

RBI/2007-2008/90

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

July 05, 2007

To

All Category – I Authorised Dealer Banks and Regional Rural Banks

Madam / Sir,

Acceptance of FCNR(B) Deposits by Regional Rural Banks (RRBs)

In terms of Regulation 5 and Schedule 2 to Foreign Exchange Management (Deposit) Regulations notified vide Notification No. FEMA 5/2000-RB dated May 3, 2000, as amended from time to time, only Authorised Dealer Category - I (AD Category – I) banks are permitted to accept deposit from Non-Resident Indians (NRIs) under Foreign Currency (Non-Resident) Account (Banks) [FCNR(B)] Scheme. Furthermore, Regional Rural Banks (RRBs) have been allowed to accept deposits from NRIs / PIO under the Non-Resident Ordinary Rupee Account Scheme (NRO) and Non-resident (External) Rupee Account Scheme (NRE) [cf Circular No. RPCD RRB NO. BC 89/03.05.33(C)/99-2000 dated April 28, 2000].

2. In the Union Budget for 2007-08, it has been announced that Regional Rural Banks (RRBs) would be authorised to open and maintain FCNR (B) Deposit accounts by NRIs / PIO. Accordingly, with a view to make foreign exchange services available to the NRIs / PIO on a wider scale, it has been decided to allow the RRBs, duly authorised for the purpose, to also accept FCNR (B) deposits from NRIs /PIO.

3. In this context, the eligibility criteria prescribed for opening and maintaining NRO and NRE accounts have also been reviewed and in supercession of the instructions contained in the abovementioned circular, Reserve Bank has issued revised criteria for RRBs, for opening and maintaining NRO/NRE accounts in Rupees and for accepting FCNR(B) deposits, vide Circular No. RPCD.CO.RRB.No.BC. 06 /03.05.33(C)/2006-07 dated June 28, 2007.

4. Accordingly, RRBs may be guided by the following procedure for acceptance of FCNR (B) deposits :

(i) As in the case of authorization for NRO/NRE accounts, RRBs may approach the concerned Regional Office of the Foreign Exchange Department, for authorization for acceptance of FCNR (B) deposits.

(ii) The deposits may be accepted in US Dollars (USD), Pound Sterling (GBP), Euro, Japanese Yen (JPY), Australian Dollars (AUD) and Canadian Dollars (CAD), subject to the terms and conditions as laid down in Schedule 2 to the Notification *ibid*.

(iii) Since the RRBs may not have well-developed treasuries to manage the foreign currency liability or risk, they may enter into suitable tie-up arrangements with their sponsor banks for necessary support and expertise in putting through the transactions regarding acceptance of FCNR (B) deposits.

(iv) The deposits would be received by credit to the nostro accounts of the sponsoring banks.

(v) While the FCNR (B) deposit receipt would be issued by the RRBs to the depositors concerned, the foreign currency funds received as deposits would be treated as placements/deposits by the RRBs with their sponsoring banks. The sponsoring banks will be required to manage the foreign currency funds including deployment of FCNR (B) deposit funds.

(vi) RRBs who desire to make use of the foreign currency resources, arising out of the FCNR (B) deposits, would be allowed to swap foreign currency funds including accrued interest with the sponsoring banks for broad basing their Rupee resources provided that entire exchange risk and maturity mismatch risk is managed by the sponsor bank and the RRBs do not carry any foreign currency and maturity mismatch risks in their books.

(vii) The operational and accounting details relating to rate of interest to be offered by the RRBs, accounting treatment of interest accruals on such deposits, payment of maturity proceeds, etc. may be decided by mutual agreement between the RRBs and the sponsoring banks.

(viii) RRBs would be required to report the data on Non-Resident Deposits including FCNR (B) deposits in CSR format, in the manner as indicated in A.P. (DIR Series) Circular No. 55 dated May 9, 2007. However, the purchases and sale of designated currencies under the Scheme should be reported in appropriate 'R' returns by the sponsoring banks, as RRBs are not permitted to open and maintain nostro accounts.

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

July 19, 2007

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Maintenance of collateral by FIIs for transactions in derivative segment- Opening of demat accounts by Clearing Corporations and Clearing Members

Attention of Authorised Dealer Category – I (AD Category - I) banks is invited to Foreign Exchange Management (Transfer or Issue of any foreign Security) Regulations, 2004 notified vide Notification No. FEMA 120/RB-2004 dated July 7, 2004, as amended from time to time, and A. P. (Dir Series) Circular No. 4 dated July 28, 2006 permitting Foreign Institutional Investors (FIIs) to offer foreign sovereign securities with AAA rating as collaterals to recognized Stock Exchanges in India for their transactions in the derivatives segment.

2. With a view to further liberalise the procedure, it has been decided in consultation with the Government of India and SEBI to permit SEBI approved clearing corporations of stock exchanges and their clearing members to undertake the following transactions subject to the guidelines issued from time to time by SEBI in this regard :

- i) to open and maintain demat accounts with foreign depositories and to acquire, hold, pledge and transfer the foreign sovereign securities, offered as collateral by FIIs;
- ii) to remit the proceeds arising from corporate action, if any, on such foreign sovereign securities; and
- iii) to liquidate such foreign sovereign securities if the need arises.

3. Clearing Corporations shall report, on a monthly basis, the balances of foreign sovereign securities, held by them as non-cash collaterals of their clearing members to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Foreign Investment Division, Central Office, Mumbai. The report should be submitted by the 10th of the following month to which it relates.

4. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 notified vide FEMA Notification No.FEMA 120/RB-2004 dated July 7, 2004 will be issued separately.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

July 19, 2007

To,

All Category - I Authorised Dealer banks and Authorised banks

Madam / Sir,

Remittances to non-residents - Deduction of tax at source

Attention of Authorised Dealer Category - I (AD Category - I) banks and authorised banks is invited to A. P. (DIR Series) Circular No.56 dated November 26, 2002 enclosing a copy of Central Board of Direct Taxes (CBDT) Circular No.10/2002 dated October 9, 2002 (F.No.500/152/96-FTD) regarding revision in the format of the undertaking and the certificate to be submitted by the remitter at the time of making remittances to non-residents.

2. We have been receiving queries from authorised dealers whether such undertaking and certificate should be obtained in all cases of remittances in foreign currency to non-residents including remittances for trade payments. On the basis of the communication received from CBDT, Department of Revenue, Ministry of Finance, Government of India, it is clarified that under Section 195 of the Income Tax Act read with Rule 29B of the IT Rules, any person responsible for making payment to a non-resident or to a foreign company, any interest or any other sum chargeable under the IT Act, shall at the time of payment or credit of the amount deduct Income Tax thereon at the rate in force. Section 195 of the IT Act is not limited to interest income and it takes into account business income also. Further, points 7 and 8 of the Chartered Accountant's certificate deals with remittances for supply of articles or things (plant, machinery, equipment, etc.) or computer software and business income, respectively.

3. Accordingly, a remitter of foreign exchange is required to submit to the authorised dealer, an undertaking and Chartered Accountant's certificate in the format prescribed by CBDT vide circular No. 10/2002 dated October 9, 2002 at the time of making the remittance in foreign exchange to non-residents including remittances which are in the nature of trade transactions such as import payments.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

August 7, 2007

To

All Category – I Authorised Dealer Banks

Madam / Sir,

Review of External Commercial Borrowings (ECB) Policy

Attention of Authorised Dealer Category - I (AD Category – I) banks is invited to A.P. (DIR Series) Circular No.5 dated August 1, 2005 and A.P. (DIR Series) Circular No.60 dated May 21, 2007 relating to External Commercial Borrowings (ECB). A review of the ECB guidelines has been undertaken keeping in view the current macroeconomic situation and the experience gained so far by the Reserve Bank in administering the ECB policy.

2. Based on the review, it has been decided to modify the ECB policy until further review as indicated below:

(i) Henceforth, ECB more than USD 20 million per borrower company per financial year would be permitted only for foreign currency expenditure for permissible end-uses of ECB. Accordingly, borrowers raising ECB more than USD 20 million shall park the ECB proceeds overseas for use as foreign currency expenditures for permissible end-uses and shall not remit the funds to India. The above modifications would be applicable to ECB exceeding USD 20 million per financial year both under the Automatic Route and under the Approval Route.

(ii) ECB up to USD 20 million per borrowing company per financial year would be permitted for foreign currency expenditures for permissible end-uses under the Automatic Route and these funds shall be parked overseas and not be remitted to India. Borrowers proposing to avail ECB up to USD 20 million for Rupee expenditure for permissible end-uses would require prior approval of the Reserve Bank under the Approval Route. However, such funds shall be continued to be parked overseas until actual requirement in India.

(iii) All other aspects of ECB policy such as eligible borrower, USD 500 million limit per borrower company per financial year under the Automatic route, recognised lender, average maturity period, all-in-cost-ceiling, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.

(iv) These conditions will not apply to borrowers who have already entered into loan agreement and obtained loan registration numbers from the Reserve Bank. Borrowers who have taken verifiable and effective steps wherein the loan agreement has been entered into to avail of ECB under the previous dispensation, and not obtained the loan registration number, may apply to the Reserve Bank through their Authorised Dealer.

3. The above changes will come into force with immediate effect.

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

August 17, 2007

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit (LOC) of USD 30 million to
the Government of the Republic of Mali**

Export-Import Bank of India (Exim Bank) has concluded an agreement dated April 13, 2007 with the Government of the Republic of Mali, making available to the latter, a Line of Credit (LOC) of USD 30 million (USD Thirty million only) for financing exports of eligible goods and services including consultancy services, for electricity transmission and distribution project from Cote d'Ivoire to Mali, which are eligible for export under the Foreign Trade Policy of the Government of India. Out of the total credit by Exim Bank under this agreement, at least 85 per cent of the goods and services shall be supplied by the seller from India.

2. The Credit Agreement under the LOC is effective from July 24, 2007. Under the LOC, the terminal utilisation period is 48 months from scheduled date of contract in case of project exports and April 12, 2013 (72 months from execution of the Credit Agreement) in case of other supply contracts.

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

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

August 17, 2007

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit (LOC) of USD 5 million to
the Eastern African Development Bank, Kampala, Uganda**

Export-Import Bank of India (Exim Bank) has concluded an agreement dated November 24, 2005 with the Eastern African Development Bank (EADB), Kampala, Uganda, making available to the latter, a Line of Credit (LOC) of USD 5 million (USD Five million only) for financing exports from India of equipment, eligible goods and services, which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by Exim Bank under this agreement to member countries viz Uganda, Kenya and Tanzania.

2. The Credit Agreement under the LOC is effective from June 26, 2007. Under the LOC, the terminal date for opening Letters of Credit will be June 25, 2009 (24 months from the effective date) and the terminal date for disbursements will be December 25, 2009 (30 months from the effective date).

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

4. While no agency commission shall be payable in respect of exports financed under the above line of credit, Reserve Bank may consider, on merit, requests for payment of commission up to a maximum extent of 5 per cent of the f.o.b. value in respect of goods exported and which require after sales service. In such cases, commission will have to be paid by deduction from the invoice of relevant shipment to the agents in member countries of EADB (Uganda, Kenya and Tanzania) and the reimbursable amount by the Exim Bank to the

negotiating bank will be 90 per cent of the f.o.b./ c.f.r. / c.i.f. value. Approval for the payment of commission should be obtained before the relevant shipment is effected. In other cases (i.e. exports not involving after sales service), if the exporter is required to pay agency commission, he may use his own resources or utilize the balance in his EEFC account for such payments in free foreign exchange. Authorised Dealer Category – I (AD Category – I) banks may allow such remittance after realisation of full payment of contract value subject to compliance with the prevailing instructions on payment of agency commission.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

August 22, 2007

To

All Authorised Dealer Category - I banks

Madam / Sir,

**Rupee Loans to NRI Employees of Indian Companies
under Employees Stock Option (ESOP) Scheme**

As you are aware, banks are allowed to extend loans in Rupees to resident employees of an Indian company to purchase shares of the company under Employees Stock Option (ESOP) Scheme, to the extent of 90 per cent of the purchase price of the shares or Rupees 20 lakh, whichever is lower. Rupee loans extended by banks under ESOP Scheme is treated as bank's exposure to capital market, within the overall ceiling of 40 per cent of its net worth.

2. In terms of Regulation 7 of FEMA Notification No. 4/2000-RB dated 3rd May, 2000 [Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000] as amended from time to time, AD banks are allowed to grant Rupee loans to Non-Resident Indians (NRIs) for certain purposes, subject to conditions.

3. We have been receiving requests from banks for allowing them to grant Rupee loans to NRI employees of Indian companies for the purpose of buying shares of the companies under the ESOP scheme. The requests have been examined and it has been decided to allow Authorised Dealer Category – I (AD Category – I) banks to grant Rupee loans to NRI employees of Indian companies for acquiring shares of the companies under the ESOP Scheme. The loan scheme should be as per the policy approved by the bank's Board and would further be subject to the following conditions :

- (i) The loan amount should not exceed 90 per cent of the purchase price of the shares or Rupees 20 lakhs per NRI employee, whichever is lower.
- (ii) The rate of interest and margin on such loans may be decided by the banks, subject to the directives issued by the Reserve Bank from time to time.

- (iii) The amount shall be paid directly by the bank to the company and should not be credited to the borrowers' non-resident accounts in India.
 - (iv) The loan amount should be repaid by the borrower by way of inward remittances or by debit to his NRO / NRE / FCNR(B) account.
 - (v) The loans will be included for reckoning capital market exposures and the bank will ensure compliance with prudential limits, prescribed by the Reserve Bank (DBOD) from time to time, for such exposure to capital market.
4. Necessary amendments to the Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000 are being issued separately.
5. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
6. The directions contained in this circular have been issued under Sections 10 (4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

September 21, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit (LOC) of USD 30 million to Government of the Republic of Honduras

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated August 17, 2006 with the Government of the Republic of Honduras, making available to the latter, a Line of Credit (LOC) of USD 30 million (USD Thirty million) for financing exports of eligible goods and services in terms of the said Agreement relating to projects for communication, medical and transportation equipments (including vehicles, trucks, etc.), which are eligible for export under the Foreign Trade Policy of the Government of India. Out of the total credit by Exim Bank under this Agreement, at least 85 per cent of the goods and services shall be supplied by the seller from India or be of Indian origin.

2. The Credit Agreement under the LOC is effective from August 21, 2007. Under the LOC, the last date of opening of Letters of Credit will be 48 months from scheduled completion date(s) of contract(s) in case of project exports and 72 months from execution of the Credit Agreement in case of supply contracts (August 16, 2012).

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

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

September 26, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Liberalised Remittance Scheme for Resident Individuals- Enhancement of
limit from USD 100,000 to USD 200,000**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to A. P. (DIR Series) Circular No. 51 dated May 8, 2007 on the Liberalised Remittance Scheme for Resident Individuals (the Scheme).

2. With a view to further liberalize the Scheme it has been decided, in consultation with the Government of India, to enhance the existing limit of USD 100,000 per financial year to USD 200,000 per financial year (April - March) with immediate effect. Accordingly, AD Category – I banks may now allow remittance up to USD 200,000, per financial year, under the Scheme, for any permitted current or capital account transaction or a combination of both.

3. All other terms and conditions mentioned in A. P. (DIR Series) Circular No. 64 dated February 4, 2004, A. P. (DIR Series) Circular No. 24 dated December 20, 2006 and A. P. (DIR Series) Circular No. 51 dated May 8, 2007 shall remain unchanged.

4. Necessary amendments to Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000 (Notification No. FEMA 1/2000-RB dated 3rd May 2000) are being notified separately.

: 2 :

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

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

Yours faithfully,

Salim Gangadharan
Chief General Manager

September 26, 2007

To

All Category – I Authorised Dealer Banks

Madam / Sir,

Prepayment of External Commercial Borrowings

Attention of Authorised Dealers Category - I (AD Category – I) banks is invited to the A.P. (DIR Series) Circular No.44 dated April 30, 2007 relating to prepayment of External Commercial Borrowings (ECB).

2. With a view to providing greater flexibility to the corporates in managing their liquidity and interest costs dynamically, the existing limit for prepayment of ECB has been enhanced from USD 400 million to USD 500 million. Accordingly, AD Category - I banks may allow prepayment of ECB up to USD 500 million without prior approval of the Reserve Bank subject to compliance with the minimum average maturity period as applicable to the loan.

3. The above changes shall come into force with immediate effect and is subject to review.

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

: 2 :

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

Yours faithfully,

Salim Gangadharan
Chief General Manager

September 26, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Direct Investment- Liberalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Notification No.FEMA120/RB-2004 dated July 7, 2004, [Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 as amended from time to time (the Notification) and A. P. (Dir Series Circular) No. 75 dated June 14, 2007. The Regulations governing overseas investments have been further liberalized, with immediate effect, as under :

2. Enhancement of limit for Overseas Direct Investment

In terms of extant provisions under FEMA on overseas investments, the total overseas investment of an Indian party in all its Joint Ventures (JVs) and / or Wholly Owned Subsidiaries (WOSs) abroad engaged in any bonafide business activity should not exceed 300 per cent of its net worth for companies incorporated in India or bodies created under an Act of Parliament and 200 per cent of net worth in the case of registered partnership firms. With a view to provide greater flexibility to Indian parties for investments abroad, the existing limit of 300 per cent of the net worth of the Indian party (200 per cent in case of registered partnership firms) has been enhanced to 400 per cent of the net worth of the Indian party. Accordingly, AD Category – I banks may allow overseas investments under the Automatic Route up to 400 per cent of the net worth of the Indian party, as on the date of the last audited balance sheet.

3. Portfolio Investment by Listed Indian Companies

At present, listed Indian companies are permitted to invest up to 35 per cent of their net worth as on the date of its last audited balance sheet, in the equity of listed foreign companies, which are listed on a recognised stock exchange and having shareholding of at least 10 per cent in Indian companies listed on a recognised stock exchange in India and rated bonds / fixed income securities issued by overseas companies, under the portfolio investment scheme. In order to provide greater opportunities to listed Indian companies for portfolio investments, the existing limit of 35 per cent has been enhanced to 50 per cent of the net worth of the investing company as on the date of its last audited balance sheet. It has also been decided to do away with the requirement of a reciprocal 10 per cent share holding in Indian companies with immediate effect. Accordingly, listed Indian companies are now permitted to invest up to 50 per cent of their net worth as on the date of its last audited balance sheet, in (i) shares and, (ii) rated bonds / fixed income securities, rated not below investment grade by accredited/registered credit rating agencies, issued by listed overseas companies. All other terms and conditions stipulated in Regulation 6B of the Notification shall remain unchanged.

