

Foreign Exchange Developments

April 2008

(i) Trade Credits for Imports into India - Review of all-in-Cost Ceiling

The all-in-cost ceiling in respect of Trade Credits up to one year was enhanced from 50 basis points over 6 months LIBOR to 75 basis points over 6 months LIBOR for the respective currency of credit or applicable benchmark. All other aspects of Trade Credit remain unchanged.

[A.P. (DIR Series) Circular No. 42
dated May 28, 2008]

(ii) External Commercial Borrowings Policy: Liberalisation

The policy relating to External Commercial Borrowings (ECB) was reviewed and some aspects of the policy were modified as indicated below:

(a) At present, borrowers proposing to avail ECB up to USD 20 million for Rupee expenditure for permissible end-uses require prior approval of the Reserve Bank under the Approval Route. It has been decided that, henceforth,

(i) borrowers in infrastructure sector may avail ECB up to USD 100 million for Rupee expenditure for permissible end-uses under the Approval Route;

(ii) in the case of other borrowers, the existing limit of USD 20 million for Rupee expenditure for permissible end-uses under the Approval Route has been enhanced to USD 50 million.

(b) The all-in-cost ceilings in respect of ECB are modified as follows:

Average Maturity Period	All-in-Cost Ceilings over 6 Months LIBOR*	
	Existing	Revised
Three years and up to five years	150 bps	200 bps
More than five years	250 bps	350 bps

* : for the respective currency of credit or applicable benchmark

The above changes will apply to ECB both under the automatic route and the approval route.

All other aspects of ECB policy such as USD 500 million limit per company per year under the Automatic Route, eligible borrower, recognised lender, end-use of foreign currency expenditure for import of capital goods and overseas investments, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.

[A.P. (DIR Series) Circular No. 43 dated May 29, 2008]

(iii) Reporting under FDI Scheme - Revised Procedure

In order to capture the details of FDI in a more comprehensive manner, form FC-GPR was revised vide A. P. (DIR Series) Circular No.40 dated April 20, 2007. The reporting framework was again reviewed and further revisions were proposed and the revised draft of

form FC-GPR was placed in public domain on March 14, 2008 inviting feedback from the public. Based on the feedback received, form FC-GPR has been revised. Further, a standard format for reporting of the receipt of the amount of consideration for issue of shares / convertible debentures has been prescribed. A format for the KYC report on the non-resident investor from the overseas bank remitting the amount required to be submitted along with the form FC-GPR has also been introduced. The KYC report should, henceforth, be submitted at the time of reporting the receipt of the amount of consideration from the non-resident investor.

[A.P. (DIR Series) Circular No. 44 dated May 30, 2008]

(iv) Foreign Exchange Management (Deposit) Regulations, 2000 -

Credit to Non Resident (External) Rupee Accounts

In terms of the extant Anti-Money Laundering guidelines, Full-Fledged Money Changers (FFMCs) are permitted to encash foreign currency and make cash payment only up to USD 3000 or its equivalent. Amount exceeding USD 3000 or its equivalent has to be paid by way of demand draft or bankers' cheque.

As a measure of liberalisation and also to meet the genuine needs of the

NRE account holders, AD Category - I banks and authorised banks may now credit proceeds of demand drafts / bankers' cheques issued against encashment of foreign currency to the NRE account of the NRI account holder

where the instruments issued to the NRE account holder are supported by encashment certificate issued by AD Category - I / Category - II.

[A.P. (DIR Series) Circular No. 45
dated May 30, 2008]