

Exchange Control May 1999

1. Hedging of Commodity Price Exposure on International Commodity Exchanges

It has been decided that the Reserve Bank would consider requests from Indian corporates to :

- (i) use Over The Counter (OTC) futures contracts based on average prices,
- (ii) cancel an option contract by entering into an opposite transaction with the same broker,
- (iii) use products involving simultaneous purchase and sale of options provided there is no net receipt of premium either direct or implied, and
- (iv) hedge exposures to bullion prices arising from export commitments in the London Bullion Market (through London Bullion Market Association approved brokers) besides recognised international exchanges.

2. Imports by post

Authorised dealers have been delegated powers to allow remittances upto U.S. \$ 250 or its equivalent per transaction in respect of imports by post parcel, without insisting on the relative parcel receipt/postal wrapper, provided the import is in accordance with the current EXIM policy and a declaration to the effect that the goods have been received through post is submitted by the applicant.

3. Exchange Earners' Foreign Currency (EEFC) Account

It has been clarified that:

- (a) EEFC accounts may be maintained in any convertible foreign currency and in any form (current, savings or term deposit accounts). Savings bank accounts should, however, not be maintained in the names of firms, companies, etc.
- (b) In respect of liabilities representing the balances in the EEFC accounts, authorised dealers should comply with CRR/SLR requirements as prescribed by the Reserve Bank from time to time.

4. Casual Gift Remittances

Powers have been delegated to authorised dealers to allow remittance of casual gifts upto U.S. \$ 1,000 per calendar year by their corporate clients also.

5. Agency Commission on Exports

Authorised dealers have been permitted to allow remittance of commission on exports within the prescribed ceiling (i.e. 12.5 per cent of invoice value) even in cases where the amount of commission has not been declared on Export Declaration Forms by the exporters, without insisting on a 'No Objection Certificate' from CUS toms authorities or the Department of Electronics, as the case may be, after satisfying themselves about the

reasons adduced by the exporter for not declaring the amount of commission on relative Export Declaration Form and provided a valid agreement/written understanding between the exporter and the overseas agent/beneficiary for payment of commission subsists. Earlier authorised dealers could allow such remittances of commission when the amount thereof was not declared on export declaration forms after calling for 'No Objection Certificate' from CUS toms authorities in the case of export of goods or from Department of Electronics in the case of software exports.

6. Liberalisation of Regulations regarding Portfolio Investments applicable to Non-residents of Indian Nationality (NRIs)/Persons of Indian Origin (PIOs)/Overseas Corporate Bodies (OCBs)

Powers were delegated to authorised dealers to renew the general permission granted to NRI for investment under Portfolio Investment Scheme for a period of 5 years at a time. Applications for renewal of general permission granted to OCBs for this purpose were, however, required to be referred to the Reserve Bank. Authorised dealers have now been permitted to renew the general permission granted by the Reserve Bank to OCBs also under the Portfolio Investment Scheme for a further period of five years at a time, after obtaining the latest certificate in form OAC/OAC1 from the OCB concerned.

7. Opening of Foreign Currency Accounts by Foreign Embassies/ Missions/Diplomats

Foreign Embassies/Missions/Diplomats have been permitted to open foreign currency accounts with any authorised dealer in India without the approval of the Reserve Bank subject to certain conditions. Earlier, such accounts were allowed to be maintained only with certain branches of State Bank of India.

8. Remittance to Overseas Protection and Indemnity Clubs

Authorised dealers have been permitted to allow remittances by shipping companies, who are their constituents towards subscription to P & I Clubs in accordance with the approval granted to shipping companies by the Ministry of Finance, Government of India under the General Insurance business (Nationalisation) Act, 1972.

9. Import of Drawings/Designs through E-Mail/Fax

Authorised dealers were permitted to allow remittance towards import of software through Datacom channels/ Internet, subject to production of certain documents. They have been now permitted to allow remittances towards import of drawings and designs received by E-Mail/Fax, subject to production of similar documents, as prescribed for import of software through Internet, etc.

10. General Permission for Acquiring underlying Shares after Conversion of GDRs/ADRs by Non-Residents and entering addresses of the Non-resident holders of such released Shares in the Books of the Company/ Depository

In order to simplify the procedure, the Reserve Bank has issued a Notification No. F.E.R.A. 193/99-RB dated March 16, 1999 granted (a) exemption from the operation of provisions of Section 29(1)(b) of FERA 1973 to non-resident holder to acquire the underlying shares released by the Indian custodian of ADRs/GDRs upon surrender of the ADRs/GDRs, and, (b) general permission to the company/depository concerned under

Section 19(4) of FERA 1973 for entering an address outside India in its register or books in respect of such shares. Earlier permission of the Reserve Bank was required to be obtained by the non-resident concerned for acquisition of shares against surrender of ADRs/GDRs as also by the company concerned for entering the address of the non-resident concerned in its books.

11. Export of Goods to the Russian Federation on Consignment Basis against Repayment of State Credits

It has been decided to allow export of goods on consignment basis to the Russian Federation against repayment of State Credits as per the procedure prescribed in this regard. Initially, this facility will be available to Export Houses/Trading Houses/ Star Trading Houses and Super Star Trading Houses with good track record for export of only tea and tobacco.