

# **Exchange Control**

**AUGUST 2000**

## **1. Exchange Earners' Foreign Currency (EEFC) Account Scheme**

EEFC Account Scheme was introduced in 1992 which enabled exporters and other exchange earners to retain a portion of their receipt in foreign exchange with an authorised dealer in India. On a review of the Scheme, the authorised dealers were advised to initiate steps to scale down the balances in EEFC accounts to 50 per cent of the amounts held as on August 11, 2000. Authorised dealers were also advised to direct their constituents to convert into rupees the excess balances latest by August 23, 2000 and ensure such conversion. Where amounts were held in term deposits, the excess amount might be sold forward by the depositor to coincide with maturity date of deposit. Compliance in regard to conversion/forward sales was to be reported to the Chief General Manager, Exchange Control Department, Export Division, Reserve Bank of India, Mumbai on or before August 25, 2000. It has also been decided as under:

(i) With effect from August 14, 2000 (a) 100 per cent Export Oriented Unit or a unit in Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology Park may credit 35 per cent, and any other person resident in India may credit upto 25 per cent of their eligible inward remittances as indicated in the Schedule to the Reserve Bank Notification No. FEMA 10/2000-R.B. dated May 3, 2000.

(ii) It has been decided that EEFC accounts can be maintained only in the form of current or savings account by an individual or in the form of current account by others with immediate effect. The balances in the existing term deposit less forward sales, will have to be converted into Current/Savings deposits on the date of maturity.

(iii) No credit facilities either fund based or non-fund based should be permitted against the security of balances held in EEFC accounts, by the authorised dealers. Existing facilities may, however, be allowed to continue till the maturity of existing contract. No extension of time limit should be permitted for repayment of the existing credit facilities.

## **2. Import of Goods**

(i) Directions have been issued to authorised dealers for dealing with applications relating to import of goods and services into India.

(ii) Import trade is regulated by the Directorate General of Foreign Trade (DGFT) and its Regional Offices, functioning under the Ministry of Commerce and Industries, Department of Commerce, Government of India. Policies and procedures required to be followed for imports into India are announced by the DGFT from time to time. Authorised dealers may, therefore, sell foreign exchange or transfer rupees to non-resident account towards payment for imports into India, from any foreign country, in conformity with the Export-Import Policy in vogue and the Rules framed by the Government of India and the directions issued by the Reserve Bank of India from time to time under the Foreign Exchange Management Act, 1999.

(iii) Authorised dealers should follow normal banking procedures and the provisions of Uniform Customs and Procedures for Documentary Credits (UCPDC), etc., while opening letters of credit for import into India on behalf of their customers. In respect of import of drawings and designs, importers may be advised to submit certificate or undertaking regarding compliance with the Research and Development Cess Act, 1986. An undertaking, in the prescribed format, regarding payment of Income Tax or a No Objection Certificate from Income Tax authorities, wherever required under the extant provisions of the Act, should be obtained in case of remittances relating to import of services and drawings and designs into India.

## **3. Indo-Vietnam Credit Agreement dated December 1, 1999 for Indian Rs. 600 Million**

The Government of India have extended a line of credit upto an amount of Indian Rs. 600 million (Rupees six hundred million only) to the Government of the Socialist Republic of Vietnam under a credit agreement entered into between the two Governments on December 1, 1999. The credit will be available to the Government of Vietnam for import of capital goods including original spare parts and accessories purchased along with the capital goods and included in the original contract as also consumer durables and consultancy services from India.

**4. Exim Bank's Line of Credit of U.S.\$ 10 Million to Export-Import Bank of Thailand (Exim Thailand)**

Export-Import Bank of India (Exim Bank) have concluded an agreement with the Export-Import Bank of Thailand (Exim Thailand) on May 4, 2000 making available to the latter, a line of credit upto an aggregate sum of U.S.\$ 10 Million (U.S. Dollars ten Million only). The credit has become effective from May 30, 2000 and is available for financing export of eligible goods and related services as per the list notified from India to Thailand. The eligible goods would also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into Thailand shall be subject to the laws and regulations in force in both the countries.

**5. Indo-Seychelles Credit Agreement dated February 24, 2000 for U.S.\$ 2 Million**

The Government of India have extended a line of credit of an amount of U.S.\$ 2 million (U.S. Dollars Two Million only) to the Government of the Republic of Seychelles under a credit agreement entered into between the two Governments on February 24, 2000. The credit will be available to the Government of the Republic of Seychelles for importing from India capital goods of Indian manufacture including original spare parts and accessories purchased alongwith the capital goods and included in the original contract as also consultancy services and consumer durables as per the details notified. The types of capital goods may be modified by way of additions, deletions or substitutions from time to time as may be mutually agreed to between the two Governments. The credit will not cover third country imports. The export of goods and services from India and their import into Seychelles under the line of credit shall take place through normal commercial channels and will be subject to the laws and regulations in force in both the countries.