.12 Receipt of import Bills/Documents

- (i) Import bills and documents should be received from the banker of the supplier by the banker of the importer in India. Authorised dealers should not, therefore, make remittances where import bills have been received directly by the importers from the overseas supplier, except in the following cases:
 - a. Where the value of import bill does not exceed USD 10,000.

- b. Import bills received by wholly-owned Indian subsidiaries of foreign companies from their principals.
 - c. Import bills received by Super Star Trading Houses, Star Trading Houses, Trading Houses, Export Houses, 100% Export Oriented Units/ Units in Free Trade Zones, Public Sector Undertakings and Limited Companies.
 - d. Where the value of import bill does not exceed USD 25,000 in respect of import of -
 - i. books and magazines
 - ii. life saving drugs/equipments by Hospitals, etc. and
 - iii. imports by reputed research and other development institutions like Tata Institute of Fundamental Research, C-DOT, Indian Institute of Technology, Indian Institute of Science and Universities.
 - e. Import bills received by all limited companies viz. public limited, deemed public limited and private limited companies.
- (ii) In all other cases, at the request of importer clients, authorised dealers may receive bills direct from the overseas supplier up to USD 25,000 (U.S. Dollars Twenty five thousand only), provided the authorised dealer is fully satisfied about the financial standing/status and track record of the importer customer. Before extending the facility, authorised dealer should obtain report on each individual overseas supplier from the overseas banker or reputed credit agency.

A.13 Import of Gold/Platinum/Silver by Nominated Banks/Agencies

- i) Import of gold on consignment basis

Gold may be imported by the nominated agencies/banks on consignment basis where the ownership will remain with the supplier and the importer (consignee) will be acting as an agent of the supplier (consignor). Remittances towards the cost of import shall be made as and when sales take place and in terms of the provisions of agreement entered into between the overseas supplier and nominated agency/bank.

- ii) Import of gold on unfixed price basis

The nominated agency/bank may import gold on outright purchase basis subject to the condition that although ownership of the gold shall be passed on to the importer at the time of import itself, the price of gold shall be fixed later, as and when the importer sells the gold to the users.

NOTE : Instructions contained in this paragraph would also apply to import of platinum and silver.

A.14 Import factoring

Authorised dealers may enter into arrangements with international factoring companies of repute, preferably members of Factors Chain International, without approval of Reserve Bank. However, authorised dealers will have to ensure compliance

with the extant exchange control directions relating to imports, EXIM policy in force and any other guidelines/directives issued by Reserve Bank in this regard.

Section-B

Merchanting Trade

Authorised dealers may take necessary precautions in handling merchanting trade transactions or intermediary trade transactions to ensure that (a) goods involved in the transactions are permitted to be imported into India, (b) such transactions do not involve foreign exchange outlay for a period exceeding three months, and (c) all rules, regulations and directions applicable to export out of India (except Export Declaration Form) are complied with in respect of the export leg and all rules, regulations and directions applicable to import (except Bill of Entry) are complied with in respect of the import leg of merchanting trade transactions. Authorised dealers are also required to ensure timely receipt of payment for the export leg of such transactions.

Section – C

Import of Currency

Import of currency, including cheques, is governed by clause (g) of sub-section (3) of Section 6 of the Foreign Exchange Management Act, 1999, and the Foreign Exchange Management (Export and Import of Currency) Regulations 2000, made by Reserve Bank vide Notification No.FEMA 6/RB- 2000 dated May 3, 2000 and No.FEMA 38/RB-2001 dated February 27, 2001.

BEF

(See paragraph A.11)

Statement showing the details of remittances effected towards import in respect of which documentary evidence has not been received despite reminders

Name and address of AD branch.....

Name of Controlling Office of AD branch

Statement for the half-year ended

NOTES:

