

Foreign Exchange Developments

JUNE 2005

In terms of the Deferred Payment Protocols dated April 30, 1981 and December 23, 1985 between the Government of India and erstwhile USSR, the rupee value of the special currency basket has been fixed at Rs. 56.9296 with effect from May 19, 2005.

- a) International Debit Cards (IDCs) - IDCs issued to residents by banks authorised to deal in foreign exchange are used by residents to withdraw cash and to make payment to merchant establishment overseas during his visit abroad. It was clarified that IDCs can be used only for permissible current account transactions. Also, the item-wise limits stipulated by Government would be equally applicable to payments made through these cards. Further, IDCs cannot be used on internet for purchase of prohibited items/activities for which drawal of foreign exchange is not permitted.
- b) Store Value Cards/Charge Cards/Smart Cards, *etc.* – Now prior permission from Reserve Bank is not required by authorised dealer banks for issue of Store Value Cards/Charge Cards/Smart Cards to residents travelling on private/business visit abroad which are

used by residents to make payment to merchant establishment overseas and also for drawing cash from ATM terminals. However, the use of such cards is limited to permissible current account transactions and is subject to the limits prescribed under the Current Account transactions Rules, as amended from time to time.

At present all forward contracts booked by residents in respect of their foreign currency exposures falling due within one year are permitted to be cancelled and rebooked freely, subject to submission of details of import and non-trade payment exposures by the constituents to their AD banks on an annual basis. Forward contracts booked to hedge export transactions with tenor greater than one year are also permitted to be freely cancelled and rebooked. Forward contracts booked to cover all other exposures falling due beyond one year, once cancelled, cannot be rebooked.

To provide greater flexibility to residents in managing their exposures, all forward contracts, booked by residents to hedge current account transactions, regardless of tenor are, henceforth, allowed to be cancelled and rebooked freely. However, this relaxation will not be applicable to forward contracts booked on past performance basis without documents as also forward contracts booked to hedge transactions denominated in foreign currency but settled in Indian Rupee (INR), where the current restrictions will continue.