

Exchange Control

NOVEMBER 2002

1. Lifting of lock-in period for repatriation of sale proceeds of immovable property situated in India

The lock-in period for repatriation of the sale proceeds of immovable property (other than agricultural land/farm house/plantation property) purchased in India by NRIs/PIOs has been removed and authorised dealers have been empowered to allow remittance of sale proceeds of immovable property in India by NRIs/PIOs, irrespective of the period for which the property was held by them. The sale proceeds allowed to be repatriated should, however, not exceed the foreign exchange brought in to acquire the property.

2. Resident Foreign Currency (Domestic) Account - Facility for Resident Individuals

Persons resident in India have been allowed to open, hold and maintain with authorised dealers in India Foreign Currency Accounts to be known as Resident Foreign Currency (Domestic) Account, out of foreign exchange acquired in the form of currency notes, bank notes and travellers cheques, from certain specified sources. This facility is in addition to the existing RFC facility and the facility of retention of foreign exchange in cash and/or travellers cheques up to USD 2000 or its equivalent. The accounts will be maintained in the form of current accounts and there will be no ceiling on the balances held in them.

Authorised dealers have since been advised that besides the purposes and the manner indicated above, Resident Foreign Currency (Domestic) Accounts can also be credited with/opened out of foreign exchange earned/or gifts received from close relatives (as defined in the Company Act) and repatriated to India through normal banking channels by resident individuals. Foreign exchange earnings could be through export of goods and/or services, royalty, honorarium, etc.

3. Investment in Overseas Markets - FCNR (B) Funds

Authorised dealers have been allowed to invest undeployed FCNR (B) funds in overseas markets in long-term fixed income securities rated at least AA(-) by Standard and Poor, or Aa3 by Moody's or AA(-) by Fitch IBCA.

4. Investment by NRIs/OCBs in Non-Convertible Debentures - Redemption thereof

Authorised Dealers have been advised that Indian companies, hereafter do not require prior permission of Reserve Bank to remit the redemption proceeds of the NCDs/PCDs issued by them, provided, they have complied with all other conditions stipulated in the relevant approval letter.

5. Issue of International Credit Cards to Non-Resident Indians (NRIs)/Persons of Indian Origin (PIOs)

It has been clarified that authorised dealers may issue ICCs to NRIs/PIOs, without prior approval of the Reserve Bank, subject to the condition that charges on the use of ICCs should be settled by the concerned NRIs/PIOs either out of inward remittances or balances held in their Non-Resident External (NRE) Accounts/Foreign Currency Non-Resident (FCNR) Accounts. Authorised dealers have since permitted to settle credit card charges out of funds held in the card holder 's Non-Resident (Ordinary) Rupee Account (NRO) as well to the extent of card limit for use of credit cards issued by banks in India.

6. Issue of Corporate Guarantee in lieu of Bid Bond Guarantee

Exporters desirous of submitting bids for execution of projects abroad, including service contract, have been allowed to issue Corporate Guarantee in lieu of Bid Bond Guarantee subject to the condition that the amount of such guarantee shall not exceed 5 per cent of the contract value and the exporters have complied with the provisions contained in Memorandum PEM and other instructions issued by the Reserve Bank from time to time in this regard.

7. Commodity Hedging by Entities in the Special Economic Zones

Entities in the Special Economic Zones (SEZs) have been granted general permission to undertake hedging transactions in the international commodity exchanges/markets to hedge their commodity price risk on import/export, provided such transactions are undertaken on "stand-alone" basis.

8. Remittances representing refund of funds received for purchase of shares

Authorised Dealers have been permitted to allow remittances representing refund of funds received from a person resident outside India for purchase of shares, in specified cases, subject to certain conditions to be fulfilled.

9. Refund of purchase consideration on account of non-allotment of flats/plots cancellation of bookings/deals in respect of immovable property purchased by NRIs/PIOs in India

Authorised dealers have been permitted to allow Non-Resident Indians/Persons of Indian Origin to credit to their NRE/FCNR accounts, refund of application/earnest money/purchase consideration made by the house building agencies/seller on account of non-allotment of flat/plot/cancellation of bookings/deals for purchase of residential, commercial property, together with interest, if any, but net of income tax payable thereon subject to specified conditions.

10. Exim Bank's Line of Credit of USD 10 Million to Eastern and Southern African Trade and Development Bank (PTA Bank)

Export Import Bank of India (Exim Bank) has concluded an agreement with Eastern and Southern African Trade and Development Bank (PTA Bank) on August 2, 2002, making available to the latter, a line of credit upto an aggregate sum of USD 10 million for financing export of eligible goods and services from India to any of the PTA Bank member countries.

11. Investment in Overseas Market

With a view to accord further flexibility in their funds management banks in India, have been allowed to invest upto 50 per cent of their unimpaired Tier I Capital or USD 25 million. (This cap has since been lifted from December 21, 2002), whichever is higher, in overseas money market instruments and/or debt instruments.

12. Advance Remittances for Import

With a view to simplifying and liberalising the procedure for import, the limit for advance remittance without bank guarantee by authorised dealers has been raised from USD 25,000 to USD 1,00,000 or its equivalent for import of goods into India.

13. Forward Cover for Foreign Institutional Investors

With a view to further liberalise and simplify the facility, the FIIs have been permitted to hedge the market value of their entire investment in equity as on a particular date without any reference to a cut-off date. If a hedge becomes naked in part or full owing to shrinking of the value of the portfolio, it may be allowed to continue to the original maturity, if so desired.

14. Increase in release of foreign exchange for private visits abroad

As a measure of further liberalisation, the present limit of USD 5,000 or its equivalent to be released by Authorised Persons to resident individuals in one calendar year, for one or more private visits to any country (except Nepal and Bhutan) has been enhanced to USD 10,000 or its equivalent.

15. ADR/GDR/FCCB issues

Revised Operative Guidelines for Disinvestment of shares by Indian companies in the overseas market through issue of ADRs/GDRs as notified by the Government of India, together with a copy of Government Press Note in this regard have been sent to authorised dealers for implementation/bringing to the notice of concerned companies.

16. Income Tax Clearance Certificate / No Objection Certificate from Income Tax Authorities – Revision of format of undertaking and certificate

Authorised Dealers have been advised to obtain from a person making remittance of foreign exchange, the undertaking and certificate, as required under Income Tax Act, in the revised formats prescribed by Central Board of Direct Taxes vide their circular dated October 9, 2002.

17. Evidence of Import

The facility of acceptance of either Exchange Control copy of Bill of Entry for home consumption or a certificate from the Chief Executive Officer (CEO) or Auditor of the Company

that the goods for which remittance was made have actually been imported into India in cases of imports into India, where the amount of foreign exchange remitted is less than USD 1,00,000 or its equivalent, has been extended to autonomous bodies, including scientific bodies/ academic institutions, such as Indian Institute of Science / Indian Institute of Technology, etc. whose accounts are audited by the Comptroller and Auditor General of India (CAG).