

Exchange Control

March 2000

1. Authorised Dealers in Foreign Exchange

Consequent to the amalgamation of Times Bank Ltd. with HDFC Bank Ltd. w.e.f. February 26, 2000, Times Bank Ltd. has ceased to exist and hence licence to deal in foreign exchange issued under Section 6 of the Foreign Exchange Regulation Act, 1973 to Times Bank Ltd. has been treated as cancelled.

2. Foreign Investment under the Automatic Route of the Reserve Bank - Further Liberalisation

Government of India have substantially expanded foreign investment under the Automatic Route of the Reserve Bank vide Ministry of Commerce and Industry's Press Note No.2 (2000 Series) dated February 11, 2000. In line with these liberalisations the Reserve Bank has granted general permission under FERA, 1973 for issue of shares to non-residents [which includes Foreign Direct Investment (FDI) and Non Resident Indian (NRI)/Overseas Corporate Body (OCB) investment] vide Notification No.FERA.215/2000-RB dated March 22, 2000. In this connection, it is clarified that

- i) The Automatic Route of the Reserve Bank, hereafter, will be available only where non-resident investment does not exceed Rs. 600 crores (FDI and NRI/OCB investments put together).
- ii) Investment by non-resident (FDI and NRI/ OCB) in EOUs/EPZ/EHTP/STP units have now been made eligible under the Automatic Route of the Reserve Bank.
- iii) The general permission granted shall not apply to or in respect of investment proposals of foreign companies/entities in which the foreign company/entity has any previous venture/tie up in India (through investment or technical collaboration or trade mark agreement) in the same or allied field.

3. XOS Statements

It has been decided that the authorised dealers should give details of only those exports, which remained unrealised beyond the period of 180 days from the date of shipment, in the XOS statement from the half year ending June 30, 2000 onwards. However, authorised dealers should continue to treat the export bills which remained unrealised and unpaid on the due date of payment as outstanding export bills for all purposes.

4. Write-off of Unrealised Export Bills

It has been decided that the aggregate amount of 'write-off ' of unrealised export bills allowed by the authorised dealer at all branches put together during a calendar year

should not exceed 10 per cent of the export proceeds realised by the exporter through the concerned authorised dealer during the previous calendar year as against 5 per cent of the export proceeds allowed hitherto.

5. Gift Parcels

The requirement of declaration on GR/PP forms is not applicable in respect of export in the form of gift parcels, publicity material, etc. sent by airfreight and post parcel and certified by the authorised dealers as not involving any transaction in foreign exchange and the value of shipment not exceeding Rs.1 lakh. Hitherto, the limit for value of shipment was Rs.25,000.

6. Supply of goods by 100 per cent Export Oriented Units (EOUs)/Units in Export Processing Zones (EPZs)/Electronic Hardware Technology Parks (EHTPs) and Software Technology Parks(STPs) to Units in Domestic Tariff Area (DTA) against Payment in Foreign Exchange.

Authorised dealers may allow payment by the buyers in Domestic Tariff Area for the supplies made to them by Export Oriented Units, units in Export Processing Zones, Electronic Hardware Technology Parks and Software Technology Parks in free foreign exchange including funds held in their EEFC accounts, subject to certain conditions.

7. Discontinuation of Stat 2 Statement

Hitherto, authorised dealers were required to submit to the Reserve Bank annual statement showing balances and securities held by them in blocked accounts as on March 31, in Form STAT-2. It has been decided to discontinue the submission of STAT 2 statement forthwith.