

To

All Category - I Authorised Dealer Banks

Madam/Sir,

**Exchange Earner's Foreign Currency (EEFC) Account-
Liberalisation of Procedure**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to Regulation 4 of Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000 notified vide Notification No.FEMA.10/2000-RB dated 3rd May, 2000 and as amended from time to time, in terms of which a person resident in India is permitted to open and maintain with an authorized dealer in India a Foreign Currency Account known as Exchange Earner's Foreign Currency (EEFC) Account subject to the terms and conditions of the Exchange Earner's Foreign Currency Account Scheme specified in the Schedule to the above mentioned Notification (copy attached).

2. With a view to liberalising the procedure further and providing greater flexibility, it has been decided to allow all categories of foreign exchange earners to credit up to 100 per cent of their foreign exchange earnings, as specified in the paragraph 1 (A) of the Schedule, to their EEFC Account with immediate effect. All other terms and conditions of the Scheme will remain unchanged.

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

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 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,

(M. Sebastian)
Chief General Manager

Schedule
(See Regulation 4)

Exchange Earner's Foreign Currency (EEFC) Account Scheme

1. **Limit up to which foreign currency may be credited to EEFC account**

(1) An entity or a person specified in column 1 of the Table below may credit to the EEFC Account an amount upto the limit specified in column 2 thereof from out of the foreign exchange earnings specified in sub-paragraph (1A) namely;

Sl No	Entity/person	Limit (per cent)
1	A Status Holder Exporter (as defined in EXIM Policy in force)	100
2	A resident in India for professional Services rendered in his individual capacity	100
3	100 per cent Export Oriented Unit/s. Unit/s in EPZs/STPs/EHTPs	100
4	Any other person resident in India	50

Provided that the Reserve Bank may, on an application made to it and on being satisfied that it is necessary to do so, grant permission to hold higher percentage of inward remittance/payments in foreign exchange in the EEFC account.

Explanation : For the purpose of category (2) in column 1, "professional" shall mean:

- (i) Director on Board of overseas company
- (ii) Scientist/Professor in Indian University/Institution
- (iii) Economist
- (iv) Lawyer
- (v) Doctor
- (vi) Architect
- (vii) Engineer
- (viii) Artist
- (ix) Cost/Chartered Accountant
- (x) Any other person rendering professional services in his individual Capacity, as may be specified by the Reserve Bank from time to time.

(1A) Following foreign exchange earnings are specified for the purpose of sub-paragraph (1), namely:

i) inward remittance through normal banking channel, other than the remittance received pursuant to any undertaking given to the Reserve Bank or which represents foreign currency loan raised or investment received from outside India or those received for meeting specific obligations by the account holder.

ii) payments received in foreign exchange by a 100 per cent Export Oriented Unit or a unit in (a) Export Processing Zone or (b) Software Technology Park

or (c) Electronic Hardware Technology Park for supply of goods to similar such unit or to a unit in Domestic Tariff Area and also payments received in foreign exchange by a unit in Domestic Tariff Area for supply of goods to a unit in Special Economic Zone (SEZ);

iii) payment received by an exporter from an account maintained with an authorised dealer for the purpose of counter trade, in accordance with the approval granted in terms of Regulation 14 of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000;

iv) advance remittance received by an exporter towards export of goods or services;

v) payment received for export of goods and services from India, out of funds representing repayment of State Credit in U.S. dollar held in the account of Bank for Foreign Economic Affairs, Moscow, with an authorised dealer in India,

vi) Professional earnings including director's fees, consultancy fees, lecture fees, honorarium and similar other earnings received by a professional by rendering services in his individual capacity.

(2) Except to the extent provided in sub-paragraph (1), no payment received in foreign exchange by the account holder from any other person resident in India, shall be credited to an EEFC account.

Explanation : For the purpose of the sub-paragraph (1), payment received through an international credit card for which reimbursement will be provided in foreign exchange may be regarded as a remittance through normal banking channels.

2. **Permissible credits to EEFC account**- Following credits may be made to an EEFC Account, namely -

i) A portion of inward remittance/Payment received by the recipient in foreign exchange subject to the provisions of paragraph (1);

ii) Interest earned on the funds held in the account;

iii) Recredit of unutilised foreign currency earlier withdrawn from the account;

iv) Amount representing repayment by the account holder's importer customer, of loan/advances granted in terms of clause (iv) of Paragraph 3.

v) Representing the disinvestment proceeds received by the resident account holder on conversion of shares held by him to ADRs/GDRs under the Sponsored ADR/GDR Scheme approved by the Foreign Investment Promotion Board of Government of India.

3. **Permissible debits to the EEFC account**- Following debits may be made to an EEFC Account, namely -

i) Payment outside India towards a current account transaction in accordance with the provisions of the Foreign Exchange Management (Current Account Transactions) Rules, 2000 and towards a capital account transaction permissible under the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000.

ii) Payment in foreign exchange towards cost of goods purchased from a 100 percent Export Oriented Unit or a Unit in (a) Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology park

iii) Payment of customs duty in accordance with the provisions of Export Import Policy of Central Government for the time being in force.

iv) Trade related loans/advances, by an exporter holding such account to his importer customer outside India, subject to compliance with the Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000.

v) Payment in foreign exchange to a person resident in India for supply of goods/services including payments for air fare and hotel expenditure.

4. Miscellaneous

i) There is no restriction on withdrawal in rupees of funds held in an EEFC account. However, the amount withdrawn in rupees shall not be eligible for conversion into foreign currency and for recredit to the account.

ii) Authorised dealer may issue cheque books of separate series with the superscription "EEFC Account" to the account holders maintaining such, accounts, and also satisfy himself while honouring the cheques that the payment made by the account holder by issue of a cheque is permissible under these Regulations.