

Exchange Control March 2002

1. Import of Aircraft/Aircraft Engine/ Helicopter on lease basis

The Reserve Bank considers applications from the companies and air taxi operators for payment of the lease rentals for import of aircraft/ aircraft engine/helicopter on lease basis based on the approval issued by the Director General of Civil Aviation (DGCA), Government of India. Authorised dealers were permitted to allow remittance of payment of lease rentals, opening of letter of credit towards security deposit etc. in respect of import of aircraft/aircraft engine/helicopter **on operating lease basis** after verifying documents to show that necessary approval from the appropriate authorities, like Ministry of Civil Aviation/Director General of Civil Aviation, Government of India had been obtained. It was clarified that financial lease transaction i.e. the lease transaction containing option to purchase the asset at the end of the lease period would continue to require prior approval from the Reserve Bank.

2. Setting up of Chairs in Educational Institutions outside India

Indian corporates, with proven track record, may be permitted by the Reserve Bank to contribute funds from their foreign exchange earnings for setting up chairs in educational institutions outside India and similar such purposes.

3. External Commercial Borrowings (ECBs) - Prepayment out of the EEFC Accounts

Corporate borrowers are permitted to prepay the ECBs to the extent of the balances in their Exchange Earner's Foreign Currency (EEFC) accounts with the approval of the Reserve Bank. Corporates who are export oriented units and others are permitted to credit upto 70 per cent and 50 per cent of their foreign exchange earnings to their EEFC accounts, respectively. To enable the corporates to take advantage of lower interest rates and prepay the ECBs, the corporates may be permitted by the Reserve Bank to credit higher than above percentages of export proceeds to their EEFC account, on a case by case basis.

4. Indian Direct Investment Outside India

Existing limits for Indian direct investment outside India under automatic route was raised from US\$ 50 million in a financial year to US\$ 100 million. Further, such Indian investors have been permitted now to buy foreign exchange upto 50 per cent of their networth as on the date of last audited balance sheet as against the existing limit of 25 per cent.

5. Full Convertibility of Deposit Schemes -Non-Resident Indians

With a view to providing full convertibility of deposit schemes for non-resident Indians, it was decided to discontinue non-resident non-repatriable (NRNR) account and non-resident special rupee (NRSR) account schemes with effect from April 1, 2002. Banks were advised not to accept any fresh deposits or open any fresh account by way of renewal or otherwise under these two schemes with effect from that date. It was clarified that the NRNR account holders had the

option to directly credit the maturity proceeds to NRE account but not to FCNR (B) account. The proceeds of NRNR deposits can be credited to NRE account only on maturity and in case of premature withdrawal the proceeds shall be credited only to Non-Resident Ordinary Rupee (NRO) Account. The existing NRSR account, other than the term deposit shall not be continued after September 30, 2002 and the balance in NRSR account may be closed on or before that date. Maturity proceeds of NRSR term deposits or balance in other account may be credited to NRO Account.

It was clarified through Press Release that NRIs would be able to repatriate their current income, like rent, dividend, interest, pension etc. by submitting a certificate from their Chartered Accountant certifying that the amount proposed to be repatriated was eligible for remittance and that applicable taxes had been paid/provided for.

6. Issue of Foreign Currency Convertible Bonds (FCCBs)

The issue of FCCBs upto US\$ 50 million has been put under the Automatic Route. Accordingly, an Indian company or a body corporate, created by an Act of Parliament has been permitted to issue FCCBs not exceeding US\$ 50 million in any one financial year to a person resident outside India under the automatic route, without the approval from the Government or the Reserve Bank.

7. Export of Goods for Exhibition/Trade Fairs outside India

With a view to liberalising the facilities available to exporters and simplifying the export procedure, authorised dealers have been permitted to approve GR forms to enable residents to take/ export goods for exhibition and sale outside India subject to certain conditions. Further, unsold exhibit items may be sold outside the exhibition/trade fair in the same country or in a third country. Such sales at discounted value are also permissible. Gift of unsold goods upto the value of US\$ 5000 per exporter, per exhibition/trade fair is also permitted.

8. Exim Bank's Line of Credit of US\$ 10 million to Banco Centroamericano de Integracion Economica (BCIE)

Export Import Bank of India (Exim Bank) has concluded an agreement with the Banco Centroamericano de Integracion Economica (BCIE, Central American Bank for Economic Integration) on November 29, 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 January 21, 2002, and is available for financing Indian export of eligible goods and related services to buyers in the BCIE member countries *viz.* Costa Rica, EI Salvador, Guatemala, Honduras and Nicaragua. 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.

9. Exim Bank's Line of Credit of US\$ 10 million to Vnesheconombank, Russia, (VEB, The Bank for Foreign Economic Affairs of the USSR)

Export Import Bank of India (Exim Bank) has concluded an agreement with the Vnesheconombank, (VEB, the Bank for Foreign Economic Affairs of the USSR) on November 5, 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 January 30, 2002, and is available for financing Indian export of eligible goods and related services to buyers in the borrower's country i.e. the Russian Federation. 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 borrower's country shall be subject to the laws and regulations in force in the concerned countries.

10. Exim Bank's Line of Credit of US\$ 10 million to Banco Nacional de Comercio Exterior, S.N.C. Mexico

Export Import Bank of India (Exim Bank) has concluded an agreement with the Banco Nacional de Comercio Exterior, S.N.C., (Bancomext), Mexico on November 28, 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 January 9, 2002, and is available for financing Indian export of eligible goods and related services to buyers in the borrower's country i.e. Mexico or any other country as may be requested by the buyer and approved by the borrower except to a country with which India may not have bilateral relations or on which any sanctions or embargo may have been imposed. 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 borrower's country shall be subject to the laws and regulations in force in both the countries.