

**Issue of Corporate Guarantee  
in lieu of Bid Bond Guarantee  
A.P.(DIR Series) Circular No.41 (November 8, 2002)**

**RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI**

A.P.(DIR Series) Circular No.41

November 8, 2002

To  
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Issue of Corporate Guarantee  
in lieu of Bid Bond Guarantee**

Attention of authorised dealers is invited to Regulation 5 of the Notification No.FEMA.8/2000-RB dated May 3, 2000 in terms of which a person other than authorised dealer is permitted to give a guarantee in certain types of cases.

2. Reserve Bank has issued Notification No.FEMA.56/2002-RB dated March 18, 2002 (copy enclosed) amending its Notification referred to above, allowing exporters, desiring to submit bids for execution of projects abroad including service contract to issue Corporate Guarantee in lieu of Bid Bond Guarantee subject to the condition that the amount of such guarantee shall not exceed 5% of the contract value. Exporters, however, have to ensure that provisions contained in Memorandum PEM and other instructions issued by Reserve Bank from time to time for submission of bids are complied with.

3. Authorised Dealers may bring the contents of the circular to the notice of their constituents concerned.

4. Necessary amendments may be carried out in Notification No.FEMA.8/2000-RB dated May 3, 2000 as indicated in Notification No.FEMA.56/2002-RB dated March 18, 2002.

5. 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

**RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI**

Notification No.FEMA. 56 /2002-RB March 18, 2002

**Foreign Exchange Management (Guarantees)  
(Amendment) Regulations, 2002**

In exercise of the powers conferred by clause (i) of sub-section (3) of Section 6, Sub-Section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in partial modification of its notification No.FEMA 8/2000-RB dated 3<sup>rd</sup> May 2000, the Reserve Bank of India makes the following Regulations to amend the Foreign Exchange Management (Guarantees) Regulations 2000, namely :-

**Short title & commencement :-**

- 1.(i) These Regulations may be called the Foreign Exchange Management (Guarantees) (Amendment) Regulations, 2002.
- (ii) They shall come into force from the date of their publication in the official Gazette.

**Amendment to the Regulation**

2. In the Foreign Exchange Management (Guarantees) Regulations, 2000 (hereinafter Referred to as “the said Regulations”).
  - (i) The existing Regulation 5, Sub-Regulation (a) shall be numbered as “(a)(i)”.
  - (ii) After Sub-Regulation (a)(i) as so numbered, the following Sub-Regulation shall be inserted, before Explanation, namely :-
    - (ii) a person resident in India being an exporter company may give guarantee in lieu of Bid Bond Guarantee, for bidding for a contract outside India without the approval of the Approving Authority provided that the amount of such guarantee shall not exceed 5% of the contract value.

Sd/-  
**( K.J. UDESHI )**  
**Executive Director**