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

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

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

Yours faithfully,

Salim Gangadharan
Chief General Manager

September 26, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Investment by Mutual Funds - Liberalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Regulation 6C and Regulation 26 of Notification No.FEMA120/RB-2004 dated July 7,2004, [Foreign Exchange Management (Transfer or Issue of Any Foreign Security)Regulations, 2004] as amended from time to time (the Notification) and A. P. (DIR Series) Circular No. 97 dated April 29, 2003, A. P. (DIR Series) Circular No. 3 dated July 26, 2006, A. P. (DIR Series) Circular No. 11 dated November 16, 2006, A. P. (DIR Series) Circular No. 53 dated May 8, 2007 and A. P. (DIR Series) Circular No 72 dated June 8, 2007.

2. The provisions for overseas investments by Mutual Funds registered with Securities and Exchange Board of India (SEBI) have been further liberalized, with immediate effect, as under :

a) Enhancement of the Aggregate Ceiling

The aggregate ceiling for overseas investment by Mutual Funds, registered with SEBI, has been enhanced from USD 4 billion to USD 5 billion with immediate effect. The existing facility to allow a limited number of qualified Indian Mutual Funds to invest cumulatively up to USD 1 billion in overseas Exchange Traded Funds, as may be permitted by the SEBI, shall continue.

b) Further Avenues for Overseas Investment .

Mutual Funds, registered with SEBI are presently permitted to invest in ADRs / GDRs of Indian and foreign companies, rated debt instruments not below investment grade by accredited/registered credit rating agencies, in the equity of overseas companies listed on a recognized stock exchange overseas, in overseas mutual funds that make nominal investments (say to the extent of 10 per cent of net asset value) in unlisted overseas securities, and overseas exchange traded funds that invest in securities. In order to enable the Mutual Funds to tap a larger investible stock overseas, it has been decided to allow Mutual Funds also to invest in additional instruments, subject to the guidelines issued by SEBI.

Accordingly, the Mutual Funds registered with SEBI, are permitted to invest in :

- i) ADRs / GDRs issued by Indian or foreign companies;
- ii) equity of overseas companies listed on recognized stock exchanges overseas;
- iii) initial and follow on public offerings for listing at recognized stock exchanges overseas;
- iv) foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited / registered credit rating agencies;
- v) money market instruments rated not below investment grade;
- vi) repos in the form of investment, where the counterparty is rated not below investment grade. The repos should not, however, involve any borrowing of funds by mutual funds;
- vii) government securities where the countries are rated not below investment grade;
- viii) derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities;

ix) short term deposits with banks overseas where the issuer is rated not below investment grade;

x) units / securities issued by overseas Mutual Funds or Unit Trusts registered with overseas regulators and investing in (a) aforesaid securities, (b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas, or (c) unlisted overseas securities (not exceeding 10 per cent of their net assets).

4. Monthly reporting requirement to the Reserve Bank as stipulated vide A. P. (DIR Series) Circular No.3 dated July 26, 2006 and modified vide A. P. (DIR Series Circular No 72 dated June 9, 2007 would continue for statistical purposes with appropriate modifications to include the above mentioned additional categories of investments. AD Category - I banks may note to submit monthly report to Reserve Bank on or before 10th of the following month. Non-submission of the report would be viewed seriously by the Bank

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

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

Yours faithfully,

Salim Gangadharan
Chief General Manager

October 6, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

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

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

2. In view of the recent global and domestic developments and with a view to give an opportunity to small and medium enterprises to manage the challenges in the global markets, it has been decided, in consultation with Government of India, to permit all exporters to earn interest on EEFC accounts to the extent of outstanding balances of US \$ 1 million per exporter. This is a purely temporary measure and valid upto October 31, 2008 and would be subject to further review.

3. Currently, EEFC accounts are permitted to be maintained in the form of non-interest bearing current accounts. It will now be possible for account holders to maintain outstanding balances to the extent of US \$ 1 million in the form of term deposits up to one year maturing on or before 31st October 2008. The rate of interest may be determined by the banks themselves.

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

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

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

Yours faithfully,

(M. Rajeshwar Rao)
General Manager-in-Charge

October 17, 2007

To,

All Authorised Persons in Foreign Exchange

Madam / Sir,

Anti-Money Laundering Guidelines

Attention of all Authorised Persons is invited to the Anti-Money Laundering guidelines for Authorised Money Changers issued vide A. P. (DIR Series) Circular No.18 {A.P. (FL Series) Circular No.01} dated December 2, 2005 and A. P. (DIR Series) Circular No.39 {A. P. (FL Series) Circular No.02} dated June 26, 2006. In view of the difficulties expressed by Money Changers Association in implementing some of the guidelines, it has been decided to amend the following instructions of the aforementioned circulars (the Circulars).

(a) In terms of paragraph 4 (c) of the Annex to A. P. (DIR Series) Circular No.39 {A. P. (FL Series) Circular No.02} dated June 26, 2006 requests for payment in cash by foreign visitors / non-resident Indians may be acceded to the extent of USD 2000 or its equivalent. This limit has been raised to USD 3000. All other provisions of paragraph 4(c) of the Annex to the Circulars remain unchanged.

(b) In terms of paragraph 6 of Annex to A. P. (DIR Series) Circular No.18 {A.P. (FL Series) Circular No.01} dated December 2, 2005, relationship with a business entity like a company / firm should be established only after obtaining and verifying suitable documents in support of the name, address and business activity, such as certificate of incorporation under the Companies Act 1956, Memorandum of Association, Articles of Association, registration certificate of a firm (if registered), partnership deed, etc. It has now been decided that in addition to the above mentioned documents, PAN Card may also be accepted as a suitable document for establishing the relationship with the company / firm. All other provisions of paragraph 6 of the Annex to aforementioned circular shall remain unchanged.

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

3. Necessary amendments to the Memorandum of Instructions to Authorized Money Changers are being issued separately.

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). Non-compliance with the guidelines would attract penal provisions of Section 11(3) of the Act *ibid*.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

October 29, 2007

To,

All Authorised Dealer Category - I banks

Madam / Sir,

Booking of Forward Contracts - Liberalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to A. P. (DIR Series) Circular No.19 dated January 24, 2002, A. P. (DIR Series) Circular No. 63 dated December 21, 2002, A. P. (DIR Series) Circular No. 26 dated November 1, 2004, A. P. (DIR Series) Circular No. 22 dated December 13, 2006 and A. P. (DIR Series) Circular No. 52 dated May 8, 2007, in terms of which persons resident in India have been allowed to enter into forward contracts on the basis of underlying exposures. Further, exporters and importers have also been allowed to book forward contracts on the basis of declaration of exposures and based on past performances, subject to specified conditions.

2. As announced in the Annual Policy Statement for the Year 2007-08 (paras 142 and 143), with a view to provide greater flexibility to the Small and Medium Enterprises (SME) sector and resident individuals, it has been decided to further liberalise the scope and range of forward contracts to facilitate such entities to hedge their foreign currency exposures on a dynamic basis. Accordingly, a draft circular was placed on the website on June 1, 2007 for users' views / comments. Subsequently, discussions were also held with FEDAI and banks. On the basis of feedback received, the draft circular was modified and the revised draft was placed on the website on October 10, 2007 for users' views / comments. In the light of feedback now received from banks, FEDAI, user group, etc. the guidelines have been suitably modified.

Small and Medium Enterprises (SMEs) (para 142)

3. In order to enable Small and Medium Enterprises (SMEs), having direct and / or indirect exposures to foreign exchange risk to manage their exposures effectively, it has been decided to allow AD Category – I banks to permit such entities to book / cancel / rebook / roll over forward contracts without production of underlying documents, subject to the following conditions:

(i) Such contracts may be allowed to be booked after ensuring that the entity qualifies as SME as defined by the Rural Planning and Credit Department, Reserve Bank of India vide circular RPCD.PLNS. BC.No.63/06.02.31/2006-07 dated April 4, 2007.

(ii) Such contracts may be booked through AD Category – I banks with whom the SMEs have credit facilities and the total forward contracts booked should be in alignment with the credit facilities availed by them for their foreign exchange requirements or their working capital requirements or capital expenditure.

(iii) AD Category – I bank should carry out due diligence regarding “*user appropriateness*” and “*suitability*” of the forward contracts to the SME customers as per Para 8.3 of 'Comprehensive Guidelines on Derivatives' issued vide DBOD.No.BP.BC. 86/21.04.157/2006-07 dated April 20, 2007.

(iv) The SMEs availing this facility should furnish a declaration to the AD Category – I bank regarding the amounts of forward contracts already booked, if any, with other AD Category – I banks under this facility.

4. SMEs are also permitted to use foreign currency rupee options for hedging their exposures after production of underlying documents or under past performance route.

Resident Individuals (para 143)

5. In order to enable resident individuals to manage / hedge their foreign exchange exposures arising out of actual or anticipated remittances, both inward and outward, it has been decided to permit them to book forward contracts, without production of underlying documents, up to a limit of USD 100,000, based on self declaration. The contracts booked under this facility would normally be on a deliverable basis. However, in case of mismatches in cash flows or other exigencies, the contracts booked under this facility may be allowed to be cancelled and re-booked. The notional value of the outstanding contracts should not exceed USD 100,000 at any time. Further, the contracts may be permitted to be booked up to tenors of one year only.

6. Such contracts may be booked through AD Category I banks with whom the resident individual has banking relationship, on the basis of an application-cum-declaration in the format given in Annex I. The AD Category – I banks should satisfy themselves that the resident individuals understand the nature of risk inherent in booking of forward contracts and should carry out due diligence regarding “*user appropriateness*” and “*suitability*” of the forward contracts to such customer.

7. AD Category – I banks are required to submit a quarterly report to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Forex Markets Division, Central Office Building, Mumbai - 400 001 within the first week of the following month, as per format given in Annex II. The first quarterly report should be submitted for the quarter ended December 2007 so as to reach Reserve Bank within the first week of January 2008.

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

9. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers 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) and is without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

[Annex to A. P. (DIR Series) Circular No. 15 dated October 29, 2007]

Application cum Declaration for booking of forward contracts
up to USD 100,000 by Resident Individuals
(To be completed by the applicant)

I. Details of the applicant

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

II. Details of the foreign exchange forward contracts required

- 1. Amount (Specify currency pair)
- 2. Tenor

III. Notional value of forward contracts outstanding as on date

IV. Details of actual / anticipated remittances

- 1. Amount :
- 2. Remittance Schedule :
- 3. Purpose :

Declaration

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

Signature of the applicant

(Name)

Place:

Date:

Certificate by the Authorised Dealer Category – I bank

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

Name and designation of the authorised official:

Place:

Signature:

Date: Stamp and seal

* month / year

Statement – Details of Forward contracts booked and cancelled

For the Quarter ended –

(USD million)

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

Name of the AD Category – I bank :

Signature of the Authorised official :

Date :

Stamp :

October 31, 2007

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit (LOC) of USD 10 million to Government of the Republic of Senagal for IT Training Project

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated July 2, 2007 with the Government of the Republic of Senegal, making available to the latter, a Line of Credit (LOC) of USD 10 million (USD Ten million) for financing exports of eligible goods and services including consultancy services for the Information Technology Training Project in the Borrower's country and which are eligible for export under the Foreign Trade Policy of the Government of India. Out of the total credit by Exim Bank under this Agreement, the goods and services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India.

2. The Credit Agreement under the LOC is effective from September 19, 2007. Under the LOC, the last date for opening of Letters of Credit will be 48 months from scheduled completion date of contract in case of project exports and 72 months from execution date of the Credit Agreement in case of other supply contracts viz., July 1, 2013.

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

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

November 6, 2007

To

All Authorised Dealer Category - I Banks

Madam / Sir,

Risk Management and Inter-Bank Dealings - Commodity Hedging

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to Regulation 6 of Notification No.FEMA.25/RB-2000 dated May 3, 2000, as amended from time to time, A.P. (DIR Series) Circular No.03 dated July 23, 2005 and A.P. (DIR Series) Circular No.66 dated May 31, 2007. Currently, residents in India are permitted to hedge their commodity price risk after obtaining specific approvals from the Reserve Bank or from select ADs which have been authorised by the Reserve Bank for the purpose.

2. In view of the volatility in global oil prices, domestic oil refining and marketing companies have been representing to the Reserve Bank for permission to hedge commodity price risk on inventories as well in international exchanges/markets, to modulate the impact of adverse price fluctuations on their margins.

3. As announced in the Mid – Term Review of Annual Policy Statement for the Year 2007-08 (para 135), it has been decided to permit domestic oil marketing and refining companies to hedge their commodity price risk to the extent of 50 per cent of their inventory based on the volumes in the quarter preceding the previous quarter. The hedging may be undertaken through AD Category – I banks, which have been authorised by Reserve Bank in terms of A.P. (DIR Series) Circular No. 03 dated July 23, 2005. The hedges may be undertaken using over-the-counter (OTC) / exchange traded derivatives overseas with the tenor restricted to a maximum of one-year forward.

4. AD Category – I banks should ensure that the entities hedging their exposures should have Board approved policies which define the overall framework within which derivatives activities should be undertaken and the risks contained. AD Category-I banks should approve this facility only after ensuring that the Board's approval has been obtained for the specific activity (i.e. hedging of inventories) and also for dealing in OTC markets. The Board approval must include explicitly the mark-to-market policy, the counterparties permitted for OTC derivatives, etc. The entities must put up the list of OTC transactions to the Board on a

half yearly basis, which must be evidenced by the AD before permitting continuation of hedging facilities under this scheme. The AD Category – I banks should also carry out due diligence regarding “*user appropriateness*” and “*suitability*” of the hedging activity of the customer.

5. All other conditions and guidelines contained in A.P. (DIR Series) Circular No.03 dated July 23, 2005 should be complied with. All transactions should be routed only through a designated AD Category – I bank.

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

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

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

Yours faithfully,

Salim Gangadharan
Chief General Manager

November 07, 2007

To

All Authorised Dealer Category-I banks

Madam / Sirs,

Direct Receipt of Import Bills / Documents - Liberalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to item i.a. of A.P. (DIR Series) Circular No.66 dated February 6, 2004 in terms of which AD Category - I banks are permitted to make remittances for imports, where the import bills / documents have been received directly by the importer from the overseas supplier and the value of import bill does not exceed USD 100,000. Further, in terms of i.c. of the Annex to the aforementioned circular, status holder exporters, as defined under the Foreign Trade Policy are permitted to receive import bills / documents directly from the overseas supplier irrespective of the value of the import.

2. The Gems and Jewellery Export Promotion Council (GJEPC) has represented that the restrictions placed on non-status holder exporters for direct receipt of import bills / documents, where the value exceeds USD 100,000 adds to transaction costs for small importers and have requested the Reserve Bank to consider relaxing this condition for import of rough diamonds by non-status holders.

3. It has, therefore, been decided, as a sector specific measure, to enhance the limit for direct receipt of import bills / documents from USD 100,000 to USD 300,000 in the case of import of rough diamonds. Accordingly, AD Category - I banks are permitted to allow remittance for imports up to USD 300,000 where the importer of rough diamonds has received the import bills / documents directly from the overseas supplier and the documentary evidence for import is submitted by the importer at the time of remittance. AD Category - I banks may undertake such transactions subject to the following conditions :

: 2 :

- (i) The import would be subject to the prevailing Foreign Trade Policy.
- (ii) The transactions are based on their commercial judgment and they are satisfied about the bonafides of the transactions.
- (iii) AD Category - I banks should do the KYC and due diligence exercise and should be fully satisfied about the financial standing / status and track record of the importer customer. Before extending the facility, they should also obtain a report on each individual overseas supplier from the overseas banker or reputed credit agency overseas.

4. The other conditions stipulated in A.P.(DIR Series) Circular No.66 dated February 06, 2004 shall remain unchanged.

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

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

Yours faithfully,

Salim Gangadharan
Chief General Manager

December 12, 2007

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit (LOC) to USD 15 million to Eastern and Southern African Trade and Development Bank (PTA Bank)

Export-Import Bank of India (Exim Bank) has concluded an agreement dated October 16, 2007 with Eastern and Southern African Trade and Development Bank (PTA Bank), Kenya, making available to the latter a Line of Credit (LOC) for USD 15 million (USD 15 million only) . The credit is available for financing export of eligible goods and services from India to any PTA bank member countries viz., Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. The goods and services under the Agreement are those which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this agreement.

2. The credit agreement is effective from November 16, 2007 and under the LOC, the terminal date for opening Letters of Credit will be November 15, 2010 (36 months from the effective date of the Credit Agreement) and terminal date for disbursements will be May 15, 2011 (42 months from the effective date).

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

4. While no agency commission shall be payable in respect of exports financed under the above line of credit, Reserve Bank may consider on merit, requests for payment of commission up to a maximum extent of 5 per cent of the f.o.b./ c&f /c.i.f. value in respect of goods exported and which require after sales service. In such cases, commission will have to be paid only by deduction from the invoice of relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 per cent of the f.o.b. / c&f/ c.i.f value minus commission paid. Approval for the payment of commission should be obtained before the relevant shipment is effected. In other cases (i.e. exports not involving after sales service), if required the exporter may use his own resources or utilise balances of his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category - I (AD Category - I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

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

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

Yours faithfully,

(Salim Ganagadharan)
Chief General Manager

December 14, 2007

To

All Category - I Authorised Dealer banks

Madam / Sir,

**Foreign Direct Investments (FDI) –
Issue of shares under FDI and refund of advance remittances**

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

2. In terms of Schedule 1 of the Notification, a person resident outside India can purchase equity shares / compulsorily convertible preference shares and compulsorily convertible debentures (equity instruments) issued by an Indian company under the FDI policy and the Indian company is allowed to receive the amount of consideration in advance towards issue of such equity instruments, subject to the terms and conditions laid down therein. In terms of Regulation 9(1) (A) of Schedule 1 *ibid*, the Indian company is required to report the receipt of the amount of consideration within thirty days of receipt of the inward remittance or the date of debit of the NRE / FCNR(B) account of the foreign investor with a AD category – I bank in India, to the Regional Office concerned of the Reserve Bank, in accordance with the prescribed procedure. Further, in terms of A. P. (DIR Series) Circular No. 45 dated November 12, 2002, general permission is available to Indian companies to refund the amounts received towards purchase of shares under Regulation 5 (1) of Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended from time to time.

