

## Exchange Control

July 2003

### 1. Exim Bank's Line of Credit of US\$ 5 Million to Hatton National Bank Ltd. (HNB), Sri Lanka

Export-Import Bank of India (Exim Bank) has concluded an agreement with Hatton National Bank Ltd. (HNB), Sri Lanka on February 12, 2003 making available to the latter, a line of credit (LOC) upto an aggregate sum of US\$ 5 Million (U. S. Dollar five million only). The credit has become effective from May 20, 2003 and is available for financing export from India of capital goods, plant and machinery, industrial manufactures, consumer durables and other items which are eligible for being exported under the Exim Policy of the Government of India and related services to buyers in the borrower's country, *i.e.* Sri Lanka.

### 2. Current Account Transactions-Liberalisation

As a step towards further liberalisation of current account transactions, the eligibility limits for allowing remittance by authorised dealers for the purpose mentioned below have been enhanced as indicated there against :

<b>Sr No.</b>	<b>Purpose of remittance</b>	<b>Previous limit (in US\$)</b>	<b>Revised limit (in US\$)</b>
1.	Employment abroad	5,000	100,000
2.	Emigration	5,000	100,000
3.	Maintenance of close relatives abroad	5,000	100,000
4.	Education abroad	30,000	100,000

Authorised dealers have also been advised to allow remittances for amount upto the limits mentioned above without insisting on any supporting documents but on the basis of self declaration incorporating the basic details of the transaction and submission of Application in Form A2. Authorised dealers have, however, to ensure that payment for purchase of foreign exchange is made by the applicant by means of cheque or demand draft or by debit to his/her account.

### Medical Treatment

Subject to the existing conditions, the limit for authorised dealers to release foreign exchange to resident Indians for medical treatment abroad, without insisting on any estimate from a hospital/ doctor in India/abroad, has been enhanced from US\$ 50,000 to US\$ 100,000 or its equivalent.

### Consultancy Services

The limit for authorised dealers for allowing remittance towards consultancy services procured from outside India has been enhanced to US\$ 1 million per project, as against the earlier limit of USD 100,000. Authorised dealers have been advised to allow the remittance upto US\$ 1 million, subject to the applicant submitting documents to their satisfaction.

### **3. Merchanting Trade Transactions -Clarifications- Short term credit**

Authorised dealers have been advised that short-term credit, either by way of suppliers' credit or buyers' credit, is not available for merchanting trade or intermediary trade transactions. While undertaking bonafide merchanting trade transactions on behalf of their trader clients, authorised dealers have been advised to ensure that the terms of payment for the import leg and the export leg of the transactions are such that :

- i) the liability for the import leg of the transaction is extinguished by the payment received for the export leg of the transaction without any delay; and
- ii) the entire merchant trade transaction is completed within a period of 6 months.

### **4. Foreign Technology Collaboration-Royalty Payment- Liberalisation**

With a view to further liberalising the foreign technology collaboration agreement policy and extending a uniform policy dispensation, as envisaged in Government of India Press Note No. 2 (2003 Series) dated June 24, 2003, authorised dealers have been advised that all companies, who have entered into foreign technology collaboration agreements, may henceforth be permitted on the automatic approval route to make royalty payments at 8% on exports and 5% on domestic sales, without any restriction on the duration of royalty payments and irrespective of the extent of foreign equity in the shareholding.

All cases of payment of royalty under the automatic route will continue to require prior registration with Reserve Bank in terms of the relevant Foreign Exchange Management (Current Account Transactions) Rules, 2000, as hitherto.

### **5. Resurgent India Bonds- Forward Contracts- Clarification**

As investments in Resurgent India Bonds are not covered by the relevant FEMA provisions and since original terms and conditions of the Resurgent India Bonds issue, as prescribed in the offer document, had not envisaged the availability of forward cover for the maturing bonds, banks have been advised not to offer forward cover to NonResident Indians/Overseas Corporate Bodies holding Resurgent India Bonds.