- i) The statement should be submitted in duplicate, to the Regional Office of Reserve Bank under whose jurisdiction the A.D. branch is functioning.
- ii) Details of transactions where the amount of remittance exceeds USD 25000 or its equivalent should only be included in the statement.
- iii) In cases where, at the time of advance remittance, purpose of remittance was as import and subsequently the exchange has been used for other purpose for which sale of exchange is permissible, and a document to the satisfaction of authorised dealer has been produced, such cases should not be treated as default and hence be excluded from the BEF statement.
- iv) Authorised dealers may accept 'Into Bond Bill of Entry' as a provisional evidence of import into India. However, they may ensure submission of Exchange Control copy of the Bill of Entry for Home consumption within a reasonable period of time. Wherever 'Into Bond Bill of Entry' has been submitted, such cases need not be reported in BEF statement.
- v) The statement should include details of all remittances, exceeding USD 25,000 from India or payments from abroad in connection with imports, including advance payments, delayed payments, etc. irrespective of the source of funding (i.e. EEFC accounts/foreign currency accounts maintained in India and abroad, payments out of external commercial borrowings, foreign investments in the shares of importers etc.)
- vi) The cases reported in Part I of statement for the previous half-year should not be reported again in Part I of the statement for the current half-year.
- vii) In case no transaction is required to be reported, 'NIL' statement should be submitted.
- viii) Statement should be submitted within 15 days from the close of the half-year to which it relates.

Part I**Information regarding importers who have defaulted in submission of the documentary evidence of import**

Part II

Information regarding subsequent receipt of documentary evidence of Import from importers whose names were reported in Part I of earlier BEF statement/s

Sr.No.	Name and address of the importer	Period of the BEF statement and serial No. of the transaction reported earlier in Part I of BEF statement	Date of receipt	Amount of remittance		Remarks
				Currency & Amount	Rupee equivalent	
1	2	3	4	5		6
A. Import by parties other than Public Sector Undertakings/Government Departments						
1						
2						
3						
4						
Etc						
B. Import by Public Sector Undertakings/Government Departments						

Note : The transactions reported in Part II of BEF statement of earlier half-year should not be repeated in Part II of the current half-year.

C E R T I F I C A T E

- i) We certify that the particulars furnished above are true and correct as per our records.
- ii) We further certify that the statement includes all cases which are required to be reported under the prescribed procedure.
- iii) We undertake to continue to pursue the cases with the importers reported in Part I of the statement.

Stamp

(Signature of the Authorised Official)

Place:

Date:

Name :

Designation :

**Overseas Direct Investment – Amendments to Forms
A. P. (DIR Series) Circular No.107 (June 19, 2003)**

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

A. P. (DIR Series) Circular No.107

June 19, 2003

To

All Authorised Dealers in Foreign Exchange

Madam/ Sirs,

Overseas Direct Investment – Amendments to Forms

Attention of authorised dealers is invited to the Foreign Exchange Management (Transfer or issue of any foreign security) Regulations, 2000 notified by the Reserve Bank vide notification No. FEMA 19/RB-2000 as amended from time to time.

In order to reflect the procedural modifications effected and liberalisation measures initiated in the sphere of overseas direct investment in the recent past, following amendments have been made to the Form ODA and detailed instructions are given for filling forms ODA, ODI, ODB & ODG :

- | | | | |
|----|----------|---|----------------------------------|
| a) | Form ODA | Amendment to Declaration | Annexure I |
| b) | Form ODA | Amendment to Certificate by the Statutory Auditor of the Investor Company | Annexure II |
| c) | | Instructions for filling up the forms ODA, ODI, ODB and ODG | Annexures III to VI respectively |
2. Necessary amendments to the Foreign Exchange Management (Transfer or issue of any foreign security) Regulations 2000 are being notified separately.
3. Authorised Dealers may bring the contents of this circular to the notice of their concerned constituents.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie
Chief General Manager

ANNEXURE I

DECLARATION

We hereby certify that

- (i) the information furnished above are true and correct,
- (ii) all the legal and other formalities in India and the host country for the above investment have been/will be complied with,
- (iii) the amount of investment by way of equity/loan and 50% of the guarantee, either out of market purchase of foreign exchange or the balances held in the EEFC account, utilisation of ADR/GDR proceeds, capitalisation of exports/other entitlements is within the limit of US\$ 100.00 mn. on an annual basis, as per extant regulations and
- (iv) no investigations by Directorate of Enforcement are pending against us
- (v) our name is not in the Exporters' Caution List of the Reserve Bank / list of defaulters to the Banking system circulated by the RBI, or under investigation by the Enforcement Directorate/ SEBI/IRDA etc.

