Foreign Exchange Developments

September 2008

(i) Direct Receipt of Import Bills / Documents - Liberalisation

The limit for direct receipt of import bills / documents has been enhanced from USD 100,000 to USD 300,000. Accordingly, AD Category-I banks have been permitted to make remittances for imports, where the import bills / documents have been received directly by the importer from the overseas supplier and the value of import bill does not exceed USD 300,000, subject to certain conditions.

[A.P. (DIR Series) Circular No.13 dated September 1, 2008]

(ii) Overseas Investment - Rationalisation

With a view to further simplifying the procedure, it has been decided that, henceforth the share certificates or any other documents as an evidence of investment in the foreign entity or any other document as evidence of investment where share certificates are not issued may be submitted to ADs instead of the Reserve Bank.

[A.P. (DIR Series) Circular No.14 dated September 5, 2008]

(iii) Advance Remittance for Import of Services

The limit of USD 100,000 for advance remittance for all admissible current account transactions for import of services without any bank guarantee has been raised to USD 500,000 or its equivalent, subject to ADs' own guidelines to deal with such cases as per the policy approved by their Board of Directors.

[A.P. (DIR Series) Circular No.15 dated September 8, 2008]

(iv) External Commercial Borrowings (ECB)

On review, ECB policy has been liberalised as under :

i) Borrowers in infrastructure sector are allowed to avail ECB up to USD 500 million per financial year as against USD 100 million for Rupee expenditure under the Approval Route. Borrowings in excess of USD 100 million should have a minimum average maturity of 7 years.

ii) The All-in-cost ceilings for ECBs have also been revised as under :

Average Maturity Period	All-in-cost ceilings over 6 Months LIBOR	
	Existing	Revised
Three years and up to five years	200 bps	200 bps
More than five years and up to seven years	350 bps	350 bps
More than seven years	350 bps	450 bps

[A.P. (DIR Series) Circular No.16 dated September 22, 2008]

(v) Issue of Foreign Currency Exchangeable Bonds (FCEB) Scheme, 2008

FCEB Scheme, 2008 has been operationalised with effect from September 23, 2008. Foreign Currency Exchangeable Bond means a bond expressed in foreign currency, the principal and interest in respect of which is payable in foreign currency, issued by an Issuing Company and subscribed to by a person who is resident outside India, in foreign currency and exchangeable into equity share of another company (offered company), in any manner, either wholly, or partly or on the basis of any equity related warrants attached to debt instruments. The FCEB may be denominated in any freely convertible foreign currency. Full details of the Scheme are given in the Notification issued by Ministry of Finance, Government of India, New Delhi vide G.S.R.89(E) dated February 15, 2008..

[A.P. (DIR Series) Circular No. 17 dated September 23, 2008]