

To

All Category - I Authorised Dealer Banks

Madam/Sir,

**Foreign Exchange Management Act (FEMA), 1999 –
Current Account Transactions – Liberalisation**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Foreign Exchange Management (Current Account Transactions) Rules, 2000 notified vide Notification No. G.S.R.381(E) dated 3rd May 2000, as amended from time to time.

2. In terms of Rule 5 of the Foreign Exchange Management (Current Account Transactions) Rules, 2000, prior approval of the Reserve Bank is required for drawing foreign exchange "for remittance for purchase of trademark or franchise in India" [item 16 of Schedule III to the Foreign Exchange Management (Current Account Transactions) Rules, 2000]. With a view to liberalising the procedure further and providing greater flexibility, in the Foreign Exchange Management (Current Account Transaction) Rules, 2000, in Schedule III, item number 16 and the entry relating thereto has been omitted. Henceforth, AD Category-I banks may permit drawal of foreign exchange by person for purchase of trademark or franchise in India without approval of the Reserve Bank.

3. The amendment to the Foreign Exchange Management (Current Account Transactions) Rules, 2000, in this regard has been issued vide Notification G.S.R. 412(E) dated July 10, 2006 by the Government of India. (copy enclosed).

4. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this Circular have been issued under Section 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,

(Salim Gangadharan)
Chief General Manager-in-Charge

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MINISTRY OF FINANCE
(Department of Economic Affairs)

NOTIFICATION
New Delhi, the 10th July, 2006

G.S.R. No.412 (E) - In exercise of the powers conferred by Sub-section (1) of Section 46 read with proviso to Section 5 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in consultation with the Reserve Bank of India, the Central Government, having considered it necessary in the public interest, hereby makes the following amendment in the Foreign Exchange Management (Current Account Transactions) Rules, 2000, namely –

1. (1) These rules may be called the Foreign Exchange Management (Current Account Transaction) (Amendment) Rules, 2006.
(2) They shall come into force from the date of their publication in the Official Gazette.
2. (1) In the Foreign Exchange Management (Current Account Transaction) Rules, 2000, in Schedule III, item number 16 and the entry relating thereto shall be omitted.

[F.No.1/2/EM/2004]
Dr. K. P. KRISHNAN, Jt. Secy.

Note:- The principal rules were published in the Gazette of India, Extraordinary , Part II, Section 3, Sub-section (i) vide number G.S.R.381 (E), dated the 3rd May 2000 and subsequently amended last vide No.G.S.R. 512 (E) dated the 28th July 2005.