3. The matter has been reviewed in consultation with the Government of India and it has been decided that, with effect from November 29, 2007, the equity instruments should be issued within 180 days of the receipt of the inward remittance. In case, the equity instruments are not issued within 180 days from the date of receipt of the inward remittance or date of debit to the NRE/FCNR (B) account, the amount of consideration so received should be refunded immediately to the non-resident investor by outward remittance through normal banking channels or by credit to the NRE/FCNR (B) account, as the case may be. The AD Category – I banks may allow such outward remittances after satisfying themselves with the bonafides of the transactions and that no part of the remittance represents interest on the funds received as advance. Non-compliance with the above provision would be reckoned as a contravention under FEMA and could attract penal provisions.

4. In exceptional cases, refund of the amount of consideration outstanding beyond a period of 180 days from the date of receipt may be considered by the Reserve Bank on the merits of the case. Accordingly, AD Category – I banks may apply to the Regional Office concerned of Foreign Exchange Department of the Reserve Bank for refund of such advance.

5. In all cases where, as on November 28, 2007, 180 days have elapsed since receipt of funds and the equity instruments have not been issued, the companies are required to approach the Foreign Exchange Department of the Regional Office concerned of the Reserve Bank through their AD Category - I bank with a definite action plan either for allotment of equity instruments or for refund of the advance, with full details, for specific approval.

6. It is clarified that the advances against equity instruments may be received only where the FDI is allowed under the automatic route.

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

8. A copy of the Notification No. FEMA 170/2007-RB, notified vide G.S.R. 737(E), dated November 29, 2007 amending the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (Notification No. FEMA 20/2000-RB dated May 3, 2000) issued in this regard, is enclosed.

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

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

Foreign Exchange Management (Transfer or Issue of Security by A Person Resident Outside India) (Third Amendment) Regulations, 2007

NOTIFICATION

Mumbai, the 13th November, 2007

Notification No. FEMA 170 /2007-RB Dated 13th November, 2007

In exercise of the powers conferred by clause (b) of sub-section (3) of Section 6 and Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) the Reserve Bank of India hereby makes the following amendments in the Foreign Exchange Management (Transfer or Issue of Security by A Person Resident Outside India) Regulations, 2000 (Notification No. FEMA 20/2000-RB dated 3rd May 2000) namely:-

1. Short Title & Commencement:-

(i) These Regulations may be called the Foreign Exchange Management (Transfer or Issue of Security by A Person Resident Outside India) (Third Amendment) Regulations, 2007.

(ii) These regulations shall come into force from the date of their publication in the Official Gazette.

2. Amendment of the Regulations:-

In the Foreign Exchange Management (Transfer or Issue of Security by A Person Resident Outside India) Regulations, 2000 (Notification No. FEMA 20/2000-RB dated 3rd May 2000), in Schedule 1, in paragraph 8, after Explanation, the following provisos shall be inserted, namely:

"Provided that if the shares or convertible debentures are not issued within 180 days from the date of receipt of the inward remittance or date of debit to NRE / FCNR (B) account, the amount of consideration so received shall be refunded to the person concerned by outward remittance through normal banking channels or by credit to his NRE / FCNR(B) account, as the case may be;

Provided further that the Reserve Bank may, on an application made to it and for sufficient reasons permit an Indian company to refund the amount of consideration received towards issue of security, if such amount is outstanding beyond a period of 180 days from the date of receipt.

(Salim Gangadharan)
Chief General Manager

- (i) **Foot Note:** The Principal Regulations were published in the Official Gazette vide G.S.R.No. 406 (E) dated May 8, 2000 in Part II, Section 3, sub-section (i) and subsequently amended as under :

G.S.R.No. 158(E) dated 02.03.2001

G.S.R.No. 175(E) dated 13.03.2001

G.S.R.No. 182(E) dated 14.03.2001

G.S.R.No. 4(E) dated 02.01.2002

G.S.R.No. 574(E) dated 19.08.2002

G.S.R.No. 223(E) dated 18.03.2003

G.S.R.No. 225(E) dated 18.03.2003

G.S.R.No. 558(E) dated 22.07.2003

G.S.R.No. 835(E) dated 23.10.2003

G.S.R.No. 899(E) dated 22.11.2003

G.S.R.No. 12(E) dated 07.01.2004

G.S.R.No. 278(E) dated 23.04.2004

G.S.R.No. 454(E) dated 16.07.2004

G.S.R.No. 625(E) dated 21.09.2004

G.S.R.No. 799(E) dated 08.12.2004

G.S.R.No. 201(E) dated 01.04.2005

G.S.R.No. 202(E) dated 01.04.2005

G.S.R.No. 504(E) dated 25.07.2005

G.S.R.No. 505(E) dated 25.07.2005

G.S.R.No. 513(E) dated 29.07.2005

G.S.R.No. 738(E) dated 22.12.2005

G.S.R.No. 29(E) dated 19.01.2006

G.S.R.No. 413(E) dated 11.07.2006

| |
|--|
| G.S.R.No. 737(E) dated 29.11.2007 |
|--|

December 19, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 45 million to the Government of the Republic of Mali for Electricity Transmission and Distribution Project

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated August 14, 2007 with the Government of the Republic of Mali, making available to the latter, a Line of Credit (LOC) of USD 45 million (USD Forty five million only) for financing exports of eligible goods and services including consultancy services from India for electricity transmission and distribution project from Côte d'Ivoire to Mali. The goods and services for export under this Agreement are those which are eligible for export under the Foreign Trade Policy of the Government of India. Out of the total credit by Exim Bank under this Agreement, the goods and services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India.

2. The Credit Agreement under the LOC is effective from November 20, 2007. Under the LOC, the last date for opening of Letters of Credit will be 48 months from the scheduled completion date of contract in case of project exports and 72 months (August 13, 2013) from the execution date of the Credit Agreement in case of other supply contracts.

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

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

December 19, 2007

To

All Category - I Authorised Dealer banks

Madam / Sir,

Foreign Direct Investment by citizen / entity incorporated in Bangladesh

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

2. In terms of sub-regulation (1) of Regulation 5 of the Notification *ibid*, a person resident outside India (other than a citizen of Bangladesh or Pakistan) or an entity incorporated outside India (other than an entity in Bangladesh or Pakistan), may purchase shares or convertible debentures of an Indian company under Foreign Direct Investment Scheme, subject to the terms and conditions specified in Schedule I to the Notification No. FEMA 20. The Reserve Bank has since amended the Regulations and notified vide FEMA Notification No. 167 dated October 23, 2007 (copy enclosed).

3. Accordingly, a person who is a citizen of Bangladesh or an entity incorporated in Bangladesh may, with the prior approval of the Foreign Investment Promotion Board of the Government of India, purchase shares and convertible debentures of an Indian company under Foreign Direct Investment Scheme, subject to the terms and conditions specified in Schedule 1 to Notification No. FEMA 20 / 2000 -RB dated May 3, 2000 as amended from time to time.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

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

Notification No. FEMA. 167/2007-RB

Dated October 23, 2007

Foreign Exchange Management (Transfer or Issue of Security by A Person Resident Outside India) (Second Amendment) Regulations, 2007

In exercise of the powers conferred by clause (b) of sub-section (3) of Section 6 and Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India hereby makes the following amendments in the Foreign Exchange Management (Transfer or Issue of Security by A Person Resident Outside India) Regulations, 2000 (Notification No. FEMA 20/2000-RB dated 3rd May 2000) namely:-

1. Short Title & Commencement:-

(i) These Regulations may be called the Foreign Exchange Management (Transfer or Issue of Security by A Person Resident Outside India) (Second Amendment) Regulations, 2007.

(ii) This would come into effect from the date of its publication in the official gazette.

2. Amendment to the Regulations:-

1. In the Foreign Exchange Management (Transfer or Issue of Security by A Person Resident Outside India) Regulations 2000, (Notification No. FEMA 20/2000-RB dated 3rd May, 2000), in Regulation 5, sub-regulation (1), shall be re-numbered as clause (i) of sub-regulation (1) thereof and after clause (i) so re-numbered, the following clause shall be inserted, namely :-

(ii) Notwithstanding anything contained in sub-regulation (i) above, a person who is a citizen of Bangladesh or an entity incorporated in Bangladesh may, with the prior approval of the Foreign Investment Promotion Board of the Government of India, purchase shares and convertible debentures of an Indian company under Foreign Direct Investment Scheme, subject to the terms and conditions specified in Schedule 1."

2. In Schedule 1, para1 (1) shall be substituted by the following;

"A person resident outside India referred to in clauses (i) and (ii) of sub-regulation (1) of Regulation 5, may purchase shares or convertible debentures issued by an Indian company up to the extent and subject to the terms and conditions set out in this Schedule."

**(Salim Gangadharan)
Chief General Manager**

- (i) **Foot Note:** The Principal Regulations were published in the Official Gazette vide G.S.R.No. 406 (E) dated May 3, 2000 in Part II, Section 3, sub-section (i) and subsequently amended as under:

G.S.R.No. 158(E) dated 02.03.2001
G.S.R.No. 175(E) dated 13.03.2001
G.S.R.No. 182(E) dated 14.03.2001
G.S.R.No. 4(E) dated 02.01.2002
G.S.R.No. 574(E) dated 19.08.2002
G.S.R.No. 223(E) dated 18.03.2003
G.S.R.No. 225(E) dated 18.03.2003
G.S.R.No. 558(E) dated 22.07.2003
G.S.R.No. 835(E) dated 23.10.2003
G.S.R.No. 899(E) dated 22.11.2003
G.S.R.No. 12(E) dated 07.01.2004
G.S.R.No. 278(E) dated 23.04.2004
G.S.R.No. 454(E) dated 16.07.2004
G.S.R.No. 625(E) dated 21.09.2004
G.S.R.No. 799(E) dated 08.12.2004
G.S.R.No. 201(E) dated 01.04.2005
G.S.R.No. 202(E) dated 01.04.2005
G.S.R.No. 504(E) dated 25.07.2005
G.S.R.No. 505(E) dated 25.07.2005
G.S.R.No. 513(E) dated 29.07.2005
G.S.R.No. 738(E) dated 22.12.2005
G.S.R.No. 29(E) dated 19.01.2006
G.S.R.No. 413(E) dated 11.07.2006

G.S.R. No. 713(E) dated November 14, 2007

December 31, 2007

To,

All Authorised Dealer Category - I banks

Madam /Sir,

Permission for Short selling of Equity Shares by SEBI registered FIIs

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to A. P. (DIR Series) Circular No.53 dated December 17, 2003 wherein SEBI registered FIIs / sub-accounts of FIIs were permitted to buy / sell equity shares / debentures of Indian companies. In terms of para 5 of the Annex to the circular, FIIs are not allowed to engage in short selling and are required to take delivery of securities purchased and give delivery of securities sold.

2. It has now been decided in consultation with Government of India and SEBI, to permit Foreign Institutional Investors (FIIs) registered with SEBI and sub-accounts of FIIs to short sell, lend and borrow equity shares of Indian companies. Short selling, lending and borrowing of equity shares of Indian companies shall be subject to such conditions as may be prescribed in that behalf by the Reserve Bank and the SEBI / other regulatory agencies from time to time.

3. The above permission is subject to the following conditions:

(i) The FII participation in short selling as well as borrowing / lending of equity shares will be subject to the current FDI policy and short selling of equity shares by FIIs shall not be permitted for equity shares which are in the ban list and / or caution list of Reserve Bank.

(ii) Borrowing of equity shares by FIIs shall only be for the purpose of delivery into short sale.

(iii) The margin / collateral shall be maintained by FIIs only in the form of cash. No interest shall be paid to the FII on such margin/collateral.

4. The designated custodian banks shall separately report all transactions pertaining to short selling of equity shares and lending and borrowing of equity shares by FIIs in their daily reporting with a suitable remark (short sold / lent / borrowed equity shares) for the purpose of monitoring by the Reserve Bank.

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

January 23, 2008

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit (LOC) of USD 5 million
to Nigerian Export-Import Bank**

Export-Import Bank of India (Exim Bank) has concluded an agreement dated September 14, 2007 with the Nigerian Export-Import Bank, making available to the latter, a Line of Credit (LOC) of USD 5 million (USD Five million only) for financing export of capital and engineering goods, industrial manufactures, consumer durables, commodities and services including consultancy services from India. The goods and services for export under the agreement are those which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by Exim Bank under this agreement. Out of the total credit under this Agreement, the goods and services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India.

2. The Credit Agreement under the LOC is effective from December 4, 2007. Under the LOC, the last date for opening Letters of Credit and disbursement will be December 3, 2009 (24 months from the effective date of the Agreement).

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

4. While no agency commission shall be payable in respect of exports financed under the above line of credit, the Reserve Bank may consider, on merit, requests for payment of commission up to a maximum of 5 per cent of the f.o.b / c&f / c.i.f. value in respect of goods exported and which require after sales service. In such cases, commission will have to be paid by deduction from the invoice of relevant shipment to agents 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. Approval for the payment of commission should be obtained from the Regional Office of the Reserve Bank of India (Foreign Exchange Department) within whose jurisdiction the Head Office of the exporter is situated, before the relevant shipment is effected. In other cases (i.e. exports not involving after sales service), if required the exporter may use his own resources or utilize balances of his EEFC account for payment of agency commission in free foreign exchange. Authorised Dealer Category –I (AD Category – I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

January 25, 2008

To,

All Authorised Dealer Category - I Banks

Madam / Sir,

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

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to A. P. (DIR Series) Circular No. 70 dated June 07, 2007, wherein the rupee value of the special currency basket was indicated as Rs. 54.9580 effective from May 03, 2007.

2. AD Category - I banks are advised that a further revision has taken place on November 26, 2007 and accordingly, the rupee value of the special currency basket has been fixed at Rs. 56.6777 with effect from November 29, 2007.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

January 28, 2008

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit (LOC) of USD 60 million
to Myanma Foreign Trade Bank, Myanmar**

Export-Import Bank of India (Exim Bank) has concluded an agreement dated October 29, 2007 with Myanma Foreign Trade Bank, Myanmar, making available to the latter, a Line of Credit (LOC) of USD 60 million (USD Sixty million only) for financing export of goods and services for financing the Thahtay Chaung Hydropower Project in Myanmar to be executed by M/s. Bharat Heavy Electricals Limited. The goods and services for export under the agreement are those which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by Exim Bank under this agreement. Out of the total credit under this Agreement, the goods and services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India.

2. The Credit Agreement under the LOC is effective from December 19, 2007. Under the LOC, the last date for opening Letters of Credit will be 48 months from the scheduled completion dates(s) of contracts(s) in case of Project exports and 72 months (October 28, 2013) from the execution date of the Credit Agreement in case of other supply contracts.

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

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

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

February 05, 2008

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 35.20 million
to the Government of the Kingdom of Cambodia

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated December 8, 2007 with the Government of the Kingdom of Cambodia, making available to the latter, a Line of Credit (LOC) of USD 35.20 million (USD thirty five million two hundred thousand only) for financing (i) Stung Tasal Development Project (USD15 mn), (ii) purchase of water pumps (USD 5.20 mn), and (iii) construction of the electric transmission line between Kratie and Stung Treng Province (USD15 mn) [projects at (i) and (iii) to be executed by Water and Power Consultancy Services (I) Ltd.]. The goods and services including consultancy services to be exported from India under this Agreement are those which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this Agreement. Out of the total credit by Exim Bank under this Agreement, the goods and services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India and the remaining goods and services (other than consultancy services) may be procured by the seller for the purpose of the Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from January 17, 2008. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in case of project exports and 72 months (December 7, 2013) from the execution date of the Credit Agreement in case of other supply contracts.

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

4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances of his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category - I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions on payment of agency commission.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

RBI/2007-08/233

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

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

February 06, 2008

To,

All Authorised Dealer Category - I Banks

Madam / Sir,

Memorandum of Instructions for Opening and Maintenance of Rupee / Foreign Currency Vostro Accounts of Non-resident Exchange Houses

Attention of Authorised Dealer Category – I (AD Category – i) banks is invited to the Memorandum of Instructions for opening and maintenance of rupee / foreign currency Vostro accounts of non-resident Exchange Houses, as amended from time to time.

2. In view of the increased number of transactions being handled by the Exchange Houses and the rapid developments in the communication facilities between Exchange Houses and drawee banks, there was a need to rationalise the existing instructions on maintenance of rupee / foreign currency Vostro accounts of non-resident Exchange Houses. Accordingly, the Memorandum of Instructions containing procedural instructions has been rationalized. The revised instructions are annexed (Annex-I).

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

[Annex to A. P. (DIR Series) Circular No. 28 dated February 06, 2008]

**MEMORANDUM OF INSTRUCTIONS FOR OPENING AND MAINTENANCE OF
RUPEE/ FOREIGN CURRENCY VOSTRO ACCOUNTS OF NON-RESIDENT
EXCHANGE HOUSES**

Prior approval of the Reserve Bank is required to be obtained by Authorised Dealer Category-I banks for opening and maintaining rupee/ foreign currency vostro accounts of non-resident Exchange Houses. The following is the detailed guidelines for opening and maintenance of rupee/ foreign currency vostro accounts of non-resident Exchange Houses.

- (A) Operations of Rupee Vostro Accounts**
- (B) Permitted Transactions**
- (C) Rupee Drawing Arrangement Procedures and Collateral Cover**
- (D) Foreign Currency Drawing Arrangements**
- (E) Miscellaneous Provisions**
- (F) Internal Control and Monitoring of Accounts**
- (G) Reports / Statements**

(A) Operations of Rupee Vostro Accounts

1. Under the Rupee Drawing Arrangements (RDAs), inward remittances are received in India through Exchange Houses situated in Gulf countries, Hong Kong and Singapore. Prior approval of the Reserve Bank is required for opening and maintaining rupee vostro accounts of non-resident Exchange Houses. Authorised Dealer Category - I (AD Category – I) banks should apply to the Reserve Bank, in the form provided at Annex II with necessary documents for opening and maintaining in India non – resident rupee vostro accounts of Exchange Houses from Gulf countries, Hong Kong and Singapore.
2. This memorandum contains various provisions pertaining to the opening and maintenance of non-resident rupee Vostro accounts of Exchange Houses.
3. General Instructions :-
 - i. While considering the request of an Exchange House for opening an account, the AD Category - I banks concerned should make necessary enquiries about the financial standing of the Exchange House, in accordance with normal banking practice and satisfy themselves fully in all respects. AD Category - I banks should also ensure that the Exchange Houses hold valid licenses issued by the Local Monetary/ Supervisory Authority concerned and have necessary authority / license to transact currency exchange/ money transfer business.

