

## **Exchange Control January 2003**

### **1. Imports**

The limit for advance remittance by authorised dealers without bank guarantee for all admissible current account transactions without prior approval of Reserve Bank has been enhanced from US \$ 25,000 to US \$ 100,000. Advance remittances in excess of US \$ 100,000 or its equivalent, however, require a guarantee from the overseas beneficiary. The guarantee has to be from a bank of international repute situated outside India, or a guarantee from an authorised dealer in India, which has been issued against the counter-guarantee of a bank of international repute situated outside India.

### **2. Overseas investments**

#### *i) Corporates*

Subject to certain specified conditions, listed Indian companies have been permitted to invest abroad in companies listed on a recognised stock exchange and having the shareholding of at least 10 per cent in an Indian company listed on a recognised stock exchange in India (as on 1st January of the year of the investment). Such investments shall not exceed 25 per cent of the Indian company's net worth, as on the date of its latest audited balance sheet.

#### *ii) Mutual Funds*

Mutual Funds have been permitted to invest in equity of overseas companies indicated at (i) above subject to certain specified conditions. Accordingly, the overall cap of US\$ 500 million fixed earlier for investment abroad in ADRs/ GDRs of Indian companies and rated debt instruments in overseas markets has been raised to US \$ 1 billion. Mutual Funds desirous of availing of this facility have, however, to obtain necessary permission for the purpose from SEBI and apply to the Reserve Bank.

#### *iii) Individuals*

Resident individuals have been permitted to invest in overseas companies indicated at (i) above without any monetary limit, subject to certain specified conditions.

These relaxations, subject to review shall be effective for a period up to June 30, 2003.

### **3. Transfer of Assets**

The existing dispensation of permitting repatriation of funds out of NRO accounts up to specified limits for each of the different purposes such as education, medical, sale proceeds of immovable property, assets of foreign nationals including retired employees/widows of Indian citizens resident outside India and assets in India acquired by NRIs/PIOs by way of inheritance/ legacy, has been removed. Instead authorised dealers have been permitted to allow remittance/s up to US \$ 1 million in a year out of balances held in NRO accounts/Sale proceeds of assets. All other conditions required to be fulfilled in this regard including liability towards Indian taxes, however, remain unchanged.

The relaxation, subject to review, shall be effective up to June 30, 2003.

### **4. ESOP Scheme**

The monetary restriction of US \$ 20,000 on remittance by resident individual who is an employee or a director of an Indian office or branch of a foreign company or of a subsidiary of a foreign company or of an Indian company, for acquisition of foreign securities under Employees Stock Option (ESOP) Scheme, has since been removed. All other conditions to be fulfilled for allowing remittance under the scheme have, however, been retained.

The relaxation, subject to review, shall be effective up to June 30, 2003.

#### **5. ADR/GDR Proceeds**

Indian companies have been permitted to retain abroad funds raised through ADRs/GDRs for any period to meet their future foreign exchange requirements. Pending repatriation or utilisation of such foreign currency funds, they have also been allowed to invest them in certain specified categories of deposits/monetary instruments.

The relaxation, subject to review, shall be effective up to June 30, 2003.

#### **6. ECB Proceeds**

Corporates have been allowed to retain the funds raised by them by way of External Commercial Borrowings (ECBs) in bank accounts abroad, for their future foreign exchange requirements, subject to fulfilment of certain specified conditions.

The relaxation, subject to review, shall be effective up to June 30, 2003.

#### **7. Real Estate abroad**

Indian corporates, who have set up overseas offices have been allowed to acquire immovable property outside India for their business and staff's residential purposes with prior permission from Reserve Bank by applying in the format prescribed.

The relaxation, subject to review, shall be effective up to June 30, 2003.

#### **8. Insurance**

A Memorandum of Exchange Control Regulations on Life Insurance (LIM) has been brought out by the Reserve Bank stipulating therein the guidelines from exchange control angle to be followed by the insurers. The Memorandum contains instructions applicable to LIC of India as well as other Life Insurance Companies, which are registered with Insurance Regulatory and Development Authority (IRDA).

#### **9. International Credit Cards (ICCs)**

NRIs/PIOs were required to settle charges on the use of International Credit Cards (ICCs), only out of inward remittances or balances held in their Non-Resident (External) Rupee Accounts (NRE)/Foreign Currency (Non-Resident) Accounts (Banks) (FCNR-B). On a review, such card holders holding credit cards issued by banks in India, have been permitted to settle credit card charges out of funds held in their Non-Resident (Ordinary) Rupee Accounts (NRO) to the extent of the card limit. The debits shall also be subject to the conditions, for use of the ICCs by residents.

With a view to providing hassle free service to customers, the use of ICCs by residents while on tour abroad has been made free from all restrictions, including any item-wise limits within the overall ceiling of the credit card itself. The restrictions on use of ICCs for purchase of prohibited items, e.g. lottery tickets, banned or prescribed magazines, participation in sweepstakes, payment of call-back services etc. have, however, been continued.