RBI/2004-05/221
A.P. (DIR Series) Circular No. 17

October16, 2004

To

All Banks Authorised to Deal in Foreign Exchange

Madam / Sirs,

Issue of Bank Guarantee in Favour of Foreign Airlines/IATA

Attention of Authorised Dealer (AD) banks is invited to Regulation 4 of the Foreign Exchange Management (Guarantees) Regulations, 2000 notified vide Notification No.FEMA.8/2000-RB dated May 3, 2000, in terms of which, AD banks are allowed to give guarantees in certain cases as stated therein.

2.   Presently, Indian agents of foreign airline companies who are members of International Air Transport Association (IATA), are required to take prior approval of the Reserve Bank for arranging to issue bank guarantees in favour of the foreign airline companies/IATA, in connection with their ticketing business.   As this is a standard requirement in this business, it has since been decided to delegate the powers to the AD banks to issue such guarantees.

3.   Accordingly, AD banks, may, in their ordinary course of business, issue guarantees in favour of foreign airline companies or IATA on behalf of IATA approved travel agents. In case of invocation of the guarantee, the authorised dealer bank should send a detailed report to the Chief General Manager, Foreign Exchange Department, External Payments Division, Reserve Bank of India, Central Office, Mumbai – 400 001, explaining the circumstances leading to the invocation of the guarantee.

4.   Necessary amendments to the Foreign Exchange Management (Guarantees) Regulations, 2000 are being issued separately.

5.   Authorised Dealer Banks may bring the contents of this circular to the notice of their constituents and customers.

6.   The direction contained in this circular has been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

Grace Koshie

Chief General Manager