

Foreign Exchange Developments

SEPTEMBER 2006

(i) OVERSEAS DIRECT INVESTMENT BY REGULATED ENTITIES IN THE FINANCIAL SECTOR

With a view to assess the impact of the overseas operations on a consolidated basis, the regulated entities in financial sector in India investing overseas in any activity have to comply with the conditions stipulated in Regulation 7 of the Notification No.FEMA120 / RB-2004 dated July 7, 2004 [Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2004].

Unregulated Indian entities engaged in the financial services activities in India may invest in non-financial sector activities overseas subject to Regulation 6 of the Notification No.FEMA120 / RB-2004 dated July 7, 2004 [Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2004].

Trading in Commodities Exchanges overseas and setting up JV/WOS for trading in Overseas Commodities Exchanges will be reckoned as financial services activity and will require regulatory clearance from the Forward Markets Commission (FMC). Indian entities desirous of setting up of JV/WOS overseas for trading in overseas commodities exchanges may, therefore, approach the FMC for regulatory clearance.

[A.P. (DIR Series) Circular No.6 dated September 6, 2006]

(ii) EXIM BANK'S LINE OF CREDIT OF USD 17 MILLION TO THE GOVERNMENT OF NIGER

Government of Niger has extended a line of credit upto USD 17 Million (US Dollar Seventeen million only). The credit is available for financing of export of goods and services from India which are eligible for export under the Foreign Trade Policy of Government of India. The credit agreement has become effective on August 30, 2006.

[A.P. (DIR Series) Circular No.7 dated September 25, 2006]

(iii) EXIM BANK'S LINE OF CREDIT OF USD 10 MILLION TO THE GOVERNMENT OF MAURITIUS

Government of Mauritius has extended a line of credit upto USD 10 Million (US Dollar Ten million only) for financing export from India of equipment, goods and services which are eligible for export under the Foreign Trade Policy of Government of India for construction of Baie du Tombeau Sewerage Project in Mauritius. The credit agreement has become effective on August 11, 2006.

[A.P. (DIR Series) Circular No.8 dated September 25, 2006]