

India Millennium Deposits (IMDs)
A.P. (DIR Series) Circular No.18 (October 19 ,2000)

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001.

A.P. (DIR Series) Circular No.18

October 19, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

India Millennium Deposits (IMDs)

State Bank of India has been permitted to float a scheme called 'India Millennium Deposits'. The details of the scheme will be announced by State Bank of India.

2. Authorised dealers are permitted to grant loans in non-repatriable rupees, in India, to the holders of IMDs for personal purposes, and for carrying on business activities except for the purpose of relending or carrying on agricultural/plantation activities or for investment in real estate business. NRIs (and not OCBs) may be granted loans in non-repatriable rupees for acquisition of immovable property in terms of Foreign Exchange Management (Acquisition and transfer of immovable property in India) Regulations, 2000 subject to the following conditions:

- (i) The loans should be fully secured by the value of deposits and accrued interest.
- (ii) The regulations relating to margin, rate of interest, etc. as stipulated by the Reserve Bank from time to time are adhered to.
- (iii) The period of loan should not exceed the unexpired period of maturity of the deposits.
- (iv) The loan should be repaid out of remittance from abroad or maturity proceeds of the deposits or out of funds held in India by the deposit holder.

3. Authorised Dealers may also grant loans to the account holders for the purpose of making direct investment in India on non-repatriation basis, subject to compliance with the provisions of Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations 2000, Foreign Exchange Management (Investment in firm or proprietary concern in India) Regulations 2000 and subject to the conditions stipulated in paragraph 2 above.

The loan amount may be disbursed directly to the investee firm/company on behalf of the IMD holder.

4. Authorised dealers may grant loans/overdrafts to individuals/firms/companies resident in India against the collateral of IMDs, subject to usual norms and the following conditions

- (i) There should be no direct or indirect foreign exchange consideration for the non-resident depositor to pledge his deposits to enable the resident to obtain the loan.
- (ii) The period of loan should not exceed the unexpired maturity of IMDs.
- (iii) Regulations relating to margin, interest rates, purpose of loan as stipulated by the Reserve Bank from time to time are adhered to.
- (iv) The loan should be utilised for personal purposes/for carrying on business activities other than agricultural/plantation activities or real estate business. The loan should not be utilised for relending.
- (v) The loan should be granted only against a special mandate from the NRI IMD holder.

5. Authorised dealers shall not grant foreign currency loans against the security of IMDs.

6. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

7. The directions contained in this circular have been issued under Section 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,

K.J. UDESHI

Chief General Manager