

## **Exchange Control APRIL 2002**

### **1. Facilities to Status Holder Exporters**

#### **i Credit to EEFC Account**

The exporters with proven track record who have been certified as 'Status Holder' in terms of EXIM policy have been permitted to credit amount upto 100 per cent of their eligible receipts of foreign exchange to their Exchange Earners' Foreign Currency (EEFC) Account. This facility is available in respect of the foreign exchange received by exporters on or after April 1, 2002 till further notice.

#### **ii. Export of Goods and Services –Despatch of Shipping Documents**

Authorised Dealers have been permitted to allow the exporters with proven track record who have been certified as 'Status Holder' in terms of the EXIM policy, to despatch the export documents direct to the consignees outside India subject to the conditions that (a) the export proceeds are repatriated through the authorised dealer named in the GR form and (b) the duplicate copy of the GR form is submitted to the authorised dealer for monitoring purposes, by the exporters within 21 days from the date of shipment of exports.

#### **iii. Export of Goods and Services –Enhancement in normal period for realisation of export proceeds**

The exporters with proven track record who have been certified as 'Status Holder' in terms of the EXIM policy, have been allowed to realise and repatriate the full value of export proceeds within a period of twelve months from the date of shipment in respect of shipments made on or after April 1, 2002.

### **2. Issue of General Insurance Policies in foreign currency**

Insurance companies registered with IRDA have been permitted to issue general insurance policies denominated in foreign currency and received premium in foreign currency without prior approval of the Reserve Bank in the following type of cases.

- i) Marine insurance for vessels owned by foreign shipping companies and chartered by Indian parties.
- ii) Marine insurance policies in respect of vessels owned by foreign shipping companies but managed by Indian companies as technical operators for the vessels.
- iii) Marine insurance policies in respect of vessels mortgaged to foreign financiers/ bank as per the loan agreement and assignment of the same in favour of the foreign financiers/bank.
- iv) Aviation insurance for aircrafts imported from outside India on lease/hire basis for the purpose of air taxi operations.
- v) Marine-cum-erection all risks insurance policies to Indian companies in connection with a project to be set up in India with collaboration of foreign companies for supply of the equipment.
- vi) Marine-cum-erection all risks policies favouring Indian companies for execution of

projects in India being financed by External Commercial Borrowings (ECB) or awarded to local companies under global tender requiring insurance in foreign currency.

Authorised Dealers have been advised to allow remittance towards settlement of claims in the above cases subject to compliance of certain conditions.

### **3. Export of Goods and Services- Reduction in value**

Authorised Dealers have now been permitted to consider requests for reduction upto 10 per cent in invoice value of export bills in respect of export of gold/silver jewellery or articles made out of cut and polished diamonds also.

### **4. Trading Office/Non-Trading Office/Branch Office/Representative Office Abroad – Statement in form ORR and ORA**

Forwarding the statement in form ORR to the Reserve Bank by authorised dealers has been discontinued. Statement in form ORA should be submitted to the Regional Office of the Reserve Bank on half yearly basis instead of on a monthly basis by the authorised dealers.

### **5. Investment in and Borrowing from Overseas Markets**

With a view to accord greater flexibility in funds management to banks in India, banks have been permitted to invest upto 25 per cent (as against the existing ceiling of 15 per cent) of their unimpaired Tier I capital or US\$ 10 million whichever is higher in overseas money market instruments and/or debt instruments

The banks in India will also have the freedom to invest the undeployed FCNR (B) funds in overseas markets in long-term fixed income securities subject to certain conditions.

Banks may now avail of loans/overdrafts from their Head Office/overseas branches/correspondents upto 25 per cent (as against the existing ceiling of 15 per cent) of their unimpaired Tier I capital or US\$ 10 million or its equivalent, whichever is higher.

### **6. External Commercial Borrowings –Crystallisation of Liability**

With a view to providing greater freedom and flexibility to banks in their fund management, permission has been granted to banks to crystallise their foreign exchange liability in rupees, in select cases, where circumstances so warrant, keeping in view the status of the account of the borrower who had raised External Commercial Borrowings. Authorised Dealers desirous of crystallising their foreign exchange liability, arising out of guarantees provided for ECBs raised by corporates in India, into rupees have been advised to apply to Exchange Control Department, giving all the required details in the matter.

### **7. ACU-Funding of Nostro Account on ‘TOM’ basis**

Authorised Dealers desirous of availing the facility of booking ACU transactions on ‘TOM’ basis have been allowed to submit their applications to Department of External Investments and Operations, Central Office, Reserve Bank of India, Mumbai upto 4 p.m. a day prior to the Value Date.

### **8. Indian Direct Investment in Joint Ventures/ Wholly Owned Subsidiaries outside India.**

With a view to streamlining the monitoring mechanism for overseas direct investment by Indian parties, authorised dealers have been advised to designate select branches at different centres to undertake foreign exchange transactions in connection with overseas direct investment under Regulation 6 and 17B of Notification No. FEMA 19/RB-2000 dated May 3, 2000. Authorised Dealers have also been advised to forward a list of such branches to the Reserve Bank for record.