

Exchange Control

November 2001

1. Asian Clearing Union (ACU) Mechanism Export to Nepal

In terms of the Reserve Bank Notifications No. FEMA.14/RB-2000 and FEMA.17/RB-2000 both dated May 3, 2000, all trade transactions between a person resident in India and a person resident in Nepal are settled in rupees. It has now been decided that in case of export of goods to Nepal, where an importer resident in Nepal has been permitted by the Nepal Rashtra Bank to make payment in free foreign exchange, such payments shall be routed through the ACU mechanism.

2. Release of Foreign Exchange for visits abroad-

a) Currency component

Authorised dealers as well as Full Fledged Money Changers were permitted to sell foreign exchange in the form of foreign currency notes and coins upto US\$ 500 or its equivalent to travellers proceeding to countries other than Iraq, Libiya, Islamic Republic of Iran, Russian Federation and other Republics of Commonwealth of Independent States. This ceiling of US\$ 500 or its equivalent has been enhanced to US\$ 2,000 (US Dollar two thousand only) or its equivalent to the travellers proceeding to these countries without prior permission from the Reserve Bank, out of the overall foreign exchange released to them.

b) Endorsement on passport

Authorised persons were required to invariably endorse on the traveller's passport, the amount of foreign exchange sold for tourism and private purposes, under their stamp, date and signature. With a view to further simplifying the procedures, it has now been decided that henceforth A.Ds and FFMCs need not make any endorsement on the passports of the travellers availing of foreign exchange for tourism and private purposes. Instead on the basis of a declaration given by the traveller regarding the amount of foreign exchange availed of during a calendar year, A.Ds/FFMCs are permitted to release exchange for travel for tourism and private purposes. Travellers can, however, seek endorsement on their passports, of foreign exchange released, at their option, if they consider it necessary for their record.

3. Purchase/sale of shares and/or convertible debentures by Overseas Corporate Bodies (OCBs) on a Stock Exchange in India under the Portfolio Investment Scheme (PIS)

In terms of Schedule 3 to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, NRIs and OCBs were eligible to purchase/sell, through a designated branch of an Authorised Dealer, shares and convertible debentures of Indian Companies on a stock exchange in India, under the PIS.

It has been decided that henceforth OCBs shall not be permitted to invest under the PIS in

India. Further, the OCBs that have already made investments under the Portfolio Investment Scheme, are allowed to continue to hold such shares/ convertible debentures till such time these are sold on the stock exchange.

The link offices of the A.Ds will continue to report the sale transactions undertaken by the OCBs on daily basis as hitherto. It is, however, clarified that OCBs will continue to enjoy the facilities of opening and maintaining non-resident accounts as hitherto. OCBs would also continue to be eligible for making direct investment (FDI), under Foreign

Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 issued vide Reserve Bank Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended from time to time.

4. Long Term Foreign-currency Rupee Swaps

Banks are permitted to undertake swap operations on behalf of their clients on an unmatched basis upto US\$ 25mn. Earlier banks required RBI approval to undertake such swaps and such permission from the RBI was restricted to US\$ 10mn.