

## **Offshore Banking Units (OBUs) in Special Economic Zones (SEZs)**

**Reserve Bank of India  
Department Of Banking Operations And Development  
Central Office  
World Trade Centre, Colaba, Mumbai 400 005**

DBOD IBS BC 80 /23.13.004/2002-03

March 19, 2003

All scheduled commercial banks  
(excluding RRBs and LABs)

Dear Sir

### **Offshore Banking Units (OBUs) in Special Economic Zones (SEZs)**

Please refer to our circular DBOD IBS BC 42/23.13.004/2002-03 dated November 11, 2002 forwarding therewith a scheme for setting up of OBUs in SEZs. Following the issue of these guidelines, Reserve Bank of India had received a number of queries from banks seeking clarifications on various issues. These issues were examined and are clarified hereunder.

2. In terms of para 2.1 of the scheme for setting up of OBUs in SEZs, each of the eligible banks would be permitted to establish only one OBU which would essentially carry on wholesale banking operations. It is now clarified that an eligible bank can set up one OBU in one SEZ. The banks can therefore set up more than one OBU, but not in the same SEZ.
3. Reserve Bank of India has received requests from banks for allowing OBUs in one SEZ to lend to units and SEZ developers in other SEZs. Banks have also requested that the restriction on overseas lending by OBUs may be removed. It is advised that the restrictions in this regard will continue for the present. The matter will be reviewed later based on the performance of OBUs over a period of six months.
4. It has been decided that OBUs may be allowed to invest their surplus funds outside India under the investment policy framed for this purpose by the Board of Directors of the bank concerned.
5. It has also been decided to allow OBUs to accept deposits from individuals subject to observance of "Know Your Customer" guidelines issued by Reserve Bank of India.

Yours faithfully

**(B. Mahapatra)**  
**Chief General Manager**