- ii. The arrangement which an AD Category - I bank enters into with an Exchange House should be subject to comprehensive legal documentation and duly registered. It should be ensured that all the partners of the Exchange Houses are jointly and severally bound to honour the obligations devolving on the Exchange Houses under the agreement.
- iii. The normal banking requirements of registration of Power of Attorney/ Specimen signatures of signing officials of the Exchange Houses should be observed.

4. Instructions regarding operations in the rupee vostro accounts.

- i. The accounts can be used for channeling inward remittances to India primarily on private account. The remitter and the beneficiary (in most cases) should be individuals. Remittances through Exchange Houses for financing of trade transactions are permitted up to Rs 200,000 (Rupees two lakh only) per transaction. ***The accounts should not be used for outward remittances from India.***
- ii. The accounts should run on a credit basis. No overdraft should be granted to the account holders. However, in case of Designated Depository Agency (DDA) procedure, the funds lying in the DDA A/c may be taken into account, if need be. AD Category - I banks shall adopt value dating where on-line debit to Rupee Vostro Account is not possible on a real time basis when any payment is made at drawee branches, to check adequacy of funds and detect concealed overdrafts. However, the drawee branches should be networked at the earliest.
- iii. Separate Rupee Vostro account shall be maintained for each arrangement. The accounts should be funded by sale of permitted foreign currency to the AD Category - I bank, which maintains the account. Rupee funds transferred from another Authorized Dealer Category-I or from another Vostro account will not be eligible for credit to the account.
- iv. Debits of permitted types (vide item 4 (i) above) may be made freely and given the same status as remittances made in foreign exchange in an approved manner to India. Thus, such payments will be eligible for credit to Non-Resident (External) Rupee Accounts maintained by Non-resident Indians, or for acceptance under priority allotment etc schemes. In order that tourists (whether Indian or not) receiving remittances through such accounts may prove the external sources of the funds where required (such as for payment of passages in India or for re-conversion of unutilised balances), AD Category - I banks may issue certificates in the same form as for inward remittances received through rupee accounts of overseas banks.
- v. Funds in such accounts will not be convertible, nor will they be transferable to other AD Category - I banks or to non-resident accounts of other such institutions or banks with the same AD Category - I bank.

- vi. Balances in rupee account will not qualify for payment of interest.
- vii. The branch of the AD Category – I bank maintaining the Rupee Vostro account of the Exchange House should not credit to the account, rupees purchased by the latter unless confirmation is received to the effect that the Nostro account of the AD Category - I bank has been credited with the counter-value in foreign currency (cf. paragraph 3.3.1 of the Guidelines for Internal Control over Foreign Exchange Business, December, 1996);
- viii. AD Category - I banks may like to obtain suitable and adequate collateral either in the form of a cash deposit or guarantee of a bank of international repute, depending on the type of arrangement to take care of credit and operational risks.
- ix. The tie-up of an AD Category-I bank with an Exchange House is required to be approved by the Reserve Bank. A cap of 20 on the number of arrangements and 300 on the number of drawee branches has been prescribed by the Reserve Bank as a prudential measure. However, the above restrictions may be relaxed by the Reserve Bank, subject to the AD Category - I banks having sound risk management systems and on-line monitoring of funds position to avoid concealed overdrafts in the vostro accounts.

(B) Permitted Transactions

Drawing Arrangements with Exchange Houses are primarily designed to channel inward personal remittances. ***Under no circumstances, donations / contributions to charitable institutions should be routed through the Exchange Houses.*** The following is the list of permissible transactions under Drawing Arrangements with Exchange Houses.

1. Credit to Non-resident (External) Rupee accounts maintained by Non-resident Indians in Indian Rupees.
2. Payments to families of Non-resident Indians.
3. Payments in favour of Insurance companies, Mutual Funds and the Post Master for premia / investments.
4. Payments in favour of bankers for investments in shares, debentures.
5. Payment to Coop. Housing Societies, Govt. Housing Schemes or Estate Developers for acquisition of residential flats in India in individual names subject to compliance of regulations thereof by the Non-resident Indians.
6. Payments of tuition/ boarding, examination fee etc. to schools, colleges and other educational institutions.
7. Payments to medical institutions and hospitals for medical treatment of NRIs / their dependents and nationals of Gulf Countries in India.
8. Payments to hotels by nationals of Gulf countries / NRIs for their stay.

9. Payments to travel agents for booking of passages of NRIs and their families residing in India towards their travel in India by domestic airlines / rail, etc.
10. Trade transactions up to Rs. 2 lakhs per transaction.

Note : No cash disbursement of remittances received is allowed under Rupee / Foreign Currency Drawing Arrangements.

(C) Rupee Drawing Arrangement Procedures and Collateral Cover

Rupee Drawing Arrangements can be conducted under Designated Depository Agency (DDA), Non-Designated Depository Agency (Non-DDA) and Speed Remittance procedures.

1. Designated Depository Agency (DDA) Procedure

- i. The Exchange House will be required to open a bank account in a convertible foreign currency in the name of the drawee bank (a/c- Exchange House) with an international bank (DDA) acceptable to the drawee bank at a centre mutually agreed or with the drawee bank itself at the branch where the corresponding rupee Vostro account is maintained, with the prior approval of the Reserve Bank.
- ii. The Exchange House will, at the end of each day arrive at the total drawings in Indian rupees for the day and will convert the same into a foreign currency which sum shall be deposited into the account of the drawee bank (a/c-Exchange House) (as described at 1(i) above) on the next working day before noon.
- iii. The Exchange House will send to the drawee bank information about the total number and the aggregate value of drafts drawn and daily deposits in and transfer from the DDA account as frequently as possible.
- iv. **The DDA account will hold the funds under lien to the drawee bank. The DDA account will allow debits only (a) on account of transfer to the Nostro account of the drawee bank where the DDA account is maintained with a bank other than the drawee bank, (b) for crediting the Rupee vostro account of the Exchange House by selling permitted foreign currency to the drawee bank where the DDA account is maintained with the drawee bank.**
- v. It will be the responsibility of the Exchange House to arrange for the transfer of the sum collected on any particular day to the DDA account. The float period for the funds with DDA account will be decided by the drawee bank in consultation with the Exchange House subject to a maximum of **three days**.
- vi. The interest earned on the amount deposited by the Exchange House with the DDA as provided for at 1 (ii) above up to the date of transfer to the Nostro account of the drawee bank will accrue to the Exchange House.
- vii. To ensure compliance of the above, the drawee bank in India will appoint a firm of practicing Chartered Accountants/ Auditors operating in the country concerned to examine the daily drawings and deposits in the accounts with the DDA as well as transfer to the Nostro account of the drawee bank. For this purpose, the Exchange House will undertake to allow the auditors to inspect the books, pay in vouchers, etc., of the Exchange House in so far as they pertain to rupee drawing arrangement. Such inspections will be done at least once or twice in every week by the auditors.

- viii. As an alternative to the appointment of auditors as mentioned in paragraph 1 (vii) above, the AD Category - I bank may depute a suitable official as their representative to the Exchange House to take up such functions so as to safeguard the interests of the AD Category - I bank.
- ix. The auditors / representative will promptly report the findings to the drawee bank. In case of default on the part of the Exchange House, the drawee bank will as per terms and conditions of agreement, terminate the agency arrangement under notice to the Exchange House. The termination will also be promptly reported to the Reserve Bank.
- x. So long as the Exchange House complies with the guidelines, the drawee bank will ensure that the drafts issued are honoured at the branches mutually agreed to.
- xi. The remuneration payable to auditors will be borne by the drawee banks.
- xii. Drafts drawn by the Exchange House should have a validity of only three months from the date of issue thereof.
- xiii. AD Category - I banks should satisfy themselves that the books of accounts of Exchange Houses are regularly audited by auditors approved by the local supervisory authorities.
- xiv. AD Category - I banks should call for periodical credit reports, audited balance sheet and profit and loss account of the Exchange House and other relevant information so as to take a decision regarding continuance of accounts in their books.
- xv. Valid copies of all licenses should also be kept on record by the AD Category - I bank.
- xvi. Since the books of accounts of the Exchange House cannot be inspected, AD Category - I banks should periodically review the arrangement by paying visits to the Exchange Houses and / or by periodical review of opinion reports. The visits of officials from Authorized Dealers Category-I should be at a sufficiently senior level, fully conversant with the conduct of the Non-resident Rupee Accounts of the Exchange House.

Collateral Cover : For Exchange Houses which have not completed three years of operation, collateral cover in cash deposit or guarantee from a bank of international repute equivalent to one month's projected drawings may be obtained for DDA/ Non-DDA/ Speed Remittance arrangements. For Exchange Houses which have completed three years of successful operations, no collateral is prescribed. However, AD Category - I banks may secure their position by requiring adequate collateral cover. Cash deposit or a guarantee from a bank of international repute equivalent to 15 days' estimated drawings may be obtained as collateral cover where it is not possible to appoint auditors as mentioned at 1(vii) above.

2. Non- DDA procedure

As an alternative to maintaining a DDA account and appointment of auditors as above, the AD Category - I bank may opt for Non-DDA procedure.

Under Non – DDA procedure, the Exchange House funds their vostro account with the AD Category - I bank by purchasing Rupees from the AD Category - I bank against USD for the total of drafts issued by them at periodic intervals and sends a weekly statement of drawing and funding to the AD Category - I bank.

Collateral Cover : The Exchange House shall keep a cash deposit of USD equivalent to 15 days drawings on moving average basis in India or abroad. The deposit should be in the name of the AD Category - I bank with interest thereon at market related rates payable to the Exchange House placing the deposits. The Exchange House shall also furnish a bank guarantee from an international bank of repute for an equivalent amount. The amount of deposit and guarantee should be periodically reviewed and properly monitored by the AD Category - I banks to ensure that the collateral covers adequately the drawings and account for the pipeline debits evaluated. If there is a restriction on the bank's right to depute its own staff for examination of books of the Exchange House, as was in case of Exchange Houses in Kuwait, additional cash deposit/ guarantee from a bank of international repute equivalent to 15 days estimated drawings may be obtained.

3. Speed Remittance Procedure

AD Category - I banks are permitted to enter into RDA under speed remittance procedure wherein-

- i) The Exchange House sends payment instructions with complete details like name address, etc via SWIFT or internet.
- ii) The Exchange House funds the rupee account through the Nostro account of the AD Category - I bank well in advance before issuing payment instructions.
- iii) On verification of data and availability of balance in the Vostro account of the exchange house the AD Category - I bank issues drafts in favour of the beneficiary or credit the account of the beneficiary.
- iv) The Exchange House shall address all payment instructions to the account holding branch of the AD Category - I bank irrespective of the beneficiaries' centre.
- v) The branch shall make no payment unless clear funds are available in the account.
- vi) The AD Category - I bank shall obtain date-wise information regarding number and aggregate value of such transfers from the Exchange House.

- vii) Where facility of speed remittance is extended to existing rupee drawing arrangements the Exchange House shall open a separate rupee account with the prior approval of the Reserve Bank and no payment instructions shall be executed unless there are clear funds available in this account. **However, where the operations in the existing rupee drawing arrangements under DDA/ Non-DDA procedure are satisfactory, ADs Category-I banks can extend the facility of speed remittance to the same Exchange House without prior approval of the Reserve Bank, subject to usual terms and conditions and after obtaining all the necessary documents from the Exchange House. However, the Reserve Bank may be informed immediately.**

Collateral Cover : The Exchange House shall keep with the AD Category - I bank a cash deposit in any convertible foreign currency equivalent to 3 days' estimated drawings on which market related interest rate may be paid. The Exchange House can also keep the said collateral in the form of guarantees from a bank of international repute. The adequacy of collateral should be reviewed by the AD Category - I bank at regular intervals.

(D) Foreign Currency Drawing Arrangements

AD Category - I banks may enter into foreign currency drawing arrangements under DDA or Non-DDA procedure with those Exchange Houses with whom they have Rupee Drawing Arrangements (RDAs).

- i) Exchange Houses shall draw drafts in any convertible currency on 'A' or 'B' category branches of AD Category - I bank. No 'C' category branch is allowed to participate in the arrangement.
- ii) The foreign currency arrangement shall be kept distinct from the rupee drawing arrangement.
- iii) A separate foreign currency vostro account of the Exchange House shall be opened with the account maintaining branch. Payment of such drafts shall be made by debit to this account maintained by the Exchange House and not to the Nostro Account of the AD Category - I bank.
- iv) The aggregate amount of drafts drawn in foreign currency by the Exchange House on any day should be credited to the Nostro Account of the drawee bank latest by close of business on the second working day.
- v) The account maintaining branch of the drawee AD Category - I bank should credit foreign currency vostro account of the Exchange House on receipt of confirmation regarding credit to their nostro account.
- vi) AD Category - I banks should ensure that foreign currency accounts are funded at all times.

If the arrangement is under Non-DDA procedure, the Exchange House should communicate to the account maintaining branch by any electronic mode, before close of the following working day, the number and aggregate value of drafts drawn in foreign currency. Under DDA procedure, such information may be obtained frequently, at least on a bi-weekly basis.

Collateral cover : Exchange Houses should keep a deposit of not less than USD 50000/- with the drawee AD Category - I bank. Adequacy of quantum of deposit kept with the bank should be reviewed every six months on the basis of operations under this arrangement and if necessary the Exchange House should increase the quantum of deposit. AD Category - I banks should allow interest on this deposit at an appropriate rate.

AD Category - I banks are allowed to keep the amount of deposit required to be kept under foreign currency draft drawing arrangements and Non-DDA procedure of Rupee Drawing Arrangement in India with the Account maintaining branch.

(E) Miscellaneous Provisions

(i) AD Category-I banks should adhere to the KYC/ AML Guidelines issued by the Reserve Bank, as applicable, while undertaking any transaction under Rupee/ Foreign Currency Drawing Arrangements.

(ii) AD Category - I banks should include in their concurrent audit the Rupee/ Foreign Currency Drawing Arrangement to ensure that credit of funds to the vostro account of the Exchange House takes place before payments are made to the beneficiaries.

(iii) AD Category - I banks should undertake a 'due diligence' exercise in respect of remittances received through Rupee/ Foreign Currency Drawing Arrangements so that regulations relating money laundering are complied with scrupulously. AD Category - I banks should call for an annual compliance report from the Exchange Houses duly certified by their auditors that they are adhering to the home country regulations on Anti Money Laundering.

(iv) AD Category - I banks should keep the Reserve Bank informed of the unusual feature(s) in the operations of the Rupee/ Foreign Currency Drawing Arrangement exercising constant vigil in the matter.

(v) AD Category - I banks shall ensure that licenses of the Exchange Houses which have expired are renewed and copies of authenticated English versions placed with them for their record.

(vi) The Exchange Houses should not enter into any arrangement with service providers for their back office operations in India such as issuance of drawing advices and stop payment instructions on their behalf and AD Category - I banks should not act on the instructions of such service providers. However, Exchange Houses can establish liaison offices in India and their back office operations in India such as printing of drafts, issuance of drawing advices and stop payment instructions can be conducted by the liaison offices in India with prior approval of the Reserve Bank.

(vii) AD Category - I banks should obtain approval of the Reserve Bank for maintaining accounts of such Exchange Houses whose name and constitution etc. undergo change.

(F) Internal Control and Monitoring of Accounts

(i) AD Category - I banks should put in place adequate internal control and a system of monitoring of accounts as per the extant instructions. Dealings with Exchange Houses should be strictly on a credit basis at all times.

(ii) Self-inspection of the vostro accounts of Exchange Houses :- AD Category - I banks are required to cause inspection of the vostro accounts of Exchange Houses on a half-yearly basis through experienced officers. The inspection reports should be carefully gone through by the competent authorities in ADs Cat-I so that prompt corrective action is initiated. Observations thereon shall be included in the annual review of the accounts submitted to the Board.

(G) Reports / Statements

(i) **Statement A** : This statement (**as at Annex-III**) is designed to elicit details of operations in rupee/ foreign currency vostro accounts of Exchange Houses and has to be prepared every month Exchange House-wise. This statement should be critically examined to ascertain whether funds held in the account are adequate to cover estimated pipeline debits. The Top Managements of the ADs Cat-I may work out the pipeline data and set their own limits, the adherence to the limits set should be informed to the Top Management on a quarterly basis.

(ii) **Statement B** : A consolidated half-yearly statement(**as at Annex-IV**) showing position of rupee/ foreign currency vostro accounts of Exchange Houses which are to be closed/ are in the process of closure.

(iii)**Statement C** : A monthly statement (**as at Annex- V**) giving information regarding Exchange House's account held at overseas branches of Indian banks under DDA/ Non-DDA procedures for holding collection proceeds and additional collaterals.

(iv) **Statement D** : This monthly statement(**as at Annex- VI**) provides information about operations in the foreign currency vostro account of the Exchange House.

Note :- While statements A to D are not required to be submitted to RBI, ADs Cat-I should prepare these statements and cause inspections at the prescribed periodicities. The relative statements/ reports should invariably be submitted to their respective Top Managements with suitable explanatory notes indicating corrective measures taken/ being initiated.

(v) **Statement E** : This statement (as at Annex- VII) is designed to collect statistical information on total remittances every quarter and growth of business. This quarterly statement is required to be submitted to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Forex Markets Division, Mumbai- 400001 before 15th of succeeding month to which the quarter relates.

