

## *Foreign Exchange Developments*

April 2010

### **i) Overseas Investments – Liberalisation**

Indian companies have been permitted to participate in a consortium with other international operators to construct and maintain submarine cable systems on co-ownership basis under the automatic route. Accordingly, AD Category - I banks may allow remittances by Indian companies for overseas direct investment, after ensuring that the Indian company has obtained necessary licence from the Department of Telecommunication, Ministry of Telecommunication & Information Technology, Government of India to establish, install, operate and maintain International Long Distance Services and also by obtaining a certified copy of the Board Resolution approving such investment. Accordingly, these transactions may be reported by the Indian entities investing in the consortium to the AD Category - I banks in the format laid down in A.P. (DIR Series) Circular No. 68 dated June 1, 2007 and by the AD Category -I banks to the Reserve Bank in terms of A.P. (DIR Series) Circular No. 36 dated February 24, 2010 for allotment of Unique Identification Number.

All such investments would be subject to the reporting requirements as prescribed in Regulation 15 (iii) of Notification No. FEMA 120/RB-2004 dated July 7, 2004 [Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004], as amended from time to time.

[A.P. (DIR Series) Circular No.45  
dated April 01, 2010]

**ii) Deferred Payment Protocols dated April 30, 1981 and December 23, 1985 between Government of India and erstwhile USSR**

In terms of A.P. (DIR Series) Circular No.43 dated March 29, 2010 the Rupee value of the special currency basket was indicated as Rs.65.29 effective from January 11, 2010.

A further revision has taken place on March 8, 2010 and accordingly, the Rupee value of the special currency basket has been fixed at Rs.63.0381 with effect from March 11, 2010.

[A.P. (DIR Series) Circular No.46 dated April 08, 2010]

**iii) Maintenance of Collateral by Foreign Institutional Investors (FIIs) for transactions in the cash segment**

Presently, FIIs are permitted to offer cash and foreign sovereign securities with AAA rating as collateral to the recognized Stock Exchanges in India for their transactions in the derivative segment. As per the extant Securities and Exchange Board of India (SEBI) norms, the FIIs are required to post collaterals for their transactions in the cash segment of the market. It has been decided, in consultation with the Government of India and the SEBI, to permit the FIIs to offer domestic Government Securities (acquired by the FIIs in accordance with the provisions of Schedule 5 to Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended from time to time and subject to the overall

limits specified by the SEBI from time to time; the current limit being USD 5 billion), and foreign sovereign securities with AAA rating, as collateral to the recognised Stock Exchanges in India, in addition to cash, for their transactions in the cash segment of the market. However, cross-margining of Government Securities (placed as margins by the FIIs for their transactions in the cash segment of the market) shall not be allowed between the cash and the derivative segments of the market. The operational guidelines in this regard will be issued separately by the SEBI.

The existing guidelines on collateral for the FIIs transactions in the derivative segment shall remain unchanged.

[A.P. (DIR Series) Circular No.47 dated April 12, 2010]

**iv) Deferred Payment Protocols dated April 30, 1981 and December 23, 1985 between Government of India and erstwhile USSR**

In terms of A.P. (DIR Series) Circular No.46 dated April 8, 2010 the Rupee value of the special currency basket was indicated as Rs.63.0381 effective from March 11, 2010.

A further revision has taken place on April 6, 2010 and accordingly, the Rupee value of the special currency basket has been fixed at Rs.60.897378 with effect from April 09, 2010.

[A.P. (DIR Series) Circular No.48 dated April 26, 2010]