(Signature of authorised official)

Place: _____

Date : _____

Stamp/Sea

Name:-----
Designation-----

List of enclosures :

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

ANNEXURE-II

Certificate by the Statutory Auditors of the Indian party

It is certified that the terms and conditions contained in FEMA Notification 19/RB-2000 dated May 3, 2000 as amended from time to time (Foreign Exchange Management (Transfer or issue of any foreign securities) Regulations, 2000) have been complied with by the Indian party in respect of the investment under report. In particular, it is further certified that- (i) the investment is not in real estate oriented or banking business, and (ii)* the amount of foreign exchange proposed to be purchased for remittance towards the investment together with remittances already made and exports and other dues capitalised for investment abroad during the current financial year under the Automatic Route is/will be within 100 % of the net worth of the Indian party as on the date of last audited balance sheet, (iii)**that the Indian party has (a) a minimum networth of Rs.15 crores; (b)has made net profits during preceding three years, (c) has fulfilled the prudential norms of capital adequacy as prescribed by the concerned regulatory authority; and (d) has been registered with the appropriate regulatory authority in India for conducting financial services activity and (vi)*** proceeds of ADR/GDR being used for the investment is within 100 % of the amount raised abroad by way of ADR/GDR issues.

* Applicable if investment in part or full is funded out of purchase of foreign exchange from market and/or capitalisation of exports & other dues.

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

*** Applicable where investment is funded, in part or full, out of ADR/GDR proceeds.

ANNEXURE-III

Instructions for filling up the Form ODA

1. The Form ODA, as specified in Regulation 6(2)(vii), in duplicate, should be submitted to the authorised dealer for the purpose of making remittance.
2. The form should be complete in all respects and accompanied by
 - (i) certificate from the statutory auditors in the format given in the form and
 - (ii) certified copy of the resolution of the Board of Directors approving the investment.

In respect of supplementary proposals involving additional equity, loan or guarantee, the particulars furnished in form **ODA** submitted earlier in respect of the same JV/WOS need not be insisted upon; however, revised particulars of the repatriable entitlements etc., to the extent applicable, may only be obtained.

3. Where there is more than one Indian party making investment in the same JV/WOS overseas, form ODA should be obtained by all the Indian parties jointly along with a certificate(s) from other ADs, if remittances are effected by the latter.
4. In case where the Indian party is successful in the bid for overseas acquisitions for which it has already made remittance towards Earnest Money Deposit or issued bid bond guarantee, under a bidding or tender procedure, while effecting the final remittance towards such acquisition, a report in the form ODA may be obtained.

ANNEXURE-IV

Instructions for filling up the Form ODI

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

- (1) Application complete in all respects should be submitted in two sets together with the following documents to the Chief General Manager, Reserve Bank of India, Exchange Control Department, Central Office, Overseas Investment Division (OID), Amar Building, Mumbai - 400 001 :
 - (a) Draft Joint Venture Agreement (or Memorandum & Articles of Association in the case of a Wholly Owned Subsidiary) specifying the equity structure, management, rights and responsibilities of shareholders and also draft agreement(s) for supply of technical know-how, management and other services, if applicable.

- (b) A detailed project/feasibility report incorporating, inter alia, projected funds flow statement and balance sheets for five years, the information on various leverage and profitability ratios like debt-equity ratio, debt service coverage ratio, return on investments, etc. of the foreign concern accompanied by the statement from a Chartered Accountant certifying the ratios and projections, given in the application/report.
- (c) A report from the bankers of the Indian party in sealed/closed cover.
- (d) The latest Annual Accounts, i.e. Balance Sheet and Profit and Loss Account along with the Directors' Report of the Indian party and of the foreign collaborator in case of a joint venture.
- (e) Additional documents as under, if the application is made for partial/full take over of an existing foreign concern :-
 - (i) A copy of the certificate of incorporation of the foreign concern;
 - (ii) Latest Annual Accounts, i.e. the Balance Sheet and Profit and Loss Account along with Directors' report of the foreign concern ; and
 - (iii) A copy of the share valuation certificate from
 - (i) where the investment is more than US \$ 5 (five) million, by a Category I Merchant Banker registered with SEBI or an Investment Banker/Merchant Banker registered with the appropriate regulatory authority in the host country; and
 - (ii) in all other cases, by a Chartered Accountant or a Certified Public Accountant
- (f) A copy of the resolution of the Board of Directors of the Indian party/(ies) approving the proposed investment.
- (g) Where investment is in the financial services sector, a certificate from a Chartered Accountant/Auditor's firm to the effect that the Indian Party :
 - (i) has earned a net profit during the preceding three years from the financial services activity;
 - (ii) is registered with the appropriate regulatory authorities;
 - (iii) has a minimum net-worth (paid-up capital and free reserves) of not less than Rs.15 crores as on the date of last audited balance sheet; and
 - (iv) has fulfilled the prudential norms relating to capital adequacy as prescribed by the concerned regulatory authority in India.

