

EXCHANGE CONTROL

DECEMBER 2001

1. **Booking of forward contract based on past performance**

Authorised dealers were permitted to allow importers and exporters to book forward contracts in the aggregate, not exceeding 25 per cent of the average of the previous three financial year's (April to March) actual import/export turnover, subject to a cap of USD 50 million or its equivalent (reckoned separately for import and export transactions), on the basis of a declaration of an exposure, subject to certain conditions.

2. **Deferred Payments Protocols dated 30th April, 1981 and 23rd December, 1985 between the Government of India and erstwhile USSR**

The Rupee value of the special currency basket effective from November 22, 2001 has been fixed at Rs. 52.3956.

3. **Exim Bank's Line of Credit of US\$ 10 million to Corporation Andina De Fomento (CAF) (Andean Development Corporation)**

Export Import Bank of India (Exim Bank) has concluded an agreement with the Corporation Andina De Fomento (CAF) on July 19, 2001, making available to the latter, a line of credit upto an aggregate sum of US\$ 10 million (U.S. Dollar Ten Million only). The credit has become effective from August 27, 2001, and is available for financing Indian export of eligible goods (listed in the Annexure) and related services to buyers in the

borrowing countries, viz., Republics of Bolivia, Colombia, Ecuador, Peru and Venezuela. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into the borrowers' countries shall be subject to the laws and regulations in force in the concerned countries.

4. **Permission for Purchase/Acquisition of Foreign Securities - Clarification**

In terms of Regulations 19 of the Reserve Bank Notification No. FEMA.19/2000-RB dated May 3, 2000, as amended from time to time, authorised dealers have been permitted to allow remittance by a person resident in India, being an individual, who is an employee or director, of an office or branch in India of a foreign company or a subsidiary in India of a foreign company or of an Indian company in which foreign equity holding is not less than 51 per cent, provided the shares are offered at concessional price. The eligible residents as defined in sub-paragraph (2) of the Regulation 19 are permitted to remit USD 20,000, or its equivalent per calendar year provided the shares are being offered on a concession.

It was clarified that the concession in price of shares being offered under Employees Stock Option Scheme (ESOP) may be borne by the foreign company issuing the shares or by its Indian branch/office/subsidiary or the company in India in which the foreign equity holding is not less than 51 per cent.

5. Submission of Returns

With the introduction of Foreign Exchange Management Act (FEMA), 1999 certain returns prescribed under Foreign Exchange Regulation Act (FERA), 1973 are no longer relevant. The position was reviewed and authorised dealers were advised as under :

a) Annual Returns

With introduction of FEMA, persons resident in India need not submit Annual Returns in respect of all types of foreign assets held by them either in terms of general permission or specific permission or the Reserve Bank. However, wherever the Reserve Bank has granted specific permission for acquisition of assets as well as sale thereof and submission of Return has been prescribed as one of the conditions of approval, the applicants are required to furnish full details of the foreign assets as prescribed in the permission.

b) Statement in form CIR

Designated branches of authorised dealers were required to submit a half-yearly statement, in form CIR, to the Reserve Bank giving details of the remittance made to NRI or credits given to NRE/FCNR accounts by 15th of the month following the half-year to which it pertains. In view of provisions contained in Section 5 of FEMA, 1999, authorised dealers need not submit statement in form CIR to the Reserve Bank.

(c) Statement in form SPG and SPM

With introduction of FEMA, 1999, in terms of paragraphs 7(v) and 8 of Annexure 1 to A.D.(M.A. Series) Circular No. 11 dated May 16, 2000, authorised dealers can, inter alia, themselves allow remittances of surplus freight/passage collections by airline/shipping companies after

verification of documentary evidence in support of the remittance. Therefore, airline/shipping companies need not submit statements in form SPG and SPM to the Reserve Bank.

(d) Statement in form DBS

In view of discontinuation of Diplomatic Bond Stores Account, authorised dealers need not submit [c.f. paragraph 11B.5(e) of the Exchange Control Manual (1993 edition)] statement to the Reserve Bank.

6. Issue of Licence form Holding Foreign Securities

Under Foreign Exchange Management Act (FEMA), 1999 no holding licence for acquisition of foreign securities by a person resident in India, is required to be obtained from the Reserve Bank. Under Foreign Exchange Management (FEMA), 1999, in terms of Regulation 4 of Notification No. FEMA 19/RB-2000 dated May 3, 2000, a person resident in India has general permission for purchase and sale of foreign securities, in certain cases, including acquisition of bonus shares. General permission has also been granted, vide Regulation 19(1) of the above Notification, for purchase/acquisition of foreign securities by a person resident in India, in certain cases such as by way of gifts/inheritance from a person resident outside India as well as acquisition of foreign securities under Cashless Employees Stock Option Scheme. However, in all other cases which are not covered by general or special permission, prior permission of the Reserve Bank should be obtained before acquisition of foreign security. It was also clarified that prior permission of the Reserve Bank is required in terms of Regulation 21 of the said Notification for acquisition of foreign securities as qualification shares, rights shares, etc.