(vii) **Annual Review** : AD Category - I banks should submit to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Forex Markets Division, Mumbai- 400001 by 30th June every year an annual review note covering the period January 1 to December 31 of the previous year, on the vostro accounts of the Exchange Houses maintained by them under the Rupee/ Foreign Currency Drawing Arrangements (RDAs) duly approved by their Board. The Review Note should cover various aspects like (a) credit-worthiness of the Exchange House (based on financial statements and market reports), (b) validity of licenses of Exchange Houses and compliance of home country KYC/ AML Guidelines by Exchange Houses (c) financial losses suffered if any on account of transactions, events, disputes etc., (d) business turnover separately under each arrangement, (e) funding arrangements in respect of vostro accounts, (f) half-yearly inspection of the account of the Exchange House, (g) supervision (system in vogue to monitor operations in the account), (h) internal control and risk management system, (i) overdrafts and interest collected. An extract of directions, if any issued by the Board should be forwarded to the Reserve Bank along with the Annual Review note. While submitting the annual review note, the particulars such as (a) complete particulars of Drawing Arrangements (DDA/ Non-DDA / Speed Remittance) AD Category - I banks have with Exchange Houses with the date of approval by RBI and opening of the vostro accounts (b) dates of termination of Drawing Arrangements, if any (including Drawing Arrangements which could not be concluded), (c) number of drawee branches under each arrangement should be included.

**Application for obtaining permission to enter into
Rupee / Foreign Currency Drawing Arrangements with Exchange Houses**

(a) The application for obtaining permission to enter into Rupee / Foreign Currency Drawing Arrangements with Exchange Houses should be completed and submitted in the prescribed format (given below), to the Chief General Manager, Foreign Exchange Department, Forex Markets Division, Reserve Bank of India, Central Office, Mumbai-400001. The application should be signed by the General Manager (or an officer of equivalent rank), International Banking Division/ Foreign Department of the applicant AD Category - I bank.

(b) Documentation :

AD Category - I banks should submit the following documents along with the application:

(i) Certified copy of the license (English version) issued by the Central Bank/ any other Supervisory Authority of the country where the Exchange House is situated.

(ii) Certified copy/ ies of license(s) issued by Municipal Authorities and / or any other Government regulatory/ controlling authority in the country of the Exchange House. (applicable to the Exchange Houses in U.A.E.)

(iii) A Certificate from a Chartered Accountant, regarding compliance with anti money laundering norms in the home country by the Exchange House.

(iv) Certified copies of confidential opinion/ report recorded by (a) Embassy of India in the country concerned and (b) two bankers of the Exchange House.

(v) Audited Balance Sheets and Profit and Loss Account Statements of the Exchange House for the previous three years.

(vi) Copy of the Board Resolution of the AD Category - I bank for entering into the arrangement.

(vii) Copy of letter from the Exchange House regarding the proposal to enter into the Rupee/ Foreign Currency Drawing Arrangement along-with the provision of collateral, wherever necessary.

Part A- Particulars of the applicant bank and its existing arrangement(s), if any

| | | |
|------|---|--|
| 1. | Name of the applicant bank | |
| 2. | Existing arrangements(s) (i) Name of Exchange House (EH) (ii) Since (iii) No. of drawee branches (iv) Business turnover for the previous three calendar years | |
| 3(a) | Details of branches having multiple EH drawing arrangements | |
| 3(b) | Furnish comments with regard to adequacy of internal control systems put in place at those branches. (Attach a sheet if necessary) | |
| 4. | Financial losses sustained if any during last five years (April-March) (i) Year (ii) Name of the EH (iii) Amount of loss (iv) Particulars of loss (v) Ref. Nos. and dates lodged with RBI and RBI's permission to write off | |
| 5. | Financial disputes if any with EH(s) pending settlement (i) Name of EH (ii) Expected amount of loss (iii) Particulars of loss (iv) Ref. No. & dated of report lodged with RBI | |
| 6. | Furnish an EH-wise summary of the major irregularities observed in the existing drawing arrangements during inspections by Internal Auditors, RBI Inspectors as also Overseas Auditors indicating the corrective measures initiated by the bank | |

Part B - Particulars of the Exchange House for the proposed drawing arrangement

| | | |
|------|--|--|
| 1(a) | Name and address of the Exchange House with which the bank proposes to enter into RDA | |
| (b) | Date of establishment of the EH | |
| (c) | Furnish details of other Group companies of EH viz. name, management control, financial means and standing, etc. | |
| 2(a) | Whether the EH has operative RDA with any other bank in India? | |

| | | |
|-----|--|--|
| (b) | If yes, state the name/s of the bank/s | |
| 3. | <p>Furnish details of the management structure of the EH</p> <p>(a) Status of EH (company, firm, joint-ventures, etc.)</p> <p>(b) With whom the management vests</p> <p>(c) Name, nationality and line of business of the promoters of the EH</p> <p>(d) Capital holding pattern</p> <p>(e) Whether the applicant bank will have any investment in EH? Furnish complete details</p> <p>(f) Whether the applicant bank will have any role in management of EH.? Furnish details</p> | |
| 4. | Profit earned/loss sustained by the EH during the previous three calendar years | |
| 5. | <p>Particulars of license issued by the Central Bank/ Supervisory Authority of the country concerned :</p> <p>a) License no</p> <p>b) Date of issue</p> <p>c) Validity period</p> <p>d) Special conditions, if any</p> | |
| 6. | <p>Particulars of licenses issued by Municipal Authorities and/or any other Government regulatory/ controlling authority (Applicable to EHs in UAE)</p> <p>a) Licence No</p> <p>b) Date of issue</p> <p>c) Validity period</p> <p>d) Special conditions if any</p> | |
| 7. | <p>Confidential opinion in brief recorded by</p> <p>a) Embassy of India in the country</p> <p>b) Bankers of the EH</p> <p>i) ----- Name of the banker</p> <p>ii) ----- Name of the banker</p> | |
| 8. | <p>Is the applicant bank fully satisfied about</p> <p>a) the competence of the company/firm/people managing the EH</p> <p>b) the financial strength of the shareholders of the EH</p> <p>c) the financial strength of the EH</p> <p>d) the internal control systems operating in EH with regard to issue of drafts?</p> | |
| 9. | Furnish details of collateral arrangements negotiated | |

| | | |
|--|---|--|
| | with the EH (viz.. amount of deposit, bank guarantee, etc.) and the justification thereof | |
|--|---|--|

Part C- Details of the proposed arrangement

| | | |
|------|--|--|
| 1. | Details/description of proposed arrangement | |
| 2(a) | Reasons for entering into RDA | |
| (b) | Projections of business turnover (quantify monthly projections) | |
| 3. | The procedure under which the proposed RDA will be conducted (DDA/Non-DDA/Speed) | |
| 4. | Name and address of the account maintaining Branch | |
| 5. | No of drawee branches to be included in the proposed RDA | |
| 6. | Whether EH is prepared to provide additional collateral cover equivalent to one month's projected drawings ?(Applicable to EHs which have not completed three years of its operations) | |
| 7. | Any other information which the bank wishes to furnish in support of this application | |

We hereby certify that -

- i) the proposed arrangement with.....
has been considered by us carefully taking into account the means and standing of the aforesaid EH and we are fully satisfied about the credentials and competence of the persons / firms / companies associated with the EH.
- (ii) our branches already having DD drawing arrangements with other EH(s) and which are now proposed to be covered under the proposed arrangement with the above EH viz.....
have sufficient expertise to handle business emanating from one more EH.
- iii) We have put in place adequate internal control and risk management system which are working satisfactorily.
- iv) The particulars given above are true and correct to the best of our knowledge and belief.

Place
Date

()
General Manager
Address

Statement A

Name of the Authorized Dealer Cat-I :

Full address :

Name of Exchange House :

Particulars of operations in the account in the month of _____

1. Opening balance in the account (Cr/Dr) at the start of _____ : _____
2. Total credits during the month : _____
3. Total debits during the month : _____
4. Closing balance (Cr/Dr) as on _____ : _____
5. Estimated value of pipeline debits : _____
(average 15 days drawings determined by progressive annual debit summations or by item No.3 above, whichever estimate is higher)
- 5a. The amount of actual payments made by the principal encashing branches/offices during the last one week (for adding to estimated pipeline) : _____
6. Funds held abroad as collateral by the bank or under DDA procedure. : _____
7. Surplus /deficit in balances/collaterals in the account to cover item No.5 : _____
8. State amount of counter-value foreign currency : Date Amount of
recovered from the Exchange House against each specific foreign
credit afforded to the account during the month currency
corresponding to the sale of rupees made by the bank recovered
to the Exchange House

- A) All payment advices received during the month from our paying branches have been taken into account for raising debits in the rupee accounts of the Exchange House.
- B) We have received confirmation from our Nostro account maintaining banks abroad for having credited counter value (foreign currency) funds to our Nostro account before crediting rupee funds to the account of the Exchange House.
- C) We confirm that the rupee accounts of the Exchange Houses are conducted strictly in accordance with the guidelines issued by RBI and in terms of the relative agreements with the Exchange Houses concerned.
- D) Copy of the statement has been sent to the General Manager-in-charge, Foreign correspondent relationship and department / Officer in Charge, Nostro Account of our bank.

- E) We confirm that we have not received any adverse report / warning signals from the General Manager of our International Department whose accounts are maintained by us at the time of submitting the statement.

Statement countersigned by certifying that it has been internally reviewed in the bank and the conduct of the account is considered satisfactory.

Chief Manager of the Account
Maintaining Branch

Signature of the General Manager – in-Charge of
International Division /International Operations in
the bank.

Statement B**Consolidated statement of position of Exchange Houses' accounts to be closed/
under closure (to be submitted by the Account maintaining office through the
International Division)**

| Sr. No. | Name of the Exchange House | Centre/ Country | Opening balance in the account | Credits if any, during the month | Debits if any, during the month | Closing balance | Any collateral | Any other liability detected | When the account is likely to be closed | Remarks (i.e. brief resume of correspondence to effect closure of the account and item in Col. 8) |
|---------|----------------------------|-----------------|--------------------------------|----------------------------------|---------------------------------|-----------------|----------------|------------------------------|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. |
| | | | | | | | | | | |

- (a) Notice has been issued to all Exchange Houses regarding closure of the account.
- (b) There are no pipeline debits or items of recovery in respect of the above accounts save for what is stated in the Column No. 9.
- (c) The transactions in the accounts which are still operated are explained separately in the annexure under title name of each Exchange House (An explanatory remark sheet may be attached for the purpose).
- (d) The following accounts reflected above were closed during the month under review.

Chief Manager of
Account Maintaining
Branch

Statement countersigned certifying that
all the accounts reported above are
under the concerned Exchange Houses
have been duly suspended and closure of the
accounts is being followed up.

General Manager-in-Charge of International
Division/ International Operations in the AD
Cat-I

Annex- V

[Annex to A. P. (DIR Series) Circular No. 28 dated February 06, 2008]

Statement C

**Monthly statement regarding particulars of Exchange House account held at
overseas branches of Indian banks (ADs Cat-I)**

Name of the AD Cat-I :

| Sr. No. | Date of Opening the account | Name of the Exchange House | Name of the overseas branch | Nature of account | Why it was opened (quote H.O. authority if any) | Balance as at the end of the previous month | Balance as at the end of the month to which the statement relates | Outstanding liabilities, if any |
|------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------|---|--|--|---------------------------------------|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. |
| | | | | | | | | |

Annex- VI

[Annex to A. P. (DIR Series) Circular No. 28 dated February 06, 2008]

Statement D

Name of the AD Cat-I : _____ No. of drawee branches : ____

Full Address : _____ Type of Account : _____
RBI Approval No. and date : _____

Name of the Exchange House : _____

Particulars of operations in the Account during the month of _____

| Sr. No. | Particulars | (Amount in USD) | (Amount in GBP) |
|---------|--|-----------------|-----------------|
| 1. | Opening balance in the account (Cr/ Dr) at the start of the month to which the statement relates | | |
| 2. | Total credits during the month | | |
| 3. | Total debits during the month | | |
| 4. | Closing balance (Cr/ Dr) as on----- | | |
| 5. | Estimated value of pipeline debits (Average 15 days drawings determined by progressing annual debit summations or by item 3 above, whichever estimate is higher) | | |
| 5 (a) | The amount of actual payments made by the principal encashing branches/ offices during the last one week (for adding to estimated pipeline) | | |
| 6. | Funds held abroad either as collateral by the bank or under procedure | | |
| 7. | Surplus/ deficit in balance (s)/ collaterals in the account to cover item 5 | | |

8(a) All payment advices received during the month from our paying branches have been taken into account for raising debits in the USD/ GBP accounts of Exchange House.

(b) We confirm that the USD/ GBP accounts of Exchange Houses are conducted strictly in accordance with the guidelines issued by RBI and in terms of the relative agreements with the Exchange Houses concerned.

(c) Copy of the statement has been sent to the General Manager-in-Charge foreign correspondent relationship and Department/ Office-in-Charge- Nostro account of our bank.

(d) We confirm that we have not received any adverse report/ warning signals from the General Manager of our International Department about the Exchange House whose accounts are maintained by us at the time of filing the statement to RBI.

Chief Manager of
Account Maintaining
Branch

Statement countersigned certifying that
it has been internally reviewed in the
bank and that the conduct is considered
satisfactory.

Signature of the General Manager-in-Charge of
International Division/ International Operations
of the AD Cat-I

Statement E**Statement showing inflows of foreign currency through Exchange Houses
during the quarter ended _____**

(Amount in US Dollars)

| Sl. No. | Name of Exchange house and country | No. of branches covered | Foreign currency received during last year ended December | Inflows of foreign currency during current year | | | | Growth(+)/ deceleration (-) between last quarter and the quarter under report (%) | Out flow foreign currency (amount) |
|---------|------------------------------------|-------------------------|---|---|------------|-----------|---------|---|------------------------------------|
| | | | | Jan-Mar | April-June | Jul-Sept. | Oct-Dec | | |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. |

Notes:(a) In columns (5) to (8) inflows during the relevant quarter may be shown for the period beginning from the month of January each year. Just below these figures, please furnish in brackets data for the corresponding period of the previous year. The data in respect of Drawing Arrangements should cover inflow of funds both through RDA and Foreign Currency Drawing Arrangement.

(b) Foreign currency should be shown in US dollars only.

(c) Furnish amount (+) or (-) accompanied by an expression in percentage terms in column (9).

(d) This statement should be signed by Chief of International Banking Department / Division of the Bank at Head Office, but not less than the grade of a DGM.

(e) Please attach separate sheets furnishing details of deviations from the requirements as per declaration at sr.no.(v), (vi), (vii), (viii), (ix) and (x) of (C) 1 of Annex-I wherever necessary.

Please also indicate the corrective action taken and the current status.

We hereby certify that

- i) The above information has been compiled with reference to actuals and excludes the transactions in the pipeline.
- ii) The number of branches covered has increased from _____ to _____ since the submission of the last statement in view of the following reasons:

- iii) The growth/deceleration in the inflows of foreign currency is due to the following reasons:
- iv) The outflows reported above are on account of _____ and have the approval of RBI vide its letter No. _____ dated _____.
- v) The above accounts had all through in credit balances during the quarter under report.
- vi) Funds in the accounts were sufficient to cover estimated pipeline transactions.
- vii) Our overseas branches have not extended any line of credit / advances to above/ any of the above exchange houses
- viii) We are regularly submitting the statements 'A', 'B', 'C', and 'D' , as at Annex-III, Annex-IV, Annex-V and Annex-VI, respectively to the top management.
- ix) We have not come across any adverse features about operations in the account of the above / any of the above exchange houses and / or the Rupee and/ or Foreign Currency Drawing arrangement with these Exchange Houses:
- x) We are keeping a close watch on the means and financial standing of the above exchange houses(s) and as on the date of this report we have no adverse observations on record with us to report to the Reserve Bank.

Name of bank

Signature

Address

Name

Designation

Date

February 22, 2008

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit (LOC) of USD 122 million
to the Government of the Federal Democratic Republic of Ethiopia**

Export-Import Bank of India (Exim Bank) has concluded an agreement dated October 04, 2007 with the Government of the Federal Democratic Republic of Ethiopia, making available to the latter, a Line of Credit (LOC) of USD 122 million (USD One hundred twenty two million only) for financing export and services relating to projects for development of sugar industry in Ethiopia. The goods and services, including consultancy services, for export from India under the agreement are those which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by Exim Bank under this agreement. Out of the total credit under this Agreement, the goods and services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India and the remaining goods and services (other than consultancy services), may be procured by the seller, for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from January 22, 2008. Under the LOC, the last date for opening Letters of Credit and disbursement will be 48 months from the scheduled completion dates(s) in case of project exports and 72 months from the execution date of the Credit Agreement in case of supply contracts.

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

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

February 25, 2008

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Compilation of Bank-wide consolidated R-Return

Attention of Authorised Dealer Category - I (AD Category I) banks is invited to A. P. (DIR Series) Circular No.10 dated October 23, 2006, in terms of which in addition to the existing system of submission of branch-wise R-Return, AD Category – I were provided with an option to submit bank-wide R-Return. Accordingly, with effect from the first fortnight of November 2006, AD Category - I banks, having the facility for centralised processing of the data on foreign exchange transactions, could exercise the option of submitting bank-wide R-Return. Further, AD Category – I banks not exercising the option of submission of bank-wide R-Return were advised to initiate necessary steps and create requisite infrastructure for a smooth transition from branch-wise to bank-wide submission of R-Return since the existing system of submitting branch-wise R-Return would eventually be phased out and all AD Category - I banks would be required to switch over to the new system of submission of bank-wide R-Return.

2. It has now been decided to stipulate a time limit for transition from branch-wise to bank-wide submission of R-Return. Accordingly, all AD Category - I banks will be required to submit bank-wide R-Return from the first fortnight of January 2009.

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

Yours faithfully,
(Salim Gangadharan)
Chief General Manager

March 11, 2008

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD 45 million to the Government of the Socialist Republic of Vietnam

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated January 8, 2008 with the Government of the Socialist Republic of Vietnam, making available to the latter, a Line of Credit (LOC) of USD 45 million (USD forty five million) for financing eligible goods and services, including consultancy services, from India pertaining to Nam Chien Hydro Power Project (200 MW) being set up in Vietnam. The goods and services including consultancy services from India for exports under this Agreement are those which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this Agreement. Out of the total credit by Exim Bank under this Agreement, the goods and services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining goods and services (other than consultancy services) may be procured by the seller for the purpose of the Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from February 18, 2008 and date of execution of Agreement is January 8, 2008. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in case of project exports and 72 months from the execution date of the Credit Agreement in case of supply contracts.

