

## EXCHANGE CONTROL JANUARY 1998

### **Remittances towards cost of Euro Rail passes/tickets, overseas hotel accommodation, etc., for Indian travellers**

Authorised dealers were permitted to approve remittances by Indian agents to overseas transport organisations like Eurorail, etc., with whom they have entered into tie-up arrangements, towards the cost of passages/tickets collected in India after deduction of the commission/mark up due to Indian agents, within an overall ceiling of U.S.\$ 50,000 per tie-up arrangement. The ceiling of U.S.\$ 50,000 has since been dispensed with.

### **Guarantees for Non-residents**

Authorised dealers have been advised that it would be in order for them to issue guarantees/bonds in rupees in favour of residents on behalf of their overseas Head Office/branch/correspondent or a bank of international repute in respect of a genuine transaction involving debt, obligation or liability of a person resident outside India, provided the guarantee/bond is covered by a counter guarantee of their overseas Head Office/branch/correspondent or a bank of international repute. Authorised dealer should make rupee payments to resident beneficiaries immediately when such guarantees are invoked and simultaneously arrange to obtain the reimbursement from the overseas bank which had provided counter guarantee. Authorised dealers have also been advised to ensure that the counter guarantees are properly evaluated and their own guarantees are not issued in a

routine manner. Further, they should also satisfy themselves that the obligation under the counter guarantee, when invoked, would be honoured by the concerned overseas bank promptly.

### **Foreign equity investment under RBI automatic route**

With a view to simplifying the procedure for seeking foreign investment, Reserve Bank has, by issue of a Notification No. FERA.180/98-RB dated 13th January 1998, granted general permission under Sections 19(1) and 29(1)B of Foreign Exchange Regulation Act, 1973 to Indian companies which are eligible for getting approvals for investment under the Automatic Route of Reserve Bank to issue shares to foreign investors provided the Indian company concerned satisfies the conditions laid down in the Notification. Such companies have to file a declaration in form FC(RBI) together with required documents with the concerned Regional Office of Reserve Bank within 30 days from the date of issue of shares to foreign investors. In the case of composite approvals involving equity investment and technology transfer, while the issue of shares will be governed by the Notification, existing procedure would be applicable in regard to proposals for technology transfer.

### **Reconciliation of nostro accounts of authorised dealers**

Authorised dealers have been allowed to

write-off/transfer to unclaimed deposit accounts, old unreconciled debit/credit entries of small amounts not exceeding U.S.\$ 1,000 or its equivalent in such accounts subject to certain conditions. They have, however, been advised to vigorously follow up all unreconciled entries and to ensure that in no case any entry of US \$ 10,000 or above remains outstanding beyond six months.

#### **Release of exchange for studies abroad**

Authorised dealers were permitted to initially release exchange up to the requirement for six months to students going for studies abroad. It is clarified that it will be in order for authorised dealers to release the quota of exchange requirements for six months in one or more instalments as requested by the student/guardian concerned. It will also be in order for authorised dealers to release exchange for a longer period i.e. beyond six months in cases where the overseas university/educational institution insists on payment of fees for full year/term, on production of documentary evidence to that effect. Authorised dealers have also been permitted to release exchange to students going for studies to Russia and other Republics of CIS countries for a period not exceeding one year in the form of foreign currency notes if requested by the student concerned.

#### **Imports into bonds**

Authorised dealers designated by the concerned importers who have been granted facility of import of goods into bond have been empowered to open letters of credit or make remittances covering cost of such imports, without import licences subject to adherence to the prescribed procedure in this regard.

#### **Remittance of Surplus Freight Collections by Non-Vessel Operating Common Carriers (NVOCCs) and Charter Hire in respect of foreign ships engaged on 'Time Charter' basis**

Authorised dealers have been delegated powers to allow remittances on account of surplus freight collections to NVOCCs as also towards charter hire in respect of foreign ships acquired on time charter basis subject to certain conditions.

Sometimes, Indian exporters/importers may engage foreign vessel on time charter basis for one time export/import of goods. In such cases, authorised dealers may allow the remittance of charter hire after obtaining the specified documents and on verification of the terms of the charter party agreement. Further, in such cases authorised dealers through whom the remittance of charter hire is made have also been permitted to allow remittances of operating expenses including bunker charges and cargo related expenses at foreign ports. However, other expenses such as normal wages of crew and expenses for spare parts, insurance (other than cargo insurance) which are required to be borne by the owner of the vessel should not be allowed by authorised dealers unless there is a specific clause in the charter party agreement.

#### **Trade and Payment Agreement with Czech and Slovak Republics**

Ministry of Commerce, Government of India have, with the concurrence of Czech and Slovak republics, decided to permit export to Czech and Slovak Republics from India of any commodity against available Rupee balances subject to the provisions of Export-Import Policy in force.

**Deferred Payments Protocol dated 30th  
April 1981 and 23rd December 1985  
between the Government of India and  
erstwhile USSR**

The rupee value of the special currency basket has been fixed at Rs. 45.6542 effective 23rd January 1998.