2. Where there are more than one Indian promoter of the JV/WOS, only one application should be submitted on behalf of all the promoters.
- 3 (a) In case an Indian party is seeking approval for acquisition of overseas concern through bidding/tender procedure (with/without remittance of any earnest money deposit (EMD)/issue of bid bond guarantee), Indian Party should approach the Reserve Bank atleast one month in advance from the last date for submission of bid to the overseas authority with the following documents :
 - i) application in form ODI, to the extent applicable;
 - ii) certified relevant extracts of the terms and conditions of bid;
 - iii) Chartered Accountant's certificate indicating the valuation of shares and assets of the overseas concern justifying the acquisition price, where applicable; and
 - iv) a project/feasibility report.
- (b) In the case where the bid is won by the Indian Party but the terms and conditions of the acquisition are different from those furnished earlier to the Reserve Bank, the Indian Party should apply afresh to the Reserve Bank in form ODI for prior approval before putting through the transaction.

ANNEXURE-V

Instructions for filling up the form ODB

1. The form complete in all respects should be submitted in triplicate to the Chief General Manager, Reserve Bank of India, Exchange Control Department, Central Office, Overseas Investment Division, Amar Building, Mumbai-400 001.
2. For foreign currency SWIFT codes may be used.
3. If any specific acquisition deal has been negotiated, the details thereof including the name of the overseas company being acquired, its performance for the last three years, share exchange ratio, acquisition price, valuation report
4. A brief write-up incorporating, inter alia, the tentative business plan of overseas unit/s being acquired, country of location of such foreign companies and their line of activity and financial and operational particulars, rough estimates of acquisition cost and the basis thereof, likely benefits to the applicant company and the country from such acquisitions, such as, synergy between operations, dividend and other inflows, access to technology, incremental exports, etc. should be enclosed to this form. The information furnished will be kept confidential.

5. A note indicating likely benefits to the acquiring company may also be furnished as an Annexure.

ANNEXURE-VI

Instructions for filling up the form ODG

(This may be detached and retained by the Indian company)

1. ODG form complete in all respects should be submitted in triplicate to the Chief General Manager, Exchange Control Department, Reserve Bank of India, Central Office, Overseas Investment Division, Amar Building, Mumbai - 400 001.
2. The following documents should be enclosed to this form :-
 - (A) A statement from the Statutory Auditors of the Indian company certifying that
 - i) the Indian Party has already made an ADR and / or GDR issue and that such ADRs/GDRs are currently listed on any stock exchange outside India; such investment by the Indian Party does not exceed the higher of the following amounts, namely: -
 - i. amount equivalent of US\$ 100 mn. or
 - ii. amount equivalent to 10 times the export earnings of the Indian Party during the preceding financial year as reflected in its audited balance-sheet, inclusive of all investments made under Regulations in Part I, including under (i) of this clause, in the same financial year,
 - ii) the issued amount of the ADRs/GDRs exchanged for acquiring shares of the overseas (acquired) company is within the limit specified in the Foreign Exchange Management (Transfer or issue of any foreign security) Regulations, 2000
 - iii) the ADRs and/or GDRs issued for the purpose of acquisitions are backed by underlying fresh equity shares of the Indian party;
 - iv) after the new ADR and/or GDR issue, the total holding in the Indian party by persons resident outside India in the expanded capital base, does not exceed the sectoral cap prescribed under the relevant regulations for such investments in the activities in which the Indian party is engaged; and
 - v) where the shares of the foreign (acquired) company are not listed in any stock exchange, its valuation for acquisition is in accordance with the recommendations of the Investment Banker

or

where the shares of the foreign (acquired) company is listed on a stock exchange abroad, the valuation of its shares is based on current market capitalisation of the acquired company arrived at on the basis of monthly average price on any stock exchange abroad for the 3 months preceding the month in which the acquisition is committed and over and above, the premium, if any, as recommended by the Investment Banker in its due diligence report.

- (B) Copy of the report together with due diligence report, if any, from an Investment Banker in support of the valuation as indicated at above.
- (C) Other relevant documents as submitted to the Stock Exchange/Regulatory Authorities in the host country of the company acquired.

