

April 21, 2006

To

All Banks Authorised to Deal in Foreign Exchange

Madam / Sirs,

**Remittance of initial and recurring expenses for
Branch offices opened abroad**

Attention of Authorised Dealer (AD) banks is invited to sub-regulation 4A of Notification No.FEMA 47/2001-RB dated December 5, 2001 enclosed to the AP(DIR Series) Circular No.54 dated June 29, 2002, in terms of which AD banks were permitted to allow remittance up to two and one percent of average annual sales/income or turnover during last two accounting years of the Indian entity for initial and recurring expenses respectively of the branch or office or representative abroad.

2. With a view to further liberalise the procedure, it has been decided to increase the existing limit to ten percent and five percent for initial and recurring expenses respectively subject to the existing terms and conditions as mentioned in the above Notification.

3. Accordingly, AD banks may allow remittance up to ten percent for initial and up to five percent for recurring expenses of the average annual sales/income or turnover during last two accounting years subject to the existing terms and conditions.

4. Necessary amendments to the Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000 are being issued separately.

5. AD banks may bring the contents of this circular to the notice of their constituents and customers.

6. 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) and is without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,
(M. Sebastian)
Chief General Manager