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

4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances of his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category - I (AD Category - I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for payment of agency commission.

5. AD Category - I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to [www. eximbankindia.in](http://www.eximbankindia.in).

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

Yours faithfully,

(Vinay Baijal)
Chief General Manager

March 31, 2008

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Exim Bank's Line of Credit of USD100 million
to the Government of Nepal

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated September 14, 2007 with the Government of Nepal, making available to the latter, a Line of Credit (LOC) of USD 100 million (USD One hundred million only) for financing export of eligible goods towards road projects, rural electrification projects, power transmission projects and hydro power projects in Nepal. The goods and services including consultancy services from India for exports under the Agreement are those which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this Agreement. Out of the total credit by Exim Bank under this Agreement, the goods and services of the value of at least (a) 85 per cent of the contract price if they are required for major repairs to Devighat hydro power project, (b) 70 percent of the contract price if they are to be used for interconnectivity / transmission lines project, and (c) 50 percent of the contract price in case of other projects, shall be supplied by the seller from India, and the remaining goods and associated services may be procured by the seller for the purpose of an Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from January 01, 2008. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) in case of project exports and 72 months from the execution date of the Credit Agreement in case of other supply contracts.

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

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

5. AD Category - I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to [www. eximbankindia. in](http://www.eximbankindia.in).

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

March 31, 2008

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Exim Bank's Line of Credit of USD 10.4 million to
the Government of Suriname**

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated November 21, 2007 with the Government of Suriname, making available to the latter, a Line of Credit (LOC) of USD 10.4 million (USD Ten million four hundred thousand) for financing eligible goods and services including consultancy services from India for the Water Supply Project in Suriname. The goods and services, including consultancy services from India, for exports under this Agreement are those which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this Agreement. Out of the total credit by Exim Bank under this Agreement, the goods and services of the value of at least 85 per cent of the contract price shall be supplied by the seller from India, and the remaining goods and services (other than consultancy services) may be procured by the seller for the purpose of Eligible Contract from outside India.

2. The Credit Agreement under the LOC is effective from February 13, 2008 and date of execution of Agreement is November 21, 2007. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 48 months from the scheduled completion date(s) of contract(s) in case of project exports and 72 months from the execution date of the Credit Agreement in case of supply contracts.

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

4. No agency commission is payable under the above LOC. However, if required, the exporter may use his own resources or utilize balances of his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category - I (AD Category - I) banks may allow such remittance after realization of full payment of contract value subject to compliance with the prevailing instructions for payment of agency commission.

5. AD Category - I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to [www. eximbankindia. in](http://www.eximbankindia.in).

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

RBI/2007-2008/274

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

April 03, 2008

To

All Category – I Authorised Dealer Banks

Madam / Sir,

Overseas Investment by Mutual Funds - Liberalisation

Attention of Authorised Dealer Category – I (AD Category - I) banks is invited to Regulation 6C and Regulation 26 of Notification No .FEMA 120/RB-2004 dated 7th July 2004, [Foreign Exchange Management (Transfer or issue of Any Foreign Security) Regulations, 2004] as amended from time to time (the Notification) and A. P. (DIR Series) Circular No. 97 dated 29th April 2003, A. P. (DIR Series) Circular No. 3 dated 26th July 2006, A. P. (DIR Series) Circular No. 16 dated 11th November 2006, A. P. (DIR Series) Circular No. 53 dated 8th May 2007, A. P. (DIR Series) Circular No. 72 dated 8th June 2007 and A. P. (DIR Series) Circular No.12 dated 26th September 2007 regarding overseas investments by Mutual Funds.

2. With a view to providing greater opportunity for investment overseas, the aggregate ceiling for overseas investment by Mutual Funds registered with the Securities and Exchange Board of India (SEBI) has been enhanced from USD 5 billion to USD 7 billion with immediate effect. The existing facility to allow a limited number of qualified Indian Mutual Funds to invest cumulatively up to USD 1 billion in overseas Exchange Traded Funds, as may be permitted by SEBI, shall continue. The investments would be subject to the terms and conditions and operational guidelines as issued by SEBI.

3. The monthly reporting requirement to the Reserve Bank as stipulated vide A. P. (DIR Series) Circular No.3 dated 26th July 2006 and modified vide A. P. (DIR Series) Circular No.72 dated 8th June 2007 would continue for statistical purposes with appropriate modifications to include the additional categories of investments allowed vide A. P. (DIR Series) Circular No.12 dated 26th September 2007. AD Category – I banks may note to submit monthly report to Reserve Bank on or before the tenth of the following month. Non-submission of the report would be viewed seriously by the Bank.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

April 04, 2008

To,
All Authorised Dealer Category – I Banks

Madam / Sir ,

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

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to A. P. (DIR Series) Circular No. 25 dated January 25, 2008 wherein the Rupee value of the special currency basket was indicated as Rs.56.6777 effective from November 29, 2007.

2. AD Category – I banks are advised that further revision has taken place on March 4, 2008 and March 17, 2008 and accordingly, the Rupee value of the special currency basket has been fixed at Rs.58.3849 with effect from March 10, 2008 and Rs.60.5718 with effect from March 24, 2008, respectively.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-charge

April 04, 2008

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Liberalised Remittance Scheme for Resident Individuals - Reporting

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to para 6 of A. P. (DIR Series) Circular No.24 dated December 20, 2006, in terms of which AD Category - I banks are required to furnish information on the number of applications received and total amount remitted under the Liberalised Remittance Scheme (the Scheme), on a quarterly basis, in the prescribed format.

2. It has now been decided, with effect from April 2008, to collect the information in respect of the Scheme on a monthly basis instead of quarterly basis. Accordingly, beginning from April 2008, AD Category – I banks are required to furnish the information on monthly basis, in the format annexed. The statement should reach the Chief General Manager-in-Charge, Foreign Exchange Department, (FID-EPD), Reserve Bank of India, Central Office, 11th Floor, Central Office Building, Mumbai-400 001, on or before fifth of the following month to which it relates.

3. All other terms and conditions mentioned in A. P. (DIR Series) Circular No. 64 dated February 4, 2004, A. P. (DIR Series) Circular No. 24 dated December 20, 2006, A. P. (DIR Series) Circular No. 51 dated May 8, 2007 and A. P. (DIR Series) Circular No.9 dated September 26, 2007, shall remain unchanged.

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

ANNEX

[A. P. (DIR Series) Circular No. 36 dated April 04, 2008]

Statement indicating the details of remittances made by resident individuals under the Liberalised Remittance Scheme for Resident Individuals for the month of -----

Name of the Bank :

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

Name and designation of the authorised official :

Place :

Signature

Date :

Stamp and seal

April 16, 2008.

To

All Authorised Dealer Category-I banks

Madam / Sirs,

**Direct Receipt of Import Bills / Documents for Import of Rough
Precious & Semi-Precious Stones - Liberalisation**

Attention of Authorised Dealer Category -I (AD Category - I) banks is invited to A.P.(DIR Series) Circular No.66 dated February 6, 2004, in terms of which AD Category-I banks are permitted to make remittances for imports, where the import bills / documents have been received directly by the importer from the overseas supplier and the value of import bill does not exceed USD 100,000. Further, in terms of item i.c. of the Annex to the aforementioned circular, status holder exporters, as defined under the Foreign Trade Policy are permitted to receive import bills / documents directly from the overseas supplier irrespective of the value of the import. Further, in terms of A.P. (DIR Series) Circular No.18 dated November 7, 2007, as a sector specific measure, the value of import for direct receipt of import bills / documents by non-status holder exporters was enhanced from USD 100,000 to USD 300,000, in the case of import of rough diamonds.

2. The Gems and Jewellery Export Promotion Council (GJEPC) has represented that in order to reduce the transaction costs to the non-status holder exporters, the existing restrictions may be relaxed and the enhanced facility may also be extended for import of rough precious and semi-precious stones.

3. It has, therefore, been decided, as a sector specific measure, to enhance the limit for direct receipt of import bills / documents from USD 100,000 to USD 300,000 in the case of import of rough precious and semi-precious stones by non-status holder exporters. Accordingly, AD Category - I banks may allow remittance for imports up to USD 300,000 where the importer of rough precious and semi-precious stones has received the import bills / documents directly from the overseas supplier and the documentary evidence for import is submitted by the importer at the time of remittance.

AD Category - I banks may undertake such transactions subject to the following conditions :

(i) The import would be subject to the prevailing Foreign Trade Policy.

(ii) The transactions are based on their commercial judgment and they are satisfied about the bonafides of the transactions.

(iii) AD Category-I banks should do the KYC and due diligence exercise and should be fully satisfied about the financial standing / status and track record of the importer customer. Before extending the facility, they should also obtain a report on each individual overseas supplier from the overseas banker or reputed credit agency overseas.

4. The other conditions stipulated in A.P.(DIR Series) Circular No.66 dated February 06, 2004 and A.P.(DIR Series) Circular No.18 dated November 7, 2007 shall remain unchanged.

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

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

Yours faithfully,

Salim Gangadharan
Chief General Manager

April 22, 2008

To

All Authorised Dealer Category-I banks

Madam / Sirs,

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

Attention of Authorised Dealer Category -I (AD Category - I) banks is invited to A.P.(DIR Series) Circular No.35 dated April 4, 2008 wherein the rupee value of the special currency basket was indicated as Rs.60.5718 effective from March 24, 2008.

2. A.D. Category - I banks are advised that a further revision has taken place on April 2, 2008 and accordingly, the rupee value of the special currency basket has been fixed at Rs.58.6670 with effective from April 7, 2008.

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

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

Yours faithfully,

Salim Gangadharan
Chief General Manager

April 28, 2008

To

All Authorised Dealer Category-I banks

Madam / Sirs,

Bids in foreign currency for projects to be executed in India

Attention of all Authorised Dealer Category – I (AD Category – I) banks is invited to item No.5 of Annexure to our A.P. (DIR Series) Circular No.54 dated November 25, 2002, relating to bids in foreign currency for projects to be executed in India. In terms of these instructions, person resident in India has been permitted to incur liability in foreign exchange and to make or receive payments in foreign exchange in respect of global bids where the Central Government has authorized such projects to be executed in India and the approval of the concerned Administrative Ministry has been obtained. In such cases, authorized dealers are permitted to sell foreign exchange to the resident Indian company which has been awarded the contract.

2. On a review, and as a measure for procedural simplification, it has been decided, in consultation with Government of India, that the prior permission of Administrative Ministry / Authorization from Central Government may not be necessary for International Competitive Bidding (ICB). Accordingly, persons resident in India are now permitted to incur liability in foreign exchange and to make or receive payments in foreign exchange in respect of global bids for projects to be executed in India without insisting on prior approval of the concerned Administrative Ministry for the International Competitive Bidding.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

April 28, 2008

To,

All Category – I Authorised Dealer Banks

Madam / Sir,

**Foreign investment in Credit Information Companies
- Amendment to the Foreign Direct Investment Scheme**

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

2. It has been decided in consultation with the Government of India to allow foreign investment in Credit Information Companies in compliance with the Credit Information Companies (Regulations) Act 2005 and subject to the following :

- i) The aggregate Foreign Investment in Credit Information Companies would be 49%.
- ii) Foreign Investment upto 49% would be allowed only with the prior approval of FIPB and regulatory clearance from RBI.
- iii) Investment by SEBI Registered FIIs would be permitted only through purchases in the secondary market to an extent of 24%.
- iv) Investment by SEBI Registered FIIs would be within the overall limit of 49% for Foreign Investment.
- v) No FII can individually hold directly or indirectly more than 10% of the equity.

A copy of the Press Note 1 (2008 series) dated March 12, 2008 issued by the Government is enclosed.

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

Press Note No. 1 (2008)

Subject: Guidelines for foreign investment in Credit Information Companies.

On a review of the extant policy on Foreign Direct Investment, Government of India has decided to allow foreign investment in Credit Information Companies (CICs) as under.

2. Definitions

In terms of the Credit Information Companies (Regulation) Act, 2005-

(a) "credit information" means any information relating to—

- (i) the amounts and the nature of loans or advances, amounts outstanding under credit cards and other credit facilities granted or to be granted, by a credit institution to any borrower;
- (ii) the nature of security taken or proposed to be taken by a credit institution from any borrower for credit facilities granted or proposed to be granted to him;
- (iii) the guarantee furnished or any other non-fund based facility granted or proposed to be granted by a credit institution for any of its borrowers;
- (iv) the creditworthiness of any borrower of a credit institution;
- (v) any other matter which the Reserve Bank may, consider necessary for inclusion in the credit information to be collected and maintained by credit information companies, and, specify, by notification, in this behalf;

(b) "credit information company" means a company formed and registered under the Companies Act, 1956 (1 of 1956) and which has been granted a certificate of registration under sub-section (2) of Section 5.

3. Policy for foreign investment in Credit Information Companies

3.1 Foreign investment in Credit Information Companies is subject to the Credit Information Companies (Regulation) Act, 2005.

3.2 Foreign investment i.e. Foreign Direct Investment (FDI) under the FDI Scheme incorporated as Schedule 1 under regulation 5 (1) of the Foreign Exchange Management (Transfer or Issue of Security By a Person Resident Outside India) Regulations, 2000 (FEMA Regulations)

+ investment by registered Foreign Institutional Investors (FII) under the Portfolio Investment Scheme incorporated as Schedule 2 under Regulation 5(2) of the FEMA Regulations, is allowed up to 49% with prior approval of the Government and regulatory clearance from RBI.

3.3 Investment by a registered FII under the Portfolio Investment Scheme would be permitted up to 24% only in the CICs listed at the Stock Exchanges, within the overall limit of 49% for foreign investment.

3.4 Such FII investment would be permitted subject to the conditions that:

- (a) No single entity should directly or indirectly hold more than 10% equity.
- (b) Any acquisition in excess of 1% will have to be reported to RBI as a reporting requirement; and
- (c) FIIs investing in CICs shall not seek a representation on the Board of Directors based upon their shareholding.

4. Change in Policy for FDI in NBFC activities

In pursuance of the policy as at 3 above, Government of India has decided to delete 'Credit Reference Agencies' from the list of NBFC activities in col. 20 of the Annex to Press Note 4(2006) dated 10.2.2006.

5. FDI Policy announced vide Annex to Press Note 4(2006) dated 10th February 2006 stands modified to the above extent.

Vilr 12/3/2008
GOPAL KRISHNA

Joint Secretary to the Government of India

D/o IPP F.No. 5(10)/2006-FC dated 12th March, 2008

Copy forwarded to

1. Press Information Officer, Press Information Bureau, for giving wide publicity to the above Press Note.

✓ 2. IP&IC cell for uploading the Press Note on the Department's website.

April 28, 2008

To,

All Category – I Authorised Dealer Banks

Madam / Sir,

Foreign investment in Commodity Exchanges
- Amendment to the Foreign Direct Investment Scheme

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

2. It has been decided in consultation with Government of India to allow foreign investment in Commodity Exchanges subject to the following conditions :

i) There would be a composite ceiling of 49% Foreign Investment, with a FDI limit of 26% and an FII limit of 23%.

ii) FDI will be allowed with specific approval of the Government.

iii) The FII purchases in equity of Commodity Exchanges will be restricted only to the secondary markets.

iv) Foreign Investment in Commodity Exchanges would also be subject to compliance with the regulations issued, in this regard, by the Forward Market Commission.

A copy of Press Note 2 (2008 series) dated March 12, 2008 issued in this regard is enclosed.

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

Press Note No. 2 (2008)

Subject: Guidelines for Foreign Investment in Commodity Exchanges.

Futures trading in commodities are regulated under the Forward Contracts (Regulation) Act, 1952. Commodity Exchanges, like Stock Exchanges, are infrastructure companies in the commodity futures market. With a view to infuse globally acceptable best practices, modern management skills and latest technology, it has been decided to allow foreign investment in Commodity Exchanges.

2. Definitions

2.1 "Commodity Exchange" is a recognized association under the provisions of the Forward Contracts (Regulation) Act, 1952, as amended from time to time, to provide exchange platform for trading in forward contracts in commodities.

2.2 In terms of the Forward Contracts (Regulation) Act, 1952-

(a) "recognized association" means an association to which recognition for the time being has been granted by the Central Government under Section 6 of the Forward Contracts (Regulation) Act, 1952.

(b) "association" means any body of individuals, whether incorporated or not, constituted for the purposes of regulating and controlling the business of the sale or purchase of any goods and commodity derivative.

(c) "forward contract" means a contract for the delivery of goods and which is not a ready delivery contract.

(d) "commodity derivative" means-

- (i) a contract for delivery of goods, which is not a ready delivery contract; or
- (ii) a contract for differences which derives its value from prices or indices of prices of such underlying goods or activities, services, rights, interests and events, as may be notified in consultation with the Forward Markets Commission by the Central Government, but does not include securities.

3. Policy for foreign investment in Commodity Exchanges

- 3.1 Foreign investment will be allowed through a composite ceiling i.e. Foreign Direct Investment (FDI) under the FDI Scheme incorporated as Schedule 1 under regulation 5 (1) of the Foreign Exchange Management (Transfer or Issue of Security By a Person Resident Outside India) Regulations, 2000 (FEMA Regulations) + investment by registered Foreign Institutional Investors (FII) under the Portfolio Investment Scheme incorporated as Schedule 2 under Regulation 5(2) of the FEMA Regulations, is allowed up to 49%.
- 3.2 FDI will be allowed with specific prior approval of the Government .
- 3.3 Investment by registered FII under the Portfolio Investment Scheme will be limited to 23% and investment under the FDI Scheme will be limited to 26%.
- 3.4 FII purchases shall be restricted to secondary market only.
- 3.5 No foreign investor/ entity, including persons acting in concert, will hold more than 5% of the equity in these companies.

V 11/5/12/3/1001
GOPAL KRISHNA

Joint Secretary to the Government of India

D/o IPP F.No. 5(10)/2006-FC dated 12th March, 2008

Copy forwarded to

1. Press Information Officer, Press Information Bureau, for giving wide publicity to the above Press Note.
2. IP&IC cell for uploading the Press Note on the Department's website.