Foreign currency- Rupee Options
A.P.(DIR Series) Circular No.108 (June 21, 2003)

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

A.P.(DIR Series) Circular No.108

June 21, 2003

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Foreign currency- Rupee Options

As a part of developing the derivative market in India and adding to the spectrum of hedge products available to residents and non-residents for hedging currency exposures, it has been decided to permit foreign currency – rupee options with effect from July 7, 2003. Authorised dealers will be permitted to offer the product under the following terms and conditions:

- a) This product may be offered by authorised dealers having a minimum CRAR of 9 per cent, on a back-to-back basis.
- b) Authorised dealers having adequate internal control, risk monitoring/ management systems, mark to market mechanism and fulfilling the following criteria will be allowed to run an option book after obtaining a one time approval from the Reserve Bank:
 - i. Continuous profitability for at least three years
 - ii. Minimum CRAR of 9 per cent
 - iii. Net NPAs at reasonable levels (not more than 5 per cent of net advances)
 - iv. Minimum Net worth not less than Rs. 200 crore
- c) Initially, authorised dealers can offer only plain vanilla European options.
- d)
 - i. Customers can purchase call or put options.
 - ii. Customers can also enter into packaged products involving cost reduction structures provided the structure does not increase the underlying risk and does not involve customers receiving premium.
 - iii. Writing of options by customers is not permitted.
- e) Authorised dealers shall obtain an undertaking from customers interested in using the product that they have clearly understood the nature of the product and its inherent risks.
- f) Authorised dealers 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 maturity, the contract may be cash settled based on the market value of an identical offsetting option.

h) All the conditions applicable for booking, rolling over and cancellation of forward contracts would be applicable to option contracts also. The limit available for booking of forward contracts on past performance basis- i.e. contracts outstanding not to exceed 25 per cent of the average of the previous three years' import/export turnover within a cap of USD 100 mio- would be inclusive of option transactions. Higher limits will be permitted on a case-by-case basis on application to the Reserve Bank as in the case of forward contracts.

i) Only one hedge transaction can be booked against a particular exposure/ part thereof for a given time period.

j) Option contracts cannot be used to hedge contingent or derived exposures (except exposures arising out of submission of tender bids in foreign exchange).

2. Users

a) Customers who have genuine foreign currency exposures in accordance with Schedules I and II of Notification No. FEMA 25/2000-RB dated May 3, 2000 as amended from time to time are eligible to enter into option contracts.

b) Authorised dealers can use the product for the purpose of hedging trading books and balance sheet exposures.

3. Risk Management and Regulatory Issues

a) Authorised dealers wishing to run an option book and act as market makers may apply to the Chief General Manager, Reserve Bank of India, Exchange Control Department, Forex Markets Division, Central Office, Fort, Mumbai-400001 with a copy of the approval of the Competent Authority (Board/Risk Committee/ALCO) and a copy of the detailed memorandum put up in this regard. Authorised dealers who wish to use the product on a back-to-back basis may keep the above Division informed in this regard.

b) Market makers would be allowed to hedge the 'Delta' of their option portfolio by accessing the spot markets. Other 'Greeks' may be hedged by entering into option transactions in the inter-bank market. The 'Delta' of the option contract would form part of the overnight open position. As regards inclusion of option contracts for the purpose of 'AGL', the "delta equivalent" as at the end of each maturity shall be taken into account. . The residual maturity (life) of each outstanding option contracts can be taken as the basis for the purpose of grouping under various maturity buckets. (For definition of the various 'Greeks' relating to option contracts, please refer the report of the RBI Technical Committee on foreign currency-rupee options -- relevant extracts are given in Annexure II).

c) For the present, authorised dealers are expected to manage the option portfolio within the risk management limits already approved by the Reserve Bank.

d) Authorised dealers 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-rupee options.

e) 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.

4. Reporting

Authorised dealers are required to report to the Reserve Bank on a weekly basis the transactions undertaken as per the format appended to this circular, Annexure I.

5. Accounting

The accounting framework for option contracts will be as per FEDAI Circular No.SPL-24/FC-Rupee Options /2003 dated May 29,2003.

6. Documentation

Market participants may follow only ISDA documentation.

7. Capital Requirements

Capital requirements will be as per guidelines issued by our Department of Banking Operations and Development (DBOD) from time to time.

