

A.D. (M.A. Series) Circular No.19 dated June 2, 1999

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

A.D.(M.A. Series) Circular No.19

June 2 1999

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Amendments to Exchange Control Manual (ECM)

It has been decided to amend the exchange control regulations as under:

1. Scrutiny of Export Declaration Forms

Please refer to paragraph 6C.3(i) of Exchange Control Manual (ECM), in terms of which when duplicate copies of GR/PP/SDF forms are received from the exporters with relative bills for negotiation/collection, authorised dealers should call for the original sale contract entered into between the exporter and the overseas buyer or any of the other specified alternate documents, to verify the particulars like description, quantity, value, etc. with the declaration on the GR/PP/SDF form and export documents. On a review, it has been decided that submission of a sale contract or any of the alternate documents along with relative duplicate copies of GR/PP/SDF forms may not be insisted upon at the time of handling the export documents unless it is a requirement under the terms of the letters of credit.

2. EEFC Account

Please refer to part D of Chapter 14 of ECM regarding Exchange Earners Foreign Currency (EEFC) accounts. In this connection, it is clarified that -

- (i) The funds held in EEFC accounts are permitted to be utilised for making all bonafide payments of the account holders, in foreign exchange, connected with their trade and business related transactions which are of a current account nature (besides certain permitted capital account transactions) **without any restrictions as also beyond the monetary or percentage ceilings if any, prescribed in ECM, except that rate of agency commission on export should not exceed 12.5% of invoice value.**
- (ii) Authorised dealers may re-credit unspent foreign exchange surrendered out of the exchange obtained for travel abroad to EEFC account, provided the foreign exchange for travel abroad was released by debit to the **same** EEFC account.

3. **Facilities against the security of EEFC balances**

In terms of paragraph 14D.9 of ECM, no credit facility, whether fund based or non-fund based, should be permitted against the security of funds held in EEFC account. It has now been decided to allow authorised dealers to grant credit facilities, fund based as well as non-fund based, according to their commercial judgement against the security of balances held in EEFC accounts .

4. The following consequential amendments may be carried out in the ECM (Volume I):

- (i) In paragraph 6C.3, sub-paragraph (i) may be deleted and sub-paragraphs (ii), (iii) and (iv) may be renumbered as (i), (ii) and (iii) respectively.
- (ii) In paragraph 14D.1, after sub-paragraph (i) a 'Note' may be inserted as per Slip 1.
- (iii) Existing paragraph 14D.4(i) may be substituted by Slip 2.
- (iv) Paragraph 14D.9 may be deleted.

5. Authorised dealers may bring the contents of this circular to the notice of their concerned constituents.

6. The directions contained in this circular have been issued under Section 73(3) of the Foreign Exchange Regulation Act, 1973 (46 of 1973) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,

B. MAHESHWARAN

Chief General Manager

14D.1(i)

Note: *Unspent foreign exchange surrendered out of the foreign exchange obtained for travel abroad may be re-credited to EEFC account, provided the foreign exchange was released by debit to the same EEFC account .*

**Utilisation of Funds held
in EEFC Accounts**

14D.4 (i) Authorised dealers may allow utilisation of funds held in EEFC accounts for making all bonafide payments of the account holders in foreign exchange connected with their trade and business related transactions which are of a current account nature (besides certain permitted capital account transactions) without any restrictions except in the case of remittance of agency commission. **In other words such business/trade related remittances may be allowed by authorised dealers beyond the monetary or percentage ceiling if any, prescribed in ECM, except that where rate of agency commission on export exceeds 12.5% of invoice value prior approval of Reserve Bank should be obtained.**
