

Exchange Control April 1999

1. Project Exports and Service Exports

The exchange control regulations relating to project exports and service exports have been amended as under :

a) *Constitution of Working Group*

In the context of operational freedom given to authorised dealers in extending export credit to project exporters the Working Group for the purpose of granting package approval for project/ service export proposals has been reconstituted and it will consist of representatives of the Reserve Bank (ECD), Exim Bank and Export Credit and Guarantee Corporation. Accordingly, it will not be necessary hereafter for the project exporters/bankers to forward a copy of application/ approval in respect of project/ service export proposals to Industrial and Export Credit Department (IECD) of the Reserve Bank.

b) *Clearance of Proposals*

It has been decided to permit Exim Bank to receive, consider and approve project exports proposals viz. supply contracts on deferred payment terms, turn-key projects or construction contracts upto the value limit of Rs.100 crores direct i.e., without the applications being routed through any authorised dealer, subject to certain conditions provided all the facilities required for execution of such contracts are extended by Exim Bank.

2. Release of Exchange for Sports Activities held in India/Abroad

Authorised dealers were permitted to allow remittance upto U.S. \$ 25,000 or its equivalent in each case towards prize, sponsorship money for sports events. They have now been empowered to allow such remittances upto U.S. \$ 1,00,000 by recognised international/national/state level sports organisations.

3. Subscription to Shares of Overseas JVs/WOS by Employees of Indian Promoter Company in the Field of Software

Reserve Bank had been considering applications for remittances towards acquisition of shares of the overseas Joint Ventures/Wholly Owned Subsidiaries by employees of Indian promoter companies subject, *inter alia*, to the condition that as a result of allotment of shares of the overseas concern to the employees of Indian promoter company, the shareholding of the Indian company does not fall below the existing percentage of share holding in the overseas joint venture/ subsidiary. It has been decided to amend this condition to the effect that the percentage of shares held by the Indian promoter company together with aggregate number of shares allotted to the employees will not be less than the percentage of shares held by the Indian promoter company prior to such allotment of shares under the Employees Stock Option Scheme.

4. Domestic Credit Cards to NonResident Indians and Persons of Indian Origin

It has been decided that the rupee credit cards valid in India, Nepal and Bhutan may be

issued to nonresident Indians/persons of Indian origin also. Remittance from India will, however, not be allowed in settlement of bills in the event of use of such cards in other countries.

5. International Credit Cards to Residents provided by Overseas Organisations

It has been decided to permit residents in India to hold International Credit Cards provided by overseas organisations subject to the condition that the liabilities arising from the use of such cards in India as well as outside India, are met by the organisation arranging issuance of the card. Under no circumstances any remittance will be allowed from India to meet the liabilities arising out of use of such cards.

6. Forward exchange cover for Foreign Institutional Investors (FII) - Equity Investment

Hitherto, authorised dealers were permitted to provide forward exchange cover to FIIs to the extent of 15 per cent of the market value of their investments in equity as at the close of business on June 11, 1998 converted into dollar terms at the rate of U.S.\$ 1 = Rs.42.38 and incremental investments subsequent thereto. It has now been decided to change the cut-off date from June 11, 1998 to March 31, 1999. Accordingly, authorised dealers may provide forward exchange cover to FIIs to the extent of 15 per cent of their outstanding equity investment as at the close of business on March 31, 1999 converted into dollar terms at the rate of U.S.\$ 1 = 42.43, as well as for the entire amount of additional investment made after March 31, 1999. Existing forward contracts entered into by FIIs in accordance with the earlier instructions may, however, be allowed to continue till maturity even if the amount thereof exceeds 15 per cent of the investment outstanding as on March 31, 1999.

Reserve Bank will consider requests from FIIs for additional limits on a case-by-case basis after the eligible limits have been fully utilised.

7. Credit Facilities for Overseas Trading Offices of Indian Companies

It has now been decided that Reserve Bank would consider requests from Export Houses/Trading Houses/Star Trading Houses/Super Star Trading Houses for availing of fund based/ non-fund based facilities from overseas banks for their trading offices abroad, on merits, provided the terms and conditions subject to which such facilities are extended by overseas banks are reasonable.

8. Exchange Earners' Foreign Currency (EEFC) Accounts

It has now been decided that authorised dealers may allow the EEFC account holders the facility of making payments from such accounts for eligible purposes by issue of cheques to the beneficiaries of payments. This facility has been introduced with effect from May 1, 1999. For this purpose, authorised dealers have been advised to issue separate cheque books to EEFC account holders and to superscribe the cheques with the words "EEFC Account". It will have to be ensured that cheques on these accounts are issued for payments for approved purposes only and the relevant exchange control regulations are complied with.

9. Authorised Dealers in Foreign Exchange

The Commercial Bank of Korea Ltd. and Hanil Bank have ceased to be authorised dealers in foreign exchange. Accordingly, their names have been deleted from the list of authorised

dealers in foreign exchange.