

Exchange Control

APRIL 2000

1. Enhancement in the Existing Limits for Investments by Foreign Institutional Investors (FIIs) in Indian Companies

With a view to liberalising investment by Foreign Institutional Investors (FIIs) in Indian companies, in the primary/secondary markets in India, it has been decided to allow Indian companies (other than Banking Companies), including those which have already enhanced the aggregate ceiling from the normal level of 24 per cent to 30 per cent to enhance the ceiling upto 40 per cent of its issued and paid up capital subject to certain conditions.

2. Advance Remittance for Imports

Authorised dealers have been allowed to make advance remittance, on behalf of importers, against bank guarantee furnished by the overseas supplier from an international bank of repute situated outside India, if the amount of advance remittance exceeds US \$ 25,000 instead of US \$ 15,000 permitted earlier.

3. External Commercial Borrowings –Repayment of Loan/Credit and Payment of Other Charges

With a view to simplifying the procedure, it has been decided to delegate powers to authorised dealers to allow remittance of penal interest, irrespective of period of default and number of occasions. Authorised dealers are, however, to submit a detailed report to the concerned Regional Office of the Reserve Bank if the borrower has defaulted on three consecutive occasions.

4. Renewal of Trading Office Abroad

It has been decided that the firms/companies having trading offices abroad, operating on 'no remittance' basis or maintained out of funds in EEFC Accounts need not apply for renewal of permission for continuation of their offices abroad. However, prescribed annual statements should be submitted to the authorised dealer.

5. Loans Abroad against Securities Provided in India

As per the current exchange control regulations authorised dealers are permitted to grant, through their overseas branches and correspondents, loans and overdrafts against the security of fixed deposits or other assets in India, to Indian nationals or persons of Indian origin established in business or trade, provided they are satisfied that such assets represent funds which had previously been remitted to India in an approved manner. It has been decided to bring Overseas Corporate Bodies (OCBs) also within the purview of the above provisions.

6. Remittance of Surplus Passage Fare and/or Freight by Agents of Foreign

Airline/Shipping Companies - *Ad hoc* Remittance Facility

The authorised dealers have been permitted to allow their constituent foreign airline companies, *ad hoc* remittance facility upto 75 per cent of the estimated remittable surplus passage fare and/or freight collection during a month (subject to availability of balance in the account), after the 20th day of the month to which it relates, on the basis of the application submitted by the foreign airline company/its agent, pending submission of SPM1 statement. Remittance of the balance surplus amount is to be allowed only after scrutiny of SPM1 statement. Similarly, authorised dealers have also been permitted to allow local agents of foreign shipping companies to make *ad hoc* remittances, after sailing of the vessel, upto 75 per cent of the estimated remittable surplus, pending, submission of statement SPM2 (subject to availability of balance in the account). The balance amount of remittable surplus is to be allowed by the authorised dealer only after scrutiny of statement SPM2.

With the introduction of *ad hoc* remittance facility, airline/shipping companies shall not keep their surplus funds in Short Term Fixed Deposits.