

## **Exchange Control March 1999**

### **1. External Commercial Borrowings (ECBs)**

The Government of India, Ministry of Finance have since delegated powers to Reserve Bank to consider proposals for raising ECBs upto US \$10 Million or its equivalent with a minimum average maturity of 3 years for business related expenses including expenditure to be incurred in Indian Rupees under various windows i.e. exporters'/Foreign Exchange Earners' Scheme, Infrastructure Projects Scheme, Long Term Borrowers Scheme and others in respect of which proposals were hitherto being considered by them.

### **2. Bringing in Foreign Exchange**

It has been decided that the requirement of declaration of foreign currency to the customs authorities should apply only where aggregate value of the foreign exchange brought in by travellers coming to India in the form of currency notes/bank notes and travellers cheques at anytime exceeds US\$ 10,000 or its equivalent or the aggregate of foreign currency notes brought in at any time exceeds US\$ 5,000 or its equivalent. The Form CDF for declaration of foreign currency has also been revised.

### **3. Non-Resident (Special) Rupee (NRSR) Account Scheme**

With a view to simplifying the procedures applicable to operations of bank accounts and financial transactions in India by non-resident individuals of Indian nationality/persons of Indian origin, a new type of bank account viz., Non-Resident (Special) Rupee (NRSR) Account has been introduced with effect from April 15, 1999 for such persons who would voluntarily undertake not to seek repatriation of funds held in such accounts and/or income/interest accrued thereon. These accounts will have the same facilities as well as restrictions as are applicable to domestic resident accounts of individuals in respect of repatriation of funds held in these accounts, with an exception that investment of funds held in these accounts in shares/securities and immovable property will be governed by the extant exchange control regulations. This facility will not be available to overseas corporate bodies.

### **4. Simplification of procedures applicable to Non-Residents of Indian Nationality (NRIs)/Persons of Indian Origin (PIOs)/Overseas Corporate Bodies (OCBs)**

With a view to simplifying the procedures applicable to NRIs/PIOs/OCBs for undertaking certain financial/ investment transactions following measures have been taken.

#### **4.1 *General Permission to domestic Mutual Funds for seeking investment from NRIs/PIOs/OCBs on repatriation/non-repatriation basis***

Reserve Bank vide its Notification No. F.E.R.A. 195/99-RB dated March 30, 1999 has granted general permission to domestic Mutual Funds referred to in clause (23 D) of Section 10 of the Income Tax Act, 1961 to issue units or any other similar instruments under the schemes floated by them with the approval of Securities and Exchange Board of India, where required, to NRIs/PIOs/OCBs on nonrepatriation/repatriation basis subject to certain conditions.

Authorised dealers may credit the maturity proceeds/repurchase value of units issued on repatriation basis, dividend or income earned thereon, net of taxes, to NRE/FCNR account of the non-resident investor or allow remittance thereof to the non-resident investor, on production of a certificate from the Mutual Fund that the investment was made out of inward remittance or from the funds held in NRE/FCNR account of the investor maintained with an authorised dealer in India. There is no objection to credit of such proceeds to NRO/NRSR account of the investor if he so desires. In the case of units issued on non-repatriation basis, the maturity proceeds/repurchase value should be credited to NRO/NRSR account of the non-resident investor.

**4.2 *General Permission to Indian companies to accept deposits from NRIs/PIOs/OCBs on repatriation basis and to Indian proprietorship concerns, firms and companies for accepting deposits from NRIs/PIOs on non-repatriation basis***

Reserve Bank vide its Notification No. F.E.R.A.196/RB-99 dated March 30, 1999 has granted general permission to a proprietorship concern or a firm in India to accept deposits from NRIs/PIOs on non-repatriation basis and to Indian companies (including non-banking finance companies registered with Reserve Bank) to accept deposits from NRIs/PIOs/OCBs on non-repatriation basis or with repatriation benefits subject to certain conditions.

It will be in order for authorised dealers to allow remittance of net interest/ maturity proceeds of deposits accepted on repatriation basis or credit thereof to NRE/FCNR account of the depositor, provided a certificate from the company accepting deposit is furnished that the deposit was made out of funds remitted from abroad through normal banking channels or out of funds held in NRE/FCNR account of the depositor maintained with an authorised dealer in India. In the case of deposits accepted on non-repatriation basis the maturity proceeds should be credited to NRO/NRSR account.

**4.3 *General Permission for Investment by NRIs/PIOs/OCBs in Air Taxi operations***

Reserve Bank vide its Notification No. F.E.R.A.197/RB-99 dated March 30, 1999 has granted general permission to Indian companies holding approval issued by the Director General of Civil Aviation or any competent authority specified by the Government of India from time to time, for carrying on Air Taxi operations in India to issue shares/convertible debentures upto 100 percent of paid-up capital to NRIs/PIOs/OCBs subject to certain conditions.

**4.4 *General Permission for sale of shares acquired by NRIs/PIOs/OCBs under Direct Investment Scheme on stock exchange***

Reserve Bank has issued a Notification No. F.E.R.A.198/99-RB dated March 30, 1999 in terms of which exemption has been granted for sale/transfer of shares, bonds or debentures of Indian companies by NRIs/PIOs/OCBs through stock exchanges in case where such transfers are made in favour of Indian citizens or persons of Indian origin resident in India or in favour of a company or body corporate incorporated under any law in force in India provided the transferor had purchased/acquired such shares/ bonds/ debentures in accordance with the terms and conditions of the permission granted under clause (d) of sub-section (1) of Section 19 of the Act by the Reserve Bank.

It will also be in order for authorised dealer to allow remittance of net sale proceeds of such shares sold by NRIs/ PIOs/OCBs on stock exchange subject to certain conditions.

Net sale proceeds (after payment of applicable taxes) in respect of shares issued to non-resident investors on non-repatriation basis should be credited to NRO/NRSR account of the seller.

**4.5 *General Permission for Transfer by Way of Gift of Rupee Securities, Shares, Bonds, Debentures held by NRIs/PIOs to Registered Charitable Trust/ Organisations in India***

The Reserve Bank vide its Notification No. F.E.R.A.199/99-RB dated March 30, 1999 has granted general permission to NRIs/PIOs to transfer by way of gift any rupee security, share, bond or debenture of a company registered in India held by them to a registered charitable trust/organisation subject to the condition that provisions of any other laws, as applicable, including Foreign Contribution (Regulation) Act, 1976 are duly complied with.

**4.6 *General Permission for Resident individuals/Proprietorship Concerns/Partnership Firms for Raising Rupee Loans from NRIs/ PIOs***

Reserve Bank has by issue of a Notification No. F.E.R.A.200/99-RB dated March 30, 1999 granted general permission to resident individuals/ proprietorship concerns/partnership firms to avail of interest bearing loans from NRIs/PIOs on non-repatriation basis subject to certain conditions.

**4.7 *General Permission for Transfer by Way of Gift of Immovable Property held in India by Non- Resident Persons of Indian Origin to Registered Charitable Trusts/ Organisations in India***

Reserve Bank has vide its Notification No.F.E.R.A.201/99-RB dated March 30, 1999 granted general permission to non-resident persons (foreign citizens) of Indian origin to transfer by way of gift immovable property held by them in India to relatives and registered charitable trusts/ organisations subject to the condition that the provisions of any other law, including Foreign Contribution (Regulation) Act, 1976, as applicable, are duly complied with.