



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

RBI/2004/67

A.P. (DIR Series) Circular No.74

February 20, 2004

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**FEMA 1999 - Grant of Loans by Indian Companies
to the Employees of their Branches Outside India**

Attention of Authorised Dealers is invited to A. D. (M. A. Series) Circular No. 11 dated May 16, 2000. In Regulation 5 of Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 vide Notification No. FEMA 3/2000-RB dated May 3, 2000 contained thereat, borrowing and lending in foreign currency by persons other than Authorised Dealers is envisaged.

2. At present loans granted by the Indian companies to the employees of their branches outside India require permission of the Reserve Bank since such loans are treated as loans by a resident to a non-resident.

3. It is clarified that though branches of Indian companies outside India are treated as residents as per the definition, the employees of such branches are treated as persons resident outside India.

4. As a further measure of liberalisation and procedural simplification, it has been decided to grant general permission to the Indian Companies in India to grant loans in foreign currency to the employees of their branches outside India for personal purposes in accordance with the lender's Staff Welfare Scheme/Loan Rules and other terms and conditions as applicable to its staff resident in India and abroad.

5. A copy of Notification No.FEMA 80/2003-RB dated January 8, 2003 which has been issued, amending the provisions of Notification No.FEMA 3/2000-RB dated May 3, 2000 is enclosed (Sub-regulation 6 of the amended Notification may please be read as No.7. A **Corrigendum** is being issued separately).

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 Sections 10(4) and 11(1) of FEMA 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager

Encl : As above

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

NOTIFICATION No.FEMA. 80 /2003-RB

January 8, 2003

Foreign Exchange Management (Borrowing or Lending
in Foreign Exchange) (Amendment) Regulations, 2003

In exercise of the powers conferred by clause (d) of sub-section (3) of Section 6 and 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.3/2000-RB dated May 3, 2000, the Reserve Bank of India makes the following Regulations to amend the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, namely:

1. Short title and commencement:

- i) These Regulations may be called the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) (Amendment) Regulations, 2003.
- ii) They shall come into force from the date of their publication in the Official Gazette.

2. Amendment of the Regulations:

In the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 in Regulation 5, after sub-Regulation (5), the following Sub-Regulation shall be inserted, namely:-

“(6) Indian companies in India may grant loans in foreign currency to the employees of their branches outside India for personal purposes provided that the loan shall be granted for personal purposes in accordance with the lender’s Staff Welfare Scheme/Loan Rules and other terms and conditions as applicable to its staff resident in India and abroad,”

(K. J. Udeshi)
Executive Director

G.S.R.531(E) dated January 8, 2003