8. Banks should train their staff adequately and put in place necessary risk management systems before they undertake option transactions. They should also take steps to familiarise their constituents with the product.

9. The need for continuance of the product will be reviewed after six months based on the market development.

10. Necessary amendments to the Foreign Exchange Management Regulations, 2000 are being issued separately.

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

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

Yours faithfully,
Grace Koshie
Chief General Manager

Annexure I

[A..P.(DIR Series) Circular No.108
dated June 21, 2003]

Option Transaction Report for the week ended_____

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

*Mention balance sheet, trading or client related.

[A..P.(DIR Series) Circular No.108
dated June 21, 2003]

The Greeks in detail

Delta

The delta of an FX option is the rate of change of the option price with respect to the change in the underlying exchange rate. Mathematically, delta is the partial derivative of the option price with respect to the exchange rate.

$$\Delta = \frac{\partial C}{\partial S}$$

Where C is the value of the option and S is the underlying spot exchange rate.

Under Black & Scholes model, the delta of European call options on a currency is given by

$$\Delta = e^{-rt} N(d_1)$$

And for European put option on a currency,

$$\Delta = e^{-rt} [N(d_1) - 1]$$

Delta Hedging

As per the Black Scholes model it is possible to set up a riskless portfolio i.e. hedge one's risk by taking a position in the underlying for a position in the derivative. Expressed in terms of delta, the riskless portfolio is:

-1: Option
+Δ: USD/INR

The delta of an option changes with exchange rate. So to remain hedged, delta has to be rebalanced periodically.

Gamma

The gamma, Γ , of a foreign exchange option is the rate of change of the delta of the option with respect to change in the exchange rate. It is the second partial derivative of the portfolio with respect to the exchange rate:

$$\Gamma = \frac{\partial^2 C}{\partial S^2}$$

For European call or put option on a currency,

$$\Gamma = e^{-rt} N'(d_1) / S_0 \sigma T^{1/2}$$

Gamma hedging

A small gamma indicates that the delta changes slowly and hence the adjustments to keep a portfolio delta neutral are relatively infrequent. However, for large gamma the frequency of adjustments is relatively higher. The Gamma of a portfolio can be changed only using derivatives. A position in either the underlying itself or a forward contract on the underlying has zero gamma and cannot be used to change the gamma of a portfolio.

Vega

The Vega of an option, V , is the rate of change of the value of the option with respect to the volatility of the exchange rate:

$$V = \frac{\partial C}{\partial \sigma}$$

Here, σ is the volatility of the underlying exchange rate. Under Black Scholes model, this would be estimated as the standard deviation of the lognormal returns of the underlying FX price time series.

Under the Black Scholes model, for European call or put option on a currency,

$$V = S_0 T^{1/2} N'(d_1) e^{-r_f T}$$

Vega hedging

If Vega is high in absolute terms, the portfolio's value is very sensitive to small changes in volatility. A position in the underlying asset or in a forward contract has zero Vega. However, the Vega of a portfolio can be changed by adding a position in a traded option. If V is the Vega of the portfolio and V_T is the Vega of a traded option, a position of $-V/V_T$ in the traded option makes the portfolio Vega neutral.

Theta

The theta of an option, Θ , is the rate of change of the option with respect to the passage of time. Theta is also referred to as the time decay of the option. Theta is usually negative for an option (An exception to this could be an in-the-money European call option on a currency with very high interest rates). This is because as time passes, the option tends to become less valuable.

Theta Hedging

Theta is not the same type of hedge parameter as delta. There is uncertainty about the future stock price, but there is no uncertainty about the passage of time.

Rho

Rho is the rate of change of the option value with respect to the interest rate.

$$\rho = \frac{\partial C}{\partial r}$$

In case of currency options, there are two rhos corresponding to the two interest rates.

The rho corresponding to the domestic interest rate is given by

$$\text{Call: } \rho = X T e^{-r_f T} N(d_2)$$

$$\text{Put: } \rho = -X T e^{-r_f T} N(-d_2)$$

The rho corresponding to the foreign interest rate is given by

$$\text{Call: } \rho = -T e^{-r_f T} S_0 N(d_1)$$

$$\text{Put: } \rho = T e^{-r_f T} S_0 N(-d_1)$$

Rho hedging

Interest rate have comparatively lower volatility. For longer tenure options rho can be hedged using interest rate swaps (MIFOR curve to hedge INR Rho and USD LIBOR swaps to hedge USD Rho).