

Exchange Control
JUNE 2002

1. EXIM Bank's Letter of Credit Refinancing facility of US\$ 20 Million to Bank Markazi Jamhuri Islami Iran

Export Import Bank of India has concluded an agreement with the Central Bank of the Islamic Republic of Iran on February 20, 2002, making available to the latter a Letter of Credit Refinancing Facility up to an aggregate sum of US\$ 20 Million only. This credit is available for financing 100 per cent value of contract for export of eligible goods and services to the said Bank under certain conditions. The credit is to be utilised up to February 19, 2003.

2. Remittance for participation in lottery etc. Schemes

Remittances in any form towards participation in lottery schemes or lottery like schemes, functioning under different names like money circulation scheme, or remittances for the purpose of securing prize money/awards etc. have been prohibited under Foreign Exchange Management Act, 1999.

It has now further been clarified that the prohibition on such payments includes payment made not only a residents but also payments made by non-resident on behalf of the residents and hence any person resident in India effecting/ remitting such payment directly or indirectly would make himself/herself liable to be proceeded against for contravention of the Foreign Exchange Management Act, 1999.

3. Deffered payments protocols dated April 30, 1981 and December 23, 1985 between the Government of India and erstwhile USSR

The rupee value of the special currency basket effective from May 9, 2002 has been fixed at Rs.54.1262.

4. Indian Direct Investment in Joint Ventures (JV)/Wholly Owned Subsidiaries (WOS) outside India

With a view to further streamlining the procedure for reporting by authorised dealers the overseas direct investment in JV/WOS made by Indian parties under the automatic route, the requirement of forwarding of form ODA alongwith the prescribed documents to the Bank has been dispensed with.

Further all remittances/guarantees issued/ capitalisation of exports etc. irrespective of whether under the automatic route or under the Reserve Bank approval, are henceforth required to be reported to the Bank in the revised ODR form.

5. EXIM Bank's Line of Credit of US\$ 10 Million to Banco de Comercio Exterior de Colombia, S.A. (Bancoldex), Colombia

Export Import Bank of India has concluded an agreement with the Banco de Comercio Exterior de Colombia, S.A. (Bancoldex), Colombia, on February 5, 2002, making available to the latter, a line of credit up to an aggregate sum of US Dollar 10 Million only. The credit has become effective from March 21, 2002 and is available for financing Indian export of eligible goods and related services to buyers in the borrower's country or to any other country approved by the buyers with whom India has bilateral relations subject to fulfilment of the extant regulations of both the countries.

6. Use of credit cards

It has been clarified that ICCs can be used on internet for any purpose for which exchange can be purchased from an Authorised Dealer in India without any monetary ceiling. It is, however, reiterated that the use of ICCs on internet or otherwise is not allowed for purchase of prohibited items like lottery tickets, banned or proscribed magazines, participation in sweepstakes, payment of call-back services etc. for which no drawal of foreign exchange is permitted. Similarly, debit cards and ATM cards can also be used for any purpose for which foreign exchange can be purchased from an authorised dealer in India.

Authorised Dealers have accordingly been allowed to receive payment for export made out of India by debit to the credit card of an overseas importer (buyer) where the reimbursement from the card issuing bank/organisation will be received in foreign currency but, irrespective of whether the importer client is on a visit to India or not.

7. Maintenance of foreign currency account abroad by a company/firm/a body corporate registered or incorporated in India

In terms of Regulation 4A of the Reserve Bank Notification FEMA-10/2000-RB dated May 3, 2000 as amended by Notification NO. FEMA-47/2001-RB dated December 5, 2001, an Indian entity has now been permitted to open, hold and maintain in the name of its office/branch set up outside India, a foreign currency accounts with a bank outside India by making remittance for the purpose of normal business/operations of the said office/branch or representative, subject to condition stated in the Notification. The authorised dealers have, therefore, been permitted to allow such remittances for the purpose stated above as per the provisions of the Regulations in this regard subject to certain terms and conditions prescribed.