

## *Foreign Exchange Developments*

September 2010

### **Exim Bank's Line of Credit USD 25 million to the Eastern and Southern African Trade and Development Bank (PTA Bank)**

Export-Import Bank of India (Exim Bank) has concluded an agreement dated July 27, 2010 with the Eastern and Southern African Trade and Development Bank (PTA Bank), Kenya making available to the latter, a Line of Credit (LOC) of USD 25 million (USD twenty five million). The credit is available for financing export of eligible goods and services from India to any PTA Bank regional member countries, *viz.*, Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe.

The credit agreement is effective from August 25, 2010 and under the LOC, the terminal date for opening Letters of Credit will be August 24, 2013 (36 months from the effective date of the Credit Agreement) and terminal date for disbursements will be February 24, 2014 (42 months from the effective date of the Credit Agreement)

[A.P. (DIR Series) Circular No. 12 dated September 14, 2010]

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### **Reporting under Foreign Direct Investment (FDI) Scheme**

In terms of para 9 of Schedule 1 to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000 (the Notification), as amended from time to time, Indian

companies are required to report, the details of the amount of consideration received for issue of FDI instruments, viz., equity shares, fully and mandatorily convertible preference shares and debentures under the FDI scheme, in the Advance Reporting Format along with the KYC report on the non-resident investor, to the Regional Office of the Reserve Bank in whose jurisdiction the Registered Office of the company operates, within 30 days of receipt of the amount of consideration. Further, the Indian company is required to issue the FDI instruments to the non-resident investor within 180 days of the receipt of the inward remittance and report the same in Form FC-GPR, to the Regional Office concerned of the Reserve Bank, within 30 days from the date of issue of shares.

FDI is an important component of the Balance of Payments (BoP) statistics, which is being compiled and published on a quarterly basis. Any delay in submission of

the FDI data results in under-reporting of FDI in the BoP statistics. Further, delay in reporting of the FDI transactions (receipt of advance consideration and issue of FDI compliant instruments) and issuance of shares/refund of advance consideration beyond 180 days of receipt of the same without the Reserve Bank's approval are considered as violations under the provisions of the Foreign Exchange Management Act, 1999 (FEMA). Therefore, AD Category – I banks were advised to sensitise and impress upon their clients the importance of strict adherence to the FDI reporting requirements including the KYC report. In this regard, AD Category-I banks may make suitable internal arrangements to monitor/track the inward remittances reported through Advance Reporting Format and the subsequent issue of shares or refund of share application money by the companies.

[A.P. (DIR Series) Circular No. 13 dated September 14, 2010]