

April 30, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Opening of foreign currency accounts in India
by ship-manning / crew-management agencies**

Attention of Authorised Dealer Category-I (AD Category - I) banks is invited to Regulation 6 of Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000 notified vide Notification No. FEMA 10/2000-RB dated May 3, 2000, as amended from time to time, in terms of which general permission is available to a shipping or airline company, incorporated outside India or its agent in India to open, hold and maintain a foreign currency account with an AD Category – I bank in India for meeting the local expenses in India of such shipping or airline company.

2. As announced in the Annual Policy Statement for the year 2007-08 (para 146 (i) vi)), it has now been decided to allow ship manning / crew managing agencies that are rendering services to shipping companies incorporated outside India, to open foreign currency accounts in India. Accordingly, AD Category – I banks may allow ship-manning / crew managing agencies in India to open and maintain non-interest bearing foreign currency accounts in India for the purpose of undertaking transactions in the ordinary course of its business, as detailed below :

- a) Credits to such accounts would be only by way of inward remittances through normal banking channels from the overseas principal.
- b) Debits will be towards various expenses in connection with the management of the ships / crew in the ordinary course of its business.
- c) No credit facility (fund based or non-fund based) should be granted against security of funds held in the account.
- d) The bank should meet the prescribed Reserve Requirements in respect of such accounts.
- e) No EEFC facility should be allowed in respect of the remittances received in the account.
- f) The account will be maintained only during the validity period of the agreement.

3. Necessary amendments to Notification No. FEMA 10/2000-RB dated May 3, 2000 [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 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