

Foreign Exchange Developments

April 2009

(i) Exim Bank's Line of Credit of USD 4.3 million to the Government of Suriname

Export-Import Bank of India (Exim Bank) has concluded an agreement dated February 25, 2009 with the Government of Suriname making available to the latter, a Line of Credit (LOC) of USD 4.3 million (USD four million three hundred thousand) for financing export of eligible goods and services including consultancy services, from India for the purpose of financing purchase of ten crash fire-tenders from Bharat Earth Movers Limited, India for the Government of Suriname.

[A. P. (DIR Series) Circular No. 61
dated April 16, 2009]

(ii) External Commercial Borrowings Policy – Liberalisation- issue of Guarantee for operating lease

As a measure of rationalisation of the existing procedure, AD Category – I banks have been allowed to convey 'no objection' from the Foreign Exchange Management Act (FEMA), 1999 angle for issue of corporate guarantee in favour of the overseas lessor, for operating lease in respect of import of aircraft / aircraft engine / helicopter.

[A. P. (DIR Series) Circular No. 62
dated April 20, 2009]

(iii) Foreign Direct Investment in India – Transfer of ;shares / Preference Shares / Convertible Debentures by way of Sale – Modified Reporting Mechanism

In order to capture the details of investment received by way of transfer of

the existing shares / compulsorily and mandatorily convertible preference shares (CMCPS) / debentures [hereinafter referred to as equity instruments], of an Indian company, by way of sale, in a more comprehensive manner, the form FC-TRS has been revised. Accordingly, the proforma for reporting of inflows / outflows on account of remittances received / made in connection with the transfer of equity instruments by way of sale, submitted by IBD / FED / nodal branch of the AD Category-I bank to the Reserve Bank has also been modified. Further, it has been decided that the form FC-TRS should be submitted to the AD Category I bank, within 60 days from the date of receipt of the amount of consideration.

[A. P. (DIR Series) Circular No. 63
dated April 22, 2009]

(iv) External Commercial Borrowings (ECB) Policy - Liberalisation

As announced in Para 107 of the Annual Policy Statement 2009-10 and considering the continuing pressure on credit spreads in the international markets, the relaxation in all-in-cost ceilings has been extended up to December 31, 2009 under the approval route.

[A. P. (DIR Series) Circular No. 64
dated April 28, 2009]

v) Buyback/Prepayment of Foreign Currency Convertible Bonds (FCCBs)

As announced in Para 110 of the Annual Policy Statement 2009-10 and keeping in view the benefits accruing to the Indian companies, the current policy has been reviewed and the total amount of permissible buyback of FCCBs, out of internal accruals, has been increased from USD 50 million of the redemption value per company to USD 100 million, under the approval route subject to conditions.

[A. P. (DIR Series) Circular No. 65
dated April 28, 2009]

vi) Foreign Exchange Management (Deposit) Regulations, 2000 - Loans to Non-Residents / third party against security of Non-Resident (External) Rupee Accounts [NR (E) RA / Foreign Currency Non-Resident (Bank) Accounts [FCN R (B)] - Deposits

As announced in Para 111 of the Annual Policy Statement 2009-10, the existing cap of Rs. 20 lakh has been enhanced to Rs. 100 lakh on loans against security of funds held in NR (E) RA and FCNR (B) deposits either to the depositors or third parties.

[A. P. (DIR Series) Circular No. 66
dated April 28, 2009]