

RBI PRESS RELEASES

Special Facility for “Incremental” Exports NOT being Implemented (July 18, 1998)

On June 11, 1998, the Reserve Bank had announced its intention to introduce a temporary new scheme of concessional interest rate on “incremental” exports. Under this scheme, the interest rate to be charged by banks on “incremental” exports (over the base year level of exports in 1997-98) was proposed to be fixed at 6.5 per cent for pre-shipment and post-shipment credit. This scheme was in addition to the scheme of providing credit in foreign currency at LIBOR related rates for the entire volume of exports.

The draft operational details of the new scheme were formulated by the Reserve Bank and circulated for comments/suggestions from bankers and exporting community on July 2, 1998. Subsequently, the Reserve Bank convened meetings of exporters as well as bankers in order to discuss the scheme and refine the operational details. This was followed by further informal consultations with the exporting community. While one section of the exporters welcomed the proposed scheme, the others pointed out that the scheme, as it is conceived now, will not help much, particularly those exporters who, for various reasons, are not able to increase their exports over 1997-98 level. It was also pointed out that calculation of “incremental” exports may be operationally difficult, even though in the draft scheme care had been taken to value exports only in rupee terms.

After taking into account various views expressed by exporters, on balance of considerations, the Reserve Bank of India has decided to drop the scheme of concessional credit for “incremental” exports. This scheme will no longer be implemented. Banks are being advised accordingly.

The Reserve Bank of India would like to express its appreciation for the feedback given by exporters and bankers. It will be happy to receive suggestions for further improving the flow of credit for exports by removing any procedural and other bottlenecks, particularly in respect of the existing scheme for foreign currency loans to exporters at LIBOR related rates.

Indian Companies Seeking NRI/OCB Investments - Procedure Simplified (July 20, 1998)

In order to simplify the procedure for investments from Non-Resident Indians/Overseas Corporate Bodies (NRIs/OCBs) in Indian companies, the Reserve Bank of India (RBI) has decided to grant general permission under the Foreign Exchange Regulation Act (FERA) 1973, in respect of 100 per cent scheme. It will no longer be necessary for the Indian companies to approach the Reserve Bank of India for permission to receive remittances from NRIs/OCBs and issue shares thereagainst. Necessary Notification No. F.E.R.A. 184/98-RB dated July 14, 1998 under FERA to give effect to the revised simplified procedure has been issued.

Henceforth, Indian companies will not require RBI permission for the purpose of receiving inward remittances and issue of shares to the NRI/OCB investors under the 100 per cent scheme. These companies will, however, have to file the required documents with the concerned Regional Offices of the Reserve Bank

within 30 days after the issue of shares to NRIs/OCBs.

Applications pending with the Reserve Bank of India requiring examination will be dealt with expeditiously as per the procedure prevailing before the date of the notification.