

Exchange Control December 1998

- 1. Investment by NRIs/OCBs in Indian Companies under 51 per cent Scheme**
NRIs/OCBs are permitted to subscribe to new issue of shares of any new or existing unlisted companies (which are not listed on Stock Exchanges) engaged in manufacturing activities other than those specified in Annexure III to the Statement of Industrial Policy 1991 of Government of India, amended from time to time, up to 51 per cent of the face value of the new issue, with a right of repatriation. Reserve Bank has issued a Notification No. FERA 190/98-RB dated December 2, 1998 amending its earlier Notification No. FERA 187/98-RB dated October 3, 1998 granting general permission to Indian companies seeking NRI/OCB investments under this scheme to issue equity/preference shares or convertible debentures subject to compliance with certain conditions.
- 2. Indian Direct Investment in Joint Ventures/Wholly Owned Subsidiaries Abroad**
Ceiling for Indian direct investment under Reserve Bank's Fast Track Route (FTR) has been uniformly raised to US \$ 15 million in respect of investments abroad in all the countries. Limit in respect of Indian rupee investments in Nepal and Bhutan has been raised to Rs.60 crores.
- 3. Subscription to Shares of Overseas Joint Ventures/ Wholly Owned Subsidiaries by Employees of Indian Promoter Companies in the Field of Software**
It has been decided that Reserve Bank may consider applications for remittance towards acquisition of shares of the overseas joint ventures/wholly owned subsidiaries in the software field by the employees of Indian promoter company provided (a) the remittance does not exceed US \$ 10,000 or its equivalent per employee in a block of 5 years (b) the shares so allotted to Indian employees do not exceed 5 per cent of the paid up capital of the overseas concern and (c) as a result of allotment of shares of the overseas concern to the Indian employees, the shareholding of the Indian promoter company does not fall below the existing percentage.
- 4. Introduction of Euro**
Consequent to the introduction of Euro as a currency of European Currency Area with effect from January 1, 1999, authorised dealers have been permitted to accept deposits denominated in Euro under FCNR(B) Scheme. They have been advised that they may continue to accept such deposits denominated in Deutsche Mark also up to December 31, 2001.
- 5. Registration Charges for Patents/Trade Marks**
Authorised dealers have been permitted to allow remittances related to registration or renewal of registration of patents and trade marks with overseas Government/ Regulatory Authorities/International organisations on the basis of documentary evidence in support of payment of such charges.
- 6. QA.22 Accounts in the Names of Liaison Offices**
Authorised dealers have been permitted to allow credit of the sale proceeds of the assets of the liaison offices in India of foreign companies to their respective QA.22 accounts

provided (a) the sale price is less than the book value of the assets as certified by Chartered Accountant and (b) the assets were acquired by payment from QA.22 account.

7(a) Authorised Dealers have been Permitted to Effect Remittances of

(i) net advertisement charges collected in rupees by Indian agents of foreign newspapers/ periodicals/internet companies on submission of certain documents.

(ii) net amount of subscriptions for foreign magazines to overseas publishers/distributors.

(b) Authorised dealers have also been permitted to allow remittances towards architectural services provided by foreign architects to Indian companies engaged in development of real estates and housing in India up to US \$ 1,00,000 subject to documentation and compliance with the conditions prescribed.

8. Foreign Visits by Whole Time Directors of Public Sector Banks and Financial Institutions

Authorised dealers have been permitted to release foreign exchange to whole-time directors of public sector banks and financial institutions for their business visits abroad without prior approval of Ministry of Finance if the visit does not exceed the number of days indicated in the Government of India Notification F.No.18/1/97-BOI dated December 11, 1997. Authorised dealers may also release exchange towards entertainment up to US \$ 5,000 to the Chairman/ Managing/Executive Director and up to 2,000 to other officials of the public sector banks and financial institutions.

9. Form A-4

It has been decided that form A-4 should be completed only in respect of all credit transactions in nonresident accounts for Rs.1,00,000 and above. As regards debit transactions, in such accounts, Form A-4 should be completed only if the transaction relates to investment in shares/securities/ commercial paper of Indian companies or for purchase of immovable property in India, if the amount involved is Rs.1,00,000 or more.

10. International Credit Cards (ICCs)

Following guidelines have been issued in regard to issue/utilisation of International Credit Cards to/by residents.

i) Banks/subsidiaries of banks can issue International Credit Cards to residents which can be utilised by them for payments in India and abroad.

ii) Cardholders can also draw foreign exchange from Full-fledged Money Changers against their ICCs within their entitlement of exchange.

iii) Dues in respect of utilisation of ICCs can be settled through any authorised dealer.

iv) The card issuing bank/ subsidiary in India can accept payment in Indian rupees directly from International Credit Card holders in settlement of bills/invoices drawn in foreign exchange arising from utilisation of such cards.

- v) EEFC facility will not be available to the recipients in respect of payments received from residents against ICCs.
- vi) International Credit Cards issued in India will not be valid for payments in foreign exchange in Nepal and Bhutan.

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(Charan Singh)

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