

RBI/2007-2008/154
A.P. (DIR Series) Circular No 13.

October 6, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

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

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.

2. In view of the recent global and domestic developments and with a view to give an opportunity to small and medium enterprises to manage the challenges in the global markets, it has been decided, in consultation with Government of India, to permit all exporters to earn interest on EEFC accounts to the extent of outstanding balances of US \$ 1 million per exporter. This is a purely temporary measure and valid upto October 31, 2008 and would be subject to further review.

3. Currently, EEFC accounts are permitted to be maintained in the form of non-interest bearing current accounts. It will now be possible for account holders to maintain outstanding balances to the extent of US \$ 1 million in the form of term deposits up to one year maturing on or before 31st October 2008. The rate of interest may be determined by the banks themselves.

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

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

6. 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. Rajeshwar Rao)
General Manager-in-Charge