

MAJOR EXTERNAL SECTOR POLICIES: 1991-98 (STATEMENT)

Year	Current Account Measures	Capital Account Measures	Exchange Rate Measures	Other Measures
1990-91	<ul style="list-style-type: none"> • Measures taken to control imports and expedite the repatriation of export proceeds • New Trade Policy announced in July 1991. 	<ul style="list-style-type: none"> • Access to short term credit to the Indian borrowers, particularly Bankers' Acceptance Facility restricted. • Negotiated with the IMF for the drawal of loans under the Compensatory and Contingency Financing Facility (CCFF) and First credit tranche of its Stand- by Arrangement. • Foreign Currency Banks and Other Deposits Scheme (FC(B&O)D) introduced. 		
1991-92	<ul style="list-style-type: none"> • Persons of Indian origin permitted to import gold up to 5 kgs. 	<ul style="list-style-type: none"> • Foreign Currency Ordinary Non- Repatriable Scheme (FCON) introduced. • Liberalisation of foreign direct investment of industries in Annexure III of the Statement of Industrial Policy, 1991. • The Scheme of India Development Bonds (IDBs) introduced by the State Bank of India aggregated US \$1.6 billion. Foreign Institutional Investors (FIIs) permitted to invest in all securities traded on the primary and secondary markets subject to a ceiling of 24 per cent of the equity of the company. 	<ul style="list-style-type: none"> • Downward adjustment of Indian Rupees in terms of US dollar by 18 per cent. • Liberalised Exchange Rate Management System (LERMS) through which one leg of the exchange rate, applicable to 40 per cent of all current receipts, essential imports and debt service payments, was determined by the Reserve Bank and the other leg, which applied to all other transactions, was determined by the market. 	<ul style="list-style-type: none"> • Pledging of monetary gold in the international market
1992-93	<ul style="list-style-type: none"> • Persons of Indian origin permitted to import silver up to 100 kgs. 	<ul style="list-style-type: none"> • Indian company launches the first GDR issue of India. • Non-Resident Non-Repatriable Account Scheme (NRNR) introduced. 	<ul style="list-style-type: none"> • Exchange rate was unified through which the external value of the rupee to be market related. 	<ul style="list-style-type: none"> • Comprehensive amendments to the FERA.
1993-94		<ul style="list-style-type: none"> • FCNR (B) scheme introduced. • FC (B & O) D scheme withdrawn. 		
1994-95	<ul style="list-style-type: none"> • India accepted obligations under Article 2,3 and 4 of Article VIII of the Articles of Agreement of the IMF. 	<ul style="list-style-type: none"> • FCNR(A) scheme withdrawn in a phased manner. 		

- Interest accrued on NRRD along with other current account liberalisation measures made eligible for repatriation.

1995-96

- Liberalised Guidelines for Indian investment abroad in Wholly Owned Subsidiaries and Joint Ventures with fast track approvals from the Reserve Bank.
- The Report of the Expert Group on Foreign Exchange Markets in India (Chairman : Shri. O.P. Sodhani) submitted.
- Post shipment credit in Foreign currency (PSCFC) scheme withdrawn.
- ADs allowed to decide their foreign exchange overnight open position limits subject to approval from RBI and their maintaining of Tier I capital funds of 5 per cent of the foreign exchange open position limits.

1996-97

- 100 per cent dedicated debt funds allowed to invest in private debt instruments of Indian companies.
- Greater access to investment proposals under the Automatic Approval Route to foreign investors.
- Application for raising foreign currency loan under US \$ 3 million scheme and short term loan to be considered by the RBI.
- RBI appointed a committee on Capital Account Convertibility which submitted its Report on May 30, 1997.
- FII allowed to invest in GOI dated securities.
- Aggregate Gap Limit (AGL) left to be fixed by individual banks depending upon their foreign exchange operation, risk taking capacity, balance sheet size and other relevant parameters subject to approval from the RBI.
- ADs permitted to offer cost effective and risk reduction option strategies.
- ADs permitted to use interest rate swaps, currency swaps, forward rate agreement instruments to hedge their asset liability portfolio. ADs having the requisite infrastructure, risk control mechanism and satisfying capital adequacy norms, were permitted to initiate cross currency positions in the overseas market.

1997-98

- Major revision in the EXIM Policy 1997-2002.
- RBI announced detailed eligibility criteria to apply for authorisation as a nominated agency for import of Gold/ Silver/ Platinum.
- ADs were allowed to book forward cover for exporters and importers without the requirement of documentary evidence of a firm order for letter of credit, but on the basis of a declaration of exposure supported by past performance and business projection.
- CRR of 10 per cent imposed on incremental liability over April 11, 1997 under FCNR(B) deposit.
- Banks including primary co-operatives which are ADs in foreign exchange permitted to fix interest rates on NRE term deposits of 6 months and above.

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- ADs permitted to provide forward exchange cover to FIIs in respect to their investments in debt instruments in India.
 - ADs permitted to extend
 - RBI appointed a Committee on Hedging through international Commodity exchanges which formally submitted its recommendations on November 21, 1997.

forward cover to holders of FCNR/ NRE to enable them to hedge the balance therein

- ADs were permitted to invest borrow amounts up to a maximum extent of 15 per cent of their unimpaired Tier I or US \$ 10 million, whichever is higher, capital as against the previous ceiling of US \$ 10 million.
- Interest rates charged on rupee loans out of / against FCNR(B) deposits made consistent with lending rates for rupee loans in general.
- The incremental CRR of 10 per cent on NRE and NRNR deposit scheme imposed on the increase in the level outstanding as on April 11, 1997, was removed, with effect from December 6, 1997.

1998-99

- FIIs allowed to invest in GOI Treasury Bills
 - ADs permitted to provide forward cover to FIIs in respect of their fresh investment in India in equity and appreciation in the market value of their existing investment in India.
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