May 28, 2008

To

All Category-I Authorised Dealer Banks

Madam/Sir,

Trade Credits for Imports into India – Review of all-in-cost ceiling

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to paragraph 6 of the A. P. (DIR Series) Circular No. 87 dated April 17, 2004 relating to the all-in-cost ceiling of Trade Credits for imports into India.

2. At present, the all-in-cost ceiling in respect of Trade Credits up to one year is 50 basis points over 6 months LIBOR for the respective currency of credit or applicable benchmark. On a review, it has been decided to enhance the all-in-cost ceiling for trade credits as under:

| Maturity Period | All-in cost ceiling over 6-month LIBOR* | |
|--------------------------------------|---|------------------|
| | Existing | Revised |
| Up to one year | 50 basis points | 75 basis points |
| More than one year up to three years | 125 basis points | 125 basis points |

* for the respective currency of credit or applicable benchmark

3. This amendment to Trade Credit Policy will come into force immediately. All other aspects of Trade Credit remain unchanged.

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

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

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

Yours faithfully,

(D. Mishra)
Chief General Manager

May 29, 2008

To

All Category-I Authorised Dealer Banks

Madam/Sir,

External Commercial Borrowings Policy: Liberalisation

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to the A. P. (DIR Series) Circular No. 5 dated August 1, 2005, A. P. (DIR Series) Circular No. 60 dated May 21, 2007 and A. P. (DIR Series) Circular No. 4 dated August 7, 2007 relating to External Commercial Borrowings (ECB).

2. Based on a review, it has been decided to modify some aspects of the ECB policy as indicated below:

(a) At present, borrowers proposing to avail ECB up to USD 20 million for Rupee expenditure for permissible end-uses require prior approval of the Reserve Bank under the Approval Route. It has been decided that, henceforth,

(i) borrowers in infrastructure sector may avail ECB up to USD 100 million for Rupee expenditure for permissible end-uses under the Approval Route;

(ii) in the case of other borrowers, the existing limit of USD 20 million for Rupee expenditure for permissible end-uses under the Approval Route has been enhanced to USD 50 million.

(b) The all-in-cost ceilings in respect of ECB are modified as follows:

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

* for the respective currency of credit or applicable benchmark

The above changes will apply to ECB both under the automatic route and the approval route.

3. This amendment to ECB guidelines will come into force with immediate effect. All other aspects of ECB policy such as USD 500 million limit per company per year under the Automatic Route, eligible borrower, recognised lender, end-use of foreign currency expenditure for import of capital goods and overseas investments, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

May 30, 2008

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Reporting under FDI Scheme - Revised procedure

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended from time to time and A. P. (DIR Series) Circular No.40 dated April 20, 2007.

2. In terms of para 9 (1) A of Schedule I to the Notification, Indian companies are required to report the details of the amount of consideration received for issuing shares and convertible debentures under the Foreign Direct Investment (FDI) scheme to the Regional Office of the Reserve Bank in whose jurisdiction the Registered Office of the company operates, within 30 days of receipt of the amount of consideration. Further, in terms of Para 9 (1) B of Schedule ibid, the companies are required to report the details of the issue of shares / convertible debentures in form FC-GPR, to the Regional Office concerned, within 30 days of issue of shares / convertible debentures.

3. In order to capture the details of FDI in a more comprehensive manner, form FC-GPR was revised vide A. P. (DIR Series) Circular No.40 dated April 20, 2007. The reporting framework was again reviewed and further revisions were proposed and the revised draft of form FC-GPR was placed in public domain on March 14, 2008 inviting feedback from the public. Based on the feedback received, form FC-GPR has been revised. The revised form is enclosed at Annex I. Further, a standard format for reporting of the receipt of the amount of consideration for issue of shares / convertible debentures has been prescribed as Annex II. A format for the KYC report on the non-resident investor from the overseas bank remitting the amount required to be submitted along with the form FC-GPR has also been introduced (Annex III). The KYC report should, henceforth, be submitted at the time of reporting the receipt of the amount of consideration from the non-resident investor.

4. Accordingly, Indian companies are required to report the details of the receipt of the amount of consideration for issue of shares / convertible debentures in Annex II, together with a copy/ies of the FIRC/s evidencing the receipt of the remittance along with the KYC report on the non-resident investor in Annex III, through an AD Category – I bank, not later than 30 days from the date of receipt of the amount of

consideration. The report would be acknowledged by the Regional Office concerned, which would allot a Unique Identification Number (UIN) for the amount reported.

5. The details of the issue of shares / convertible debentures should, henceforth, be reported in the revised form FC-GPR (Annex I). While forwarding form FC-GPR to the Regional Office concerned, the AD Category – I bank should ensure that the UIN is correctly indicated in the form. It is also clarified that the annual report of all investments which is to be filed in Part B of the revised form FC-GPR, which is hitherto to be submitted by June 30 every year, would now have to be submitted by July 31 every year.

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager -in- Charge

Annex I

[Annex to A. P. (DIR Series) Circular No. 44 dated May 30, 2008]

FC-GPR**PART - A**

(To be filed by the company through its Authorised Dealer Category – I bank with the Regional Office of the RBI under whose jurisdiction the Registered Office of the company making the declaration is situated as and when shares / convertible debentures are issued to the foreign investor, along with the documents mentioned in item No. 4 of the undertaking enclosed to this form)

Permanent Account Number
(PAN) of the investee company
given by the Income Tax
Department

| | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

Date of issue of shares /
convertible debentures

| | | | | | | | | |
|--|--|--|--|--|--|--|--|--|
| | | | | | | | | |
|--|--|--|--|--|--|--|--|--|

| No. | Particulars | (In Block Letters) |
|-----|--|--------------------------------|
| 1. | Name | |
| | Address of the Registered Office | |
| | State | |
| | Registration No. given by Registrar of Companies | |
| | Whether existing company or new company (strike off whichever is not applicable) | Existing company / New company |
| | If existing company, give registration number allotted by RBI for FDI, if any | |
| | Telephone | |
| | Fax | |
| | e-mail | |

| | | |
|----|---|----------------------------------|
| 2. | Description of the main business activity NIC Code | |
| | Location of the project and NIC code for the district where the project is located | |
| | Percentage of FDI allowed as per FDI policy | |
| | State whether FDI is allowed under Automatic Route or Approval Route (strike out whichever is not applicable) | Automatic Route / Approval Route |
| 3 | Details of the foreign investor / collaborator* | |
| | Name Address Country Constitution / Nature of the investing Entity [Specify whether 1. Individual 2. Company 3. FII 4. FVCI 5. Foreign Trust 6. Private Equity Fund 7. Pension / Provident Fund 8. Sovereign Wealth Fund (SWF) [†] 9. Partnership / Proprietorship Firm 10. Financial Institution 11. NRIs / PIO 12. Others (please specify)] Date of incorporation | |

* If there is more than one foreign investor/collaborator, separate Annex may be included for items 3 and 4 of the Form.

[†] SWF means a Government investment vehicle which is funded by foreign exchange assets, and which manages those assets separately from the official reserves of the monetary authorities.

| | | | | | | | | |
|-----|--|--|---------------|----------------------|-------------------|---|------------------------------|--------------------------|
| 4 | Particulars of Shares / Convertible Debentures Issued | | | | | | | |
| (a) | Nature and date of issue | | | | | | | |
| | | Nature of issue | | Date of issue | | Number of shares/ convertible debentures | | |
| | 01 | IPO / FPO | | | | | | |
| | 02 | Preferential allotment / private placement | | | | | | |
| | 03 | Rights | | | | | | |
| | 04 | Bonus | | | | | | |
| | 05 | Conversion of ECB | | | | | | |
| | 06 | Conversion of royalty (including lump sum payments) | | | | | | |
| | 07 | Conversion against import of capital goods by units in SEZ | | | | | | |
| | 08 | ESOPs | | | | | | |
| | 09 | Share Swap | | | | | | |
| | 10 | Others (please specify) | | | | | | |
| | | Total | | | | | | |
| (b) | Type of security issued | | | | | | | |
| | No. | Nature of security | Number | Maturity | Face value | Premium | Issue Price per share | Amount of inflow* |
| | 01 | Equity | | | | | | |
| | 02 | Compulsorily Convertible Debentures | | | | | | |
| | 03 | Compulsorily Convertible Preference shares | | | | | | |
| | 04 | Others (please specify) | | | | | | |
| | | Total | | | | | | |

i) In case the issue price is greater than the face value please give break up of the premium received.

ii) * In case the issue is against conversion of ECB or royalty or against import of capital goods by units in SEZ, a Chartered Accountant's Certificate certifying the amount outstanding on the date of conversion

| | | |
|-----|----------------------------|---------------|
| (c) | Break up of premium | Amount |
| | Control Premium | |
| | Non competition fee | |
| | Others [@] | |
| | Total | |

[@] *please specify the nature*

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

** before issue of shares

*(Please indicate as applicable)

| 5. Post issue pattern of shareholding | | | | | | | |
|---------------------------------------|--------------------------------------|---------------|-------------------------|---|--|-------------------------|---|
| | | Equity | | | Compulsorily convertible Preference Shares/ Debentures | | |
| Investor category | | No. of shares | Amount (Face Value) Rs. | % | No. of shares | Amount (Face Value) Rs. | % |
| a) | Non-Resident | | | | | | |
| | 01 Individuals | | | | | | |
| | 02 Companies | | | | | | |
| | 03 FIIs | | | | | | |
| | 04 FVCIs | | | | | | |
| | 05 Foreign Trusts | | | | | | |
| | 06 Private Equity Funds | | | | | | |
| | 07 Pension/ Provident Funds | | | | | | |
| | 08 Sovereign Wealth Funds | | | | | | |
| | 09 Partnership/ Proprietorship Firms | | | | | | |
| | 10 Financial Institutions | | | | | | |
| | 11 NRIs/PIO | | | | | | |
| | 12 Others (please specify) | | | | | | |
| | Sub Total | | | | | | |
| b) | Resident | | | | | | |
| Total | | | | | | | |

DECLARATION TO BE FILED BY THE AUTHORISED REPRESENTATIVE OF THE INDIAN COMPANY: *(Delete whichever is not applicable and authenticate)*

We hereby declare that:

1. We comply with the procedure for issue of shares / convertible debentures as laid down under the FDI scheme as indicated in Notification No. FEMA 20/2000-RB dated 3rd May 2000 as amended from time to time.

2. The investment is within the sectoral cap/statutory ceiling permissible under the Automatic Route of RBI and we fulfill all the conditions laid down for investments under the Automatic Route namely (strike off whichever is not applicable) .

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

OR

Foreign entity/entities—(other than individuals), to whom we have issued shares do not have any existing joint venture or technology transfer or trade mark agreement in India in the same field.

b) We are not an SSI unit.

OR

We are a SSI unit and the investment limit of 24 % of paid-up capital has been observed/ requisite approvals have been obtained.

c) Shares issued on rights basis to non-residents are in conformity with Regulation 6 of the RBI Notification No FEMA 20/2000-RB dated 3rd May 2000, as amended from time to time.

OR

Shares issued are bonus shares.

OR

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

OR

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

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

4. We enclose the following documents in compliance with Paragraph 9 (1) (B) of
Schedule 1 to Notification No. FEMA 20/2000-RB dated May 3, 2000:

- (i) A certificate from our Company Secretary certifying that
 - (a) all the requirements of the Companies Act, 1956 have been complied with;
 - (b) terms and conditions of the Government approval, if any, have been complied with;
 - (c) the company is eligible to issue shares under these Regulations; and
 - (d) the company has all original certificates issued by authorised dealers in India evidencing receipt of amount of consideration in accordance with paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 3, 2000.
- (ii) A certificate from Statutory Auditors / Chartered Accountant indicating the manner of arriving at the price of the shares issued to the persons resident outside India.

5. Unique Identification Numbers given for all the remittances received as consideration
for issue of shares/convertible debentures (details
as above), by Reserve Bank.

| | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
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| R | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

(Signature of the Applicant)* : _____

(Name in Block Letters) : _____

(Designation of the signatory) : _____

Place:

Date:

(* To be signed by Managing Director/Director/Secretary of the Company)

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

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

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

1. All the requirements of the Companies Act, 1956 have been complied with.
2. Terms and conditions of the Government approval, if any, have been complied with.
3. The company is eligible to issue shares / convertible debentures under these Regulations.
4. The company has all original certificates issued by AD Category – I banks in India, evidencing receipt of amount of consideration in accordance with paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 3, 2000.

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

FOR USE OF THE RESERVE BANK ONLY:

| | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
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|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

Registration Number for the FC-GPR:

**Unique Identification Number allotted to the
Company at the time of reporting receipt of
remittance**

| | | | | | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| R | | | | | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

[‡] If the company doesn't have a full time Company Secretary, a certificate from a practising Company Secretary may be submitted.

FC-GPR

PART-B

(i) This part of form FC-GPR is to be submitted to the Director, Balance of Payment Statistical Division, Department of Statistical Analysis & Computer Services, Reserve Bank of India, C8, 3rd Floor, Bandra-Kurla Complex, Bandra (E), Mumbai – 400051; Tel: 2657 1265, 2657 2513, Fax: 26570848; email:surveyfla@rbi.org.in

(ii) This is an annual return to be submitted by 31st of July every year by all companies, pertaining to all investments by way of direct/portfolio investments/re-invested earnings/others in the Indian company made during the previous years (e.g. the information in Part B submitted by 31st July 2008 will pertain to all the investments made in the previous years up to March 31, 2008). The details of the investments to be reported would include all foreign investments made into the company which is outstanding as on the date of the balance sheet. The details of overseas investments in the company both under Direct / portfolio investment may be separately indicated. Please use end-March Market prices/exchange rates for compiling the relevant information.

Permanent Account
Number (PAN) of the
investee company given
by the Income Tax
Department

| | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

| No. | Particulars | (In Block Letters) |
|-----|--|-------------------------|
| 1. | Name Address State Registration No. given by the Registrar of Companies | |
| 2. | Name of the Contact Person: Tel. Fax: | Designation: E-mail: |

| | | | | | |
|--|--|---|--|---|--|
| 3. | Account closing date: | | | | |
| 4. | Details of changes if any, with regard to information furnished earlier (Change in name of company / Change of location, activities, etc.) | | | | |
| 5. | Whether listed company or unlisted company | Listed / Unlisted | | | |
| 5.1 | If listed, i) Market value per share as at end-March ii) Net Asset Value per share as on date of latest Audited Balance Sheet | | | | |
| 5.2 | If unlisted, Net Asset Value per share as on date of latest Audited Balance Sheet | | | | |
| 6. Foreign Direct Investment (FDI) | | | | | |
| | Amount in Lakhs of Rupees | | | | |
| | Foreign Liabilities In India * | | Foreign Assets Outside India & | | |
| | Outstanding at end-March of Previous Year | Outstanding at end-March of Current Year | Outstanding at end-March of Previous Year | Outstanding at end-March of Current Year | |
| 6.0 Equity Capital | | | | | |
| 6.1 Other Capital ^Ω | | | | | |
| 6.2 Disinvestments during the year | | | | | |
| 6.3 Retained earnings during the year ⁺ | | | | | |

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

& Please furnish your total investments outside the country in each of which **your Company** held **10 per cent or more** ordinary shares of that non-resident enterprise on the reporting date.

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

⁺ Under foreign liabilities, for retained earnings (undistributed profit), please furnish the proportionate amount as per the share holding of non-resident investors (Direct investors). Similarly under foreign assets outside

| 7. Portfolio and Other Investment | | | | |
|---|--|---|--|---|
| <i>[Please furnish here the outstanding investments other than those mentioned under FDI above]</i> | | | | |
| | Amount in Lakhs of Rupees | | | |
| | Foreign Liabilities In India | | Foreign Assets Outside India | |
| | Outstanding at end-March of Previous Year | Outstanding at end-March of Current Year | Outstanding at end-March of Previous Year | Outstanding at end-March of Current Year |
| 7.0 Equity Securities | | | | |
| 7.1 Debt Securities | | | | |
| 7.1.1 Bonds and Notes | | | | |
| 7.1.2 Money Market Instruments | | | | |
| 7.2 Disinvestments during the year | | | | |
| 8. Financial Derivatives (notional value) | | | | |
| 9. Other Investment | | | | |
| 9.1 Trade Credit | | | | |
| 9.1.1 Short Term | | | | |
| 9.1.2 Long Term | | | | |
| 9.2 Loans [∞] | Please see the note below | | | |
| 9.3 Others | | | | |
| 9.3.1 Short Term | | | | |
| 9.3.2 Long Term | | | | |
| | | | | |

India, the retained earnings of your company would be proportionate to your shareholding of ordinary shares in the non-resident enterprise.

[∞] **Note:** As the details of the Loans availed of by your company are collected through Authorised Dealers separately by Foreign Exchange Department of the Reserve Bank in ECB returns, the details of external loans availed by your company need not be filled in. However, the external loans extended by your company to non-resident enterprises other than WOS/JVs outside India should be reported under "Foreign Assets outside India".

| 10. Shareholding pattern as at end-March | | | | | | | | |
|--|---|--|---------------|-------------------------|---|--|-------------------------|---|
| | | | Equity | | | Compulsorily convertible Preference Shares/ Debentures | | |
| Investor category / Nature of investing entity | | | No. of shares | Amount (Face Value) Rs. | % | No. of shares | Amount (Face Value) Rs. | % |
| a) | Non-Resident | | | | | | | |
| | 01 | Individuals | | | | | | |
| | 02 | Companies | | | | | | |
| | 03 | FIs | | | | | | |
| | 04 | FVCIs | | | | | | |
| | 05 | Foreign Trusts | | | | | | |
| | 06 | Private Equity Funds | | | | | | |
| | 07 | Pension/ Provident Funds | | | | | | |
| | 08 | Sovereign Wealth Fund (SWF) [§] | | | | | | |
| | 08 | Partnership / Proprietorship Firms | | | | | | |
| | 09 | Financial Institutions | | | | | | |
| | 10 | NRIs/PIO | | | | | | |
| | 11 | Others (please specify) | | | | | | |
| | Sub Total | | | | | | | |
| b) | Resident | | | | | | | |
| Total | | | | | | | | |
| | | | | | | | | |
| 11. | Persons employed during the financial year ending March 31 [®] | | | | | | | |
| | Directly | | | | | | | |
| | Indirectly | | | | | | | |
| | Total | | | | | | | |

Signature of the authorised
Official : _____

Name (in block letters) : _____

Designation : _____

Place: _____ Date: _____

[§] SWF means a Government investment vehicle which is funded by foreign exchange assets, and which manages those assets separately from the official reserves of the monetary authorities.

