

**Exchange Control
May 2003**

1. Export of Goods and Services - Export to Warehouses Abroad

Individual exporters were permitted by Reserve Bank to hire warehouses abroad subject to certain conditions. Authorised dealers have now been allowed to grant permission to exporters for opening/hiring of warehouses abroad initially for one year subject to the following conditions :

- a) Applicant's export outstanding does not exceed 5 per cent of exports made during the previous year.
- b) Applicant has a minimum export turnover of USD 1,00,000/- during the last year.
- c) Period of realisation should be as applicable i.e., 180 days for non-status holder exporters and 365 days for status holder exporters.
- d) All transactions should be routed through the designated branch of the authorised dealer.

Authorised dealers have also been empowered to renew such permission provided applicant exporter's outstanding does not exceed 5 per cent of exports made during the previous year.

2. Repatriation of sale proceeds of immovable property in India acquired by NRIs/PIOs

In terms of clause (iii) of sub-regulation (b) of Regulation 6 of Notification No. FEMA.21/ 2000-RB dated May 3, 2000 read with Notification No.FEMA.65/2002RB dated June 29, 2002 authorised dealers have been permitted to allow repatriation of sale proceeds of immovable property (other than agricultural land/plantation property/ farm house) acquired by NRIs/PIOs to the extent of the amount paid in foreign exchange, received from abroad through normal banking channels or out of balances in their NRE/FCNR accounts.

It has now been decided that if the acquisition is made through loan and where the loan amount is subsequently repaid by the NRIs/PIOs by remitting funds from abroad or by debit to their NRE/FCNR accounts, such repayments in foreign exchange of rupee loans obtained for acquiring residential accommodation may be treated as equivalent to foreign exchange received.

Accordingly, authorised dealers have been advised to allow repatriation of sale proceeds of residential accommodation purchased by NRIs/ PIOs out of funds raised by them by way of loans from the authorised dealers/housing finance institutions to the extent of such loan/s repaid by them out of foreign inward remittances received through normal banking channel or by debit to their NRE/FCNR accounts.

3. Rejection Risk Insurance - Remittance -Liberalisation

In terms of sub-regulation (2) of Regulation 4 of Notification No.FEMA.12/2000-RB dated May 3, 2000 a person resident in India is required to obtain a 'no objection' certificate from Central Government before taking any general insurance policy issued by an insurer outside India.

Central Government have since conveyed their 'no objection' to allow exporters of sea-food and

other perishable food/food products to avail of Rejection Risk Insurance Cover from an insurer outside India. Accordingly, authorised dealers have been advised to allow remittance on behalf of their exporter clients towards premium for the rejection risk insurance policies taken by them for export of sea-food and other perishable food/food products from an insurer outside India.

4. International Credit Cards - Liberalisation of Facilities for Residents

As a step towards further liberalisation, resident individuals maintaining a foreign currency account with an authorised dealer in India or a bank abroad, as permissible under extant regulations, have been extended the facility of obtaining International Credit Cards issued by overseas banks and other reputed agencies. The charges incurred against the card either in India or abroad, can be met out of funds held in such foreign currency account/s of the card holder or through remittances from India only through a bank where the card-holder has a current or savings account. The remittance for this purpose, should also be made directly to the card-issuing agency abroad, and not to a third party.

It has also been clarified that the applicable credit limit would be the limit fixed by the card issuing banks/agencies. There is no monetary ceiling fixed by the RBI for remittances, under this facility.

It has further been clarified that the same restriction, as is applicable presently for use of ICCs by residents, would apply for purchase of prohibited items, like lottery tickets, banned or proscribed magazines, participation in sweepstakes, etc. and payment for call back services.

5. Capital Account Transactions - Liberalisation - Continuance

Capital Account Transaction liberalisations announced vide, A.P.(DIR Series) Circulars listed below, for a period upto June 30, 2003, subject to review, have been extended beyond June 30, 2003 till further notice.

Sr. No.	A.P. (DIR Series) Circular No.	Date	Subject
1.	66	13.01.2003	Overseas Investments - By Corporates, Individuals and Mutual Funds.
2.	67	13.01.2003	Facilities to NRIs/PIOs and Foreign Nationals.
3.	68	13.01.2003	Acquisition of foreign securities by Resident individuals under ESOP Scheme
4.	69	13.01.2003	Retention of Proceeds of ADRs/GDRs abroad
5.	70	13.01.2003	External Commercial Borrowings - Parking of funds abroad.
6.	71	13.01.2003	Acquisition of immovable property outside India - Branches/trading offices overseas
7.	78	14.02.2003	EEFC Account Scheme - Extension of trade related loans/advances to overseas importers