

**Investment in and Borrowing from Overseas Markets**  
**A.P. (DIR Series) Circular No.40 (April 29, 2002)**

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

A.P. (DIR Series) Circular No.40

April 29, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/ Sirs

**Investment in and Borrowing from Overseas Markets**

Attention of authorised dealers is invited to paragraphs C.4 (ii) and C.5 (i) of A.P. (DIR Series) Circular No.19, dated January 24, 2002.

2. With a view to accord greater flexibility in funds management to banks in India, it has been decided that banks may now invest up to twenty five per cent (as against the existing ceiling of fifteen percent) of their unimpaired Tier I capital or US \$ 10 million whichever is higher in overseas money market instruments and/or debt instruments
3. Further the banks in India will also have the freedom to invest the undeployed FCNR (B) funds in overseas markets in long-term fixed income securities subject to the following:
  - i) The instruments shall have the ratings comparable to money market instruments/debt instruments prescribed in the A.P. (DIR Series) Circular No.19, dated January 24, 2002.
  - ii) The type and maturity of the instruments as also the overall cap on the quantum of investments shall be approved by the bank's Board. However, the maturity of such investments shall not exceed the maximum maturity of the underlying FCNR (B) deposits.
  - iii) All investments shall be subject to the gap discipline and risk management/ALM guidelines issued by DBOD from time to time.
4. Banks may now avail of loans/ overdrafts from their Head Office/overseas branches/correspondents up to twenty five per cent (as against the existing ceiling of fifteen per cent) of their unimpaired Tier I capital or US\$ 10 million or its equivalent, whichever is higher.
5. All other instructions contained in the paragraphs C.4 (ii) and C.5 (i) of A.P. (DIR Series) Circular No.19, dated January 24, 2002 remain unchanged.

6. Necessary amendments to the Foreign Exchange Management (Borrowing or lending in foreign exchange) Regulations 2000 are being notified separately.

7. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully

**Grace Koshie**

Chief General Manager