

Foreign Exchange Developments

JULY 2004

I. IMPORT OF GOLD BY (I) EXPORT ORIENTED UNITS (EOUs), (II) UNITS IN SEZ/EPZ AND (III) NOMINATED AGENCIES

The Ministry of Commerce and Industry has clarified that as per para 6.2 (b) of the EXIM Policy 2002-2007, Export Oriented Units (EOUs) in the Gem & Jewellery sector are permitted to import gold directly. These units can also source gold through the existing nominated agencies in terms of para 6.2 (g) of the policy. Further, units in Special Economic Zones (SEZs) in the gems and jewellery sector can also import gold as per the EXIM Policy 2002-2007. Accordingly, as per the extant guidelines in force, only nominated agencies, approved banks and EOUs/SEZ units in gems and jewellery sector can directly import gold.

ADs have, therefore, been advised that they can open Letters of Credit and allow remittances on behalf of EOUs, units in SEZs in the Gem and Jewellery sector and nominated agencies for direct import of gold, subject to the following conditions:

- (i) The Import of Gold should be strictly in accordance with the EXIM Policy.
- (ii) Suppliers' and Buyers' Credit, including the usance period of LCs opened for direct import of gold should not exceed 90 days.
- (iii) Bankers' prudence should be strictly exercised for all transactions pertaining to import of gold. ADs should ensure that due diligence is undertaken and all Know-Your-Customer (KYC) norms and the Anti-Money-Laundering guidelines, issued by DBOD, Reserve Bank (cf. DBOD.AML.BC. 18/14.01.001/2002-03, dated August 16, 2002), are adhered to while undertaking such transactions. Any large or abnormal increase in the volume of business of the importer should be closely examined to ensure that the transactions are bonafide trade transactions. ADs should closely monitor such transactions in addition to carrying out the normal due diligence exercise. The credentials of the supplier should also be ascertained before opening of LCs. The financial standing, line of business and the net worth of the importer customer should be commensurate with the volume of business turnover. Apart from the above,

in case of such transactions, banks should also make discreet enquiries from other banks to assess the actual position. Further, in order to establish audit trail of import/export transactions, all documents pertaining to such transactions must be preserved for at least five years.

- (iv) ADs should follow up submission of the Bill of Entry by the importers as instructed in our A.P. (DIR Series) Circular No.9, dated August 18, 2003.
- (v) Head Offices/IBDs of ADs undertaking gold import transactions are required to submit a monthly statement thereof, to the Trade Division, Foreign Exchange Department, Central Office, Reserve Bank of India, Shaheed Bhagat Singh Marg, Fort, Mumbai. The statement should be submitted within ten days at the following e-mail ID tradedivisionimport@rbi.org.in.

They have also been advised that these guidelines are issued from the foreign exchange angle only under the provisions of FEMA, 1999 and should not be construed to convey the approval by any other statutory authority or Government under any other existing laws/regulations. If further approval of permission is required for any other regulatory authority or Government under the relevant laws/regulations, the concerned entity should take the approval of the agency concerned before effecting the transaction.

II. DEFERRED PAYMENT PROTOCOLS DATED 30TH APRIL 1981 AND 23RD DECEMBER 1985 BETWEEN THE GOVERNMENT OF INDIA AND ERSTWHILE USSR

The rupee value of the special currency basket indicated as Rs.56.8476 effective from April 02, 2004 has been refixed at Rs.58.6989 with effect from June 24, 2004.

III. FOREIGN CURRENCY ACCOUNTS BY A PERSON RESIDENT IN INDIA - RFC / RFC(D) ACCOUNT

In terms of Regulations 5 and 5A of the Notification No. FEMA. 10/2000-RB dated May 3, 2000, viz. Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2000 eligible entities in India were permitted to open, hold and maintain Resident Foreign Currency (RFC) Account and Resident Foreign Currency (Domestic) [RFC(D)] Account with an authorised dealer out of foreign

exchange received by them in respect of transactions specified therein.

On a review, resident individuals have now been allowed to credit to RFC Account or RFC (Domestic) Account of the beneficiary, as the case may be, the foreign

exchange received by them by way of the proceeds of life insurance policy claims/maturity/surrender values settled in foreign currency from an insurance company in India permitted to undertake life insurance business by the Insurance Regulatory and Development Authority.