[®] Please indicate the number of persons recruited by your company during the financial year for which the return is being submitted. Under “Directly”, indicate the number of persons on the roll of your company, whereas under “Indirectly”, indicate the number of persons otherwise engaged by your company during the year.

[Annex to A. P. (DIR Series) Circular No. 44 dated May 30, 2008]

(To be filed by the company through its Authorised Dealer Category – I bank, with the Regional Office of the Reserve Bank under whose jurisdiction the Registered Office of the company making the declaration is situated, not later than 30 days from the date of receipt of the amount of consideration, as specified in para 9 (I) (A) of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000)

[illegible]

| No. | Particulars | (In Block Letters) | |
|-----|--|----------------------------------|------------------|
| 1. | Name of the Indian company | | |
| | Address of the Registered Office | | |
| | Fax | | |
| | Telephone | | |
| | e-mail | | |
| 2 | Details of the foreign investor/ collaborator | | |
| | Name | | |
| | Address | | |
| | Country | | |
| 3. | Date of receipt of funds | | |
| 4. | Amount | In foreign currency | In Indian Rupees |
| | | | |
| 5. | Whether investment is under Automatic Route or Approval Route If Approval Route, give details (ref. no. of approval and date) | Automatic Route / Approval Route | |

| | | |
|----|--|--|
| 6. | Name of the AD Category – I bank through whom the remittance is received | |
| 7. | Address of the AD Category – I bank | |

Copy of the FIRC/s evidencing the receipt of consideration for issue of shares / convertible debentures as above is enclosed.

| | |
|--|----------------------------------|
| (Authorised signatory of the investee company) | (Authorised signatory of the AD) |
| (Stamp) | (Stamp) |

FOR USE OF THE RESERVE BANK ONLY:

| | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

Unique Identification Number for the remittance received:

Annex III

[Annex to A. P. (DIR Series) Circular No. 44 dated May 30, 2008]

Know Your Customer (KYC) Form in respect of the non-resident investor

| | |
|--|--|
| Registered Name of the Remitter / Investor (Name, if the investor is an Individual) | |
| Registration Number (Unique Identification Number* in case remitter is an Individual) | |
| Registered Address (Permanent Address if remitter Individual) | |
| Name of the Remitter's Bank | |
| Remitter's Bank Account No. | |
| Period of banking relationship with the remitter | |

*Passport No., Social Security No, or any Unique No. certifying the bonafides of the remitter as prevalent in the remitter's country

We confirm that all the information furnished above is true and accurate as provided by the overseas remitting bank of the non-resident investor.

(Signature of the Authorised Official
of the AD bank receiving the remittance)

Date:

Place:

Stamp :

May 30, 2008

To,

All Category – I Authorised Dealer banks and Authorised Banks

Madam / Sir,

**Foreign Exchange Management (Deposit) Regulations, 2000 –
Credit to Non Resident (External) Rupee Accounts**

Attention of Authorised Dealer Category - I (AD Category – I) banks is invited to paragraph 3 of Schedule I to the Foreign Exchange Management (Deposit) Regulations, 2000 [Notification No. FEMA 5/2000-RB dated May 3, 2000], as amended from time to time, giving the permissible credits to the Non-Resident (External) Rupee (NRE) account. Further, in terms of Anti-Money Laundering guidelines [cf A. P. (DIR Series) Circular No. 14 dated October 17, 2007], FFMCS are permitted to encash foreign currency and make cash payment only up to USD 3000 or its equivalent. Amount exceeding USD 3000 or its equivalent has to be paid by way of demand draft or bankers' cheque.

2. As a measure of liberalization and also to meet the genuine needs of the NRE account holders, it has been decided that AD Category – I banks and authorized banks may credit proceeds of demand drafts / bankers' cheques issued against encashment of foreign currency to the NRE account of the NRI account holder where the instruments issued to the NRE account holder are supported by encashment certificate issued by AD Category – I / Category – II.

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

June 2, 2008

To

All Category - I Authorised Dealer Banks

Madam / Sir,

External Commercial Borrowings (ECB) by Services Sector -Liberalization

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the A. P. (DIR Series) Circular No. 5 dated August 1, 2005 relating to External Commercial Borrowings (ECB) and Notification No. FEMA 3/2000-RB dated May 3, 2000, as amended from time to time.

2. Under the extant ECB guidelines, borrowers in the services sector are not eligible to avail ECB under the Automatic Route. It has been decided, in consultation with the Government of India, to allow entities in the service sector viz. hotels, hospitals and software companies to avail ECB up to USD 100 million, per financial year, for the purpose of import of capital goods under the Approval Route. All other aspects of ECB policy shall remain unchanged.

3. It is also clarified that the existing guidelines on trade credit, allowing companies including those in the services sector, to avail trade credit up to USD 20 million per import transaction, for a period less than 3 years, for import of capital goods, shall continue [cf A. P. (DIR Series) Circular No. 87 dated April 17, 2004].

4. This amendment to ECB guidelines will come into force with immediate effect.

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

June 03, 2008

To

All Authorised Dealer Category - I Banks

Madam / Sir,

Risk Management and Inter-Bank Dealings - Commodity Hedging
Exposures of domestic oil refining and marketing companies

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to Regulation 6 of Notification No. FEMA.25/RB-2000 dated May 3, 2000, as amended from time to time, in terms of which residents in India are permitted to enter into a contract in a commodity exchange or market outside India to hedge price risk in a commodity, subject to terms and conditions. Further, in terms of A.P. (DIR Series) Circular No.03 dated July 23, 2005, select commercial bank ADs have been delegated the authority to grant permission to companies listed on a recognized stock exchange to hedge commodity price risk in the international commodity exchanges /markets. Also, in terms of A. P. (DIR Series) Circular No.17, dated November 6, 2007 domestic oil refining and marketing companies were permitted to hedge commodity price risk based on the inventory volumes, subject to conditions.

2. Companies engaged in crude oil refining and marketing have been representing to the Reserve Bank for further liberalization of hedging facilities for petroleum and petro products in view of the volatile prices in the market. With a view to facilitating domestic crude oil refining companies to hedge their commodity price risk exposure dynamically, as announced in the Annual Policy Statement for the Year 2008-09 (para 129), it has been decided to extend the following facilities:

A. Hedging of domestic purchases of crude oil and sales of petro-products:

As per the prevailing trade practices, indigenously produced crude oil is purchased at international prices by the refineries. However, hedging of price risk on domestic purchases of crude oil is not permitted. In order to enable domestic crude oil refining companies to hedge their risk exposures, it has been decided to permit them to hedge their commodity price risk on domestic purchase of crude oil and sale of petroleum products on the basis of underlying contracts linked to international prices on overseas exchanges / markets. The hedging will be allowed strictly on the basis of underlying contracts.

B. Hedging of anticipated imports of crude oil:

In order to provide greater flexibility, it has been decided to permit domestic crude oil refining companies to hedge their commodity price risk on crude oil imports in overseas exchanges / markets, on the basis of their past performance up to 50 per cent of the volume of actual imports during the previous year or 50 per cent of the average volume of imports during the previous three financial years, whichever is higher. Contracts booked under this facility will have to be regularized by production of supporting import orders during the currency of hedge. An undertaking may be obtained from the companies to this effect.

3. The hedging has to be undertaken only through AD Category – I banks, who have been specifically authorised by Reserve Bank in terms of A. P. (DIR Series) Circular No. 03 dated July 23, 2005, subject to the conditions and guidelines annexed thereto.

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

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

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

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

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

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

June 03, 2008

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Investments - Liberalisation / Rationalisation

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to A. P. (DIR Series) Circular No. 59 dated May 18, 2007, A. P. (DIR Series) Circular No. 68 dated June 01, 2007, A. P. (Dir Series) Circular No. 11 dated September 26, 2007 and Notification No. FEMA 120/RB-2004 dated July 7, 2004, as amended from time to time, on Overseas Direct Investments. As announced in the Annual Policy Statement for the Year 2008-09 (paras 131 and 132), the Regulations governing overseas investments have been further liberalised as under :

2. Overseas Investment in Energy and Natural Resources Sectors

In terms of A. P. (Dir Series) Circular No. 11 dated September 26, 2007, an Indian Party is allowed to make direct investment in Joint Ventures and / or Wholly Owned Subsidiaries outside India up to 400 per cent of the net worth as on the date of the last audited balance sheet, under the Automatic Route. With a view to provide greater flexibility to Indian parties for investment abroad, it has been decided, in consultation with the Government of India, to allow Indian companies to invest in excess of 400 per cent of their net worth, as on the date of the last audited balance sheet, in the energy and natural resources sectors such as oil, gas, coal and mineral ores. The investments in excess of 400 per cent of the net worth shall be made only with the prior approval of the Reserve Bank. AD Category - I banks may, therefore, refer such cases to the Reserve Bank in terms of the procedures laid down in A. P. (Dir Series) Circular No. 68 dated June 1, 2007.

3. Investment in Overseas Unincorporated Entities in Oil Sector

(i) In terms of A. P. (DIR Series) Circular No. 59 dated May 18, 2007, Navaratna Public Sector Undertakings (PSUs) are allowed to invest in overseas unincorporated entities in oil sector (i.e. for exploration and drilling for oil and natural gas, etc.), which are duly approved by the Government of India, without any limits, under the automatic route. This facility is now extended to ONGC Videsh Ltd (OVL) and Oil India Ltd (OIL).

(ii) With a view to further liberalise the procedure, it has now been decided, in consultation with the Government of India, to allow a similar facility to other Indian entities to invest in overseas unincorporated entities in oil sector. AD Category – I banks may allow remittance up to 400 per cent of the net worth of the Indian company after ensuring that the proposal has been approved by the competent authority and is duly

supported by a certified copy of the Board Resolution approving such investment. Applications by Indian companies, other than by Navaratna PSUs, ONGC Videsh Ltd (OVL) and Oil India Ltd (OIL), for investment in excess of 400 per cent of the net worth of the company as on the date of the last audited balance sheet, in overseas unincorporated entities, where such investments are approved by the Competent authority, should be referred by AD Category - I banks to the Reserve Bank for prior approval, as per the procedure laid down in A. P. (DIR Series) Circular No. 68 dated June 1, 2007.

(iii) All investments in unincorporated entities overseas would be required to comply with the reporting requirements as prescribed in Regulation 15 (iii) of Notification No. FEMA 120/RB-2004 dated July 7, 2004 [Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2004], as amended from time to time. Further, all such investments in unincorporated entities overseas by both Navaratna PSUs and other entities will be required to be reported in form ODI, including Annual Performance Report (APR) [cf A. P. (Dir Series) Circular No. 68 dated June 1, 2007].

4. Capitalisation of Exports

In terms of Regulation 11(1) of Notification No. FEMA 120/RB-2004 dated July 7, 2004 [Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004], as amended from time to time, an Indian Party making direct investment outside India in accordance with the Regulations, by way of capitalization, in full or part of the amount due to the Indian Party from the foreign entity on account of payment for export of plant, machinery, equipment and other goods / software to the foreign entity, has to obtain the prior approval of the Reserve Bank where such export proceeds have remained unrealized beyond a period of six months from the date of exports. In order to align this provision with the Foreign Trade Policy, Indian parties may, henceforth, approach the Reserve Bank for capitalization of export proceeds only in cases where the exports remain outstanding beyond the prescribed period of realisation.

5. Necessary amendments to Notification No. FEMA 120/RB-2004 dated July 7, 2004 [Foreign Exchange Management (Transfer or Issue of any Foreign Security), Regulations, 2004] are being issued separately.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

June 03, 2008

To,

All Authorised Dealer Category - I banks

Madam / Sir,

**Export of Goods and Services -
Payments of Claims by Insurance Companies-Write off**

Attention of Authorised Dealer (Category – I) banks is invited to A. P. (DIR Series) Circular No.22 dated September 24, 2003, in terms of which AD banks were permitted to write off the export bills and delete them from the XOS statement in respect of outstanding export bills where claims were settled by ECGC.

2. Reserve Bank has received representations from Exporters / Trade bodies for extending the 'write off' facility applicable to the claims settled by all insurance companies which are registered with Insurance Regulatory and Development Authority (IRDA). In view of the representations received and in order to liberalise further the procedures, it has been announced in the Annual Policy Statement for the Year 2008-09 (para 133), to permit AD Category – I banks to write off, in addition to the claims settled by ECGC, the outstanding export bills settled by other insurance companies which are regulated by IRDA.

3. Accordingly, AD Category – I banks shall henceforth, on an application received from the exporter, supported by a documentary evidence from ECGC / insurance companies registered with IRDA, confirming that the claim in respect of the outstanding export bills has been settled and that the export incentives, if any, have been surrendered, write-off the relative export bills and delete them from the XOS statement. Such write-off will not be restricted to the limit of 10 per cent indicated in paragraph C 18(b) of the A. P. (DIR Series) Circular No.12 dated September 9, 2000.

4. It is clarified that the claims settled in Rupees by ECGC / insurance companies should not be construed as export realisation in foreign exchange and claim amount should not be allowed to be credited to Exchange Earners' Foreign Currency Account maintained in terms of Regulation 4 of FEMA Notification No.FEMA 10/2000-RB dated May 3, 2000.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager- in- Charge

June 03, 2008

To,

All Category – I Authorised Dealer Banks

Madam / Sir,

**Export of Goods and Services-
Realisation and Repatriation of Export Proceeds-Liberalisation**

Attention of Authorised Dealer Category – I (AD Category- I) banks is invited to the provisions of sub-regulation (1) of Regulation 9 of the Notification No.FEMA.23 /2000-RB dated May 3, 2000, as amended from time to time, in terms of which the amount representing the full export value of goods or software exported should be realised and repatriated to India within six months from the date of export.

2. Reserve Bank has been receiving representations from Exporters / Trade bodies to extend the period of realisation of export proceeds in view of the external environment. It has, therefore, been, in consultation with Government of India, announced in the Annual Policy Statement for the Year 2008-09 (para 134) to enhance the present period of realization and repatriation to India of the amount representing the full export value of goods or software exported, from **six months to twelve months** from the date of export, subject to review after one year. The provisions in regard to period of realization and repatriation to India of the full export value of goods or software exported by a unit situated in Special Economic Zone (SEZ) as well as exports made to warehouses established outside India with the permission of Reserve Bank remain unchanged.

3. Necessary amendments to Notification No. FEMA.23/RB-2000 dated May 3, 2000 [Foreign Exchange Management (Export of Goods and Services) Regulations, 2000] are being notified separately.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-In-Charge

June 03, 2008

To,

All Authorised Dealer Category – I Banks

Madam / Sir,

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

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to A.P. (DIR Series) Circular No. 38 dated April 22, 2008 wherein the rupee value of the special currency basket was indicated as Rs.58.6670 effective from April 7, 2008.

2. AD Category – I banks are advised that a further revision has taken place on May 8, 2008 and accordingly, the rupee value of the special currency basket has been fixed at Rs.60.5828 with effect from May 13, 2008.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

June 11, 2008

To,

All Authorised Dealer Category – I Banks

Madam / Sir,

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

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to A.P. (DIR Series) Circular No. 51 dated June 3, 2008 wherein the rupee value of the special currency basket was indicated as Rs.60.5828 effective from May 13, 2008.

2. AD Category – I banks are advised that a further revision has taken place on May 20, 2008 and accordingly, the rupee value of the special currency basket has been fixed at Rs.62.5198 with effect from May 23, 2008.

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

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

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

June 27, 2008

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

Overseas Direct Investment by Registered Trust / Society

Attention of Authorised Dealer Category - I (AD Category - I) Banks is invited to Notification No.FEMA120/RB-2004 dated 7th July 2004, as amended from time to time, in terms of which a company incorporated in India, or a body created under an Act of Parliament or a partnership firm registered under Indian Partnership Act, 1932, or any other entity as may be notified by the Reserve Bank is eligible to invest in a Joint Venture or Wholly Owned Subsidiary abroad.

2. With a view to further liberalising the policy on overseas investments, it has been decided, in consultation with the Government of India, to allow Registered Trusts and Societies engaged in manufacturing / educational sector to make investment in the same sector(s) in a Joint Venture or Wholly Owned Subsidiary outside India, with the prior approval of the Reserve Bank. Trusts / Societies satisfying the eligibility criteria as prescribed in the Annex, may submit the application/s in Form ODI-Part I, through their AD Category - I bank/s. The AD Category – I bank, after ensuring that the applicant satisfies the prescribed criteria, may forward the application/s with their comments / recommendations, to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Overseas Investment Division, Central Office, Amar Building, 5th Floor, Fort, Mumbai 400 001, for consideration.

3. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of any Foreign Security), Regulations, 2004 notified vide Notification No.FEMA120/RB-2004 dated 7th July 2004 are being issued separately.

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

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

Annex

[Annex to A. P. DIR (Series) Circular No. 53 dated June 27, 2008]

Criteria for Overseas Investment by Registered Trust / Society

Trust

- i) The Trust should be registered under the Indian Trust Act, 1882.
- ii) The Trust deed permits the proposed investment overseas.
- iii) The proposed investment should be approved by the trustee/s.
- iv) The Authorised Dealer bank is satisfied that the Trust is KYC (Know Your Customer) compliant and is engaged in a bonafide activity.
- v) The Trust has been in existence at least for a period of three years.
- vi) The Trust has not come under the adverse notice of any Regulatory / Enforcement agency like the Directorate of Enforcement, CBI etc.

Society

- i) The Society should be registered under the Societies Registration Act, 1860.
- ii) The Memorandum of Association and rules and regulations permit the Society to make the proposed investment which should also be approved by the governing body / council or a managing / executive committee.
- iii) The Authorised Dealer bank is satisfied that the Society is KYC (Know Your Customer) compliant and is engaged in a bonafide activity.
- iv) The Society has been in existence at least for a period of three years.
- v) The Society has not come under the adverse notice of any Regulatory / Enforcement agency like the Directorate of Enforcement, CBI etc.

In addition to the registration, the activities which require special license / permission either from the Ministry of Home Affairs, Government of India or from the relevant local authority, as the case may be, the Authorised Dealer Category – I bank should ensure that such special license / permission has been obtained by the applicant.