

May 24, 2007

To,

All Category - I Authorised Dealer banks

Madam / Sir,

Payment towards Cash Calls for the purpose of Oil exploration in India

Authorised Dealer Category – I (AD Category – I) banks are aware that agreements are signed between the Ministry of Petroleum and Natural Gas with various consortia, both inland and foreign, for the purpose of exploration of oil and natural gas in India. These oil fields are explored by one of the members of the consortium known as the 'Operator'. The expenditure incurred by the Operator is reimbursed by the members of the consortium as per the production sharing agreement and is termed as Cash Calls. As per the extant guidelines, the payment to Operators towards Cash Calls requires prior approval of the Reserve Bank.

2. As announced in the Annual Policy Statement for the year 2007-08 [para 146 (i) (iv)], with a view to liberalise the procedure, it has been decided to allow AD Category - I banks to permit payment towards cash calls to the Operator for the purpose of oil exploration in India, either by credit to the foreign currency or Rupee account in India as approved by the Reserve Bank wherever applicable, or by remittance overseas, subject to the following conditions :

(i) AD Category - I bank should ensure that the demand made by the Operator for payment towards cash calls is as per the production sharing agreement, a copy of which may be obtained by the AD category – I bank and kept on record;

(ii) AD Category - I bank should obtain No Objection Certificate from the Income Tax Department / Tax paid challans / Chartered Accountant's certificate and Undertaking as per A. P. (DIR Series) Circular No. 56 dated November 26, 2002, wherever applicable; and

(iii) The AD Category - I bank is satisfied about the bonafides of the transaction as stipulated under Section 10(5) of FEMA, 1999.

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

4. 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,

(Salim Gangadharan)
Chief General Manager