

## EXCHANGE CONTROL AUGUST 1998

### 1. Import of Films

Authorised dealers have been permitted to allow remittances for import of cinematograph feature films and video films on lease/rental basis on periodical payment terms such as fixed rentals, royalties, service charge, licence fee, profit sharing, etc., as agreed upon between the overseas suppliers and the Indian importers subject to fulfilment of the conditions laid down in the Public Notice No. 4(PN)79-02 dated March 31, 1997 issued by the Government of India. In the case of import on outright purchase basis, remittances can be allowed towards the cost of import of feature/video films under the extant instructions.

### 2. Remittance of Income on Non-Repatriable Investment

It has been clarified that investment income and rent on immovable property accrued to NRIs would be eligible for repatriation as a part of current income even if the original investment was made on non-repatriation basis.

### 3. ADR/GDR-Linked Stock Option for Employees of Software Companies

It has been decided to allow the Indian software companies to offer ADR/GDR linked Stock Option Schemes to their non-resident and resident permanent employees including the Indian and overseas working directors. On exercise of the option, each resident employee/working director will be permitted to remit upto

U.S.\$ 50,000 in a block of 5 years to acquire the ADRs/GDRs.

### 4. Indian Direct Investment under EEFC Fast Track Window

It has been decided to permit investment by Indian promoter companies in overseas Joint Ventures (JVs)/Wholly Owned Subsidiaries (WOSs) under the EEFC Fast Track Window even in cases where the balances in the EEFC accounts are insufficient to cover the proposed investment provided there will be sufficient accretion to the EEFC accounts by way of future earnings and Indian contribution towards the project cost can be made without affecting the viability of the project. Indian promoters may also agree to their overseas JV/WOS to set up second and subsequent generation companies without fulfilment of the guidelines stipulated in this regard, provided the first generation company, i.e., the JV/WOS concerned was set up under the EEFC Fast Track Route.

### 5. Import of Software Through Internet

Authorised dealers have been permitted to reimburse International Credit Card Organisations upto US \$ 15,000 per transaction towards advance for import of software through internet even before the software is downloaded.

### 6. Payments for Services Obtained Through Internet

Authorised dealers have been delegated

powers to allow use of International Credit Cards (ICCs) for remittances to International Credit Card issuing organisations towards (i) fees for training or education of scientific/technical nature by their customers through internet and (ii) payments for registration of internet domain name, hosting charges for websites, etc. They have also been permitted to issue ICCs to the software engineers going abroad on software-related assignments for use during such assignments abroad subject to the condition that the reimbursement would be provided for from the accounts maintained abroad by the software engineer concerned.

#### **7. Enhanced Ceiling for Investments by FIIs/NRIs/OCBs in Indian Companies**

The ceiling on holding of a single FII or FII group in total paid-up capital of an Indian company has been raised from 5 per cent to 10 per cent. The aggregate ceiling of 24 per cent for FII investment in primary and secondary markets in the paid-up capital of Indian companies applicable to all holdings taken together including conversions out of the fully and partly convertible debentures can be raised to 30 per cent subject to the approval of the Board of the Company concerned and passing a Special Resolution by the General Body to that effect. The ceiling of 24 per cent/30 per cent, as the case may be, will not include investments by NRIs/OCBs under the portfolio investment scheme. Under the portfolio investment scheme for NRIs/OCBs, the existing ceiling for investment in the equity capital of the company for a single non-resident investor has been raised from 1 per cent to 5 per cent and aggregate ceiling of 5 per cent for all NRIs/OCBs has been raised from 5 per cent to 10 per cent. The overall ceiling of 10 per cent can be

raised upto 24 per cent by passing a general Body Resolution. This ceiling will be in addition to FII investment of 24 per cent/30 per cent.

#### **8. 100 Per Cent NRI/OCB Schemes**

Indian companies seeking NRI/OCB investment under 100 per cent scheme have been granted general permission to issue and export equity shares subject to the conditions stipulated in Notification No. F.E.R.A.180/98-RB dated 13th January 1998, in terms of which general permission has been granted for issue and export of shares to foreign investors in respect of cases of foreign direct investment eligible under the automatic route. For this purpose, the Notification dated 13th January 1998 has been amended by another Notification No. F.E.R.A.184/98/RB dated 14th July 1998.

#### **9. Forward Contracts**

It has been decided to withdraw the facility of re-booking of cancelled forward contracts covering import transactions.

#### **10. Resurgent India Bonds**

Authorised dealers have been permitted to grant loans in Rupees against the Resurgent India Bonds issued by State Bank of India subject to certain conditions.

#### **11. Export Factoring**

Authorised dealers have been allowed to provide export factoring services to exporters on "with recourse" basis subject to guidelines issued by the Department of Banking Operations and Development.