

**Reserve Bank of India
Foreign Exchange Department
Central Office
Mumbai-400 001**

Notification No.FEMA. 160/2007- RB

Dated September 18, 2007

**Foreign Exchange Management (Borrowing and Lending in Rupees) (Amendment)
Regulations, 2007**

In exercise of the powers conferred by clause (e) of sub-section (3) of Section 6 and sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India hereby makes the following amendments in the Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000 (Notification No.FEMA.4/2000-RB dated May 3, 2000), namely :-

1. Short Title and Commencement:-

- (i) These Regulations may be called the Foreign Exchange Management (Borrowing and Lending in Rupees) (Amendment) Regulations, 2007.
- (ii) They shall be deemed to have come into force from August 22, 2007. @

2. Amendment to the Regulations:-

In the Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000(Notification No.FEMA.4/2000-RB dated May 3, 2000),in regulation 7, after sub-regulation (C), the following new sub-regulation shall be inserted, namely :-

“ (D) An Authorised Dealer in India may grant Rupee loans to NRI employees of Indian companies for acquiring shares of the companies under the Employees Stock Option (ESOP) Scheme subject to the following conditions:

- (i) The ESOP Scheme should be as per the policy approved by the bank's Board,
- (ii) The loan amount should not exceed 90% of the purchase price of the shares or Rupees 20 lakhs per NRI employee, whichever is lower.
- (iii) The rate of interest and margin on such loans may be decided by the banks, subject to directives issued by the Reserve Bank from time to time.
- (iv) The amount shall be paid directly to the company and should not be credited to the borrowers' non-resident accounts in India.
- (v) The loan amount would have to be repaid by the borrower by way of inward remittances or by debit to his/her NRO/NRE/FCNR(B) account.

(vi) The loans will be included for reckoning capital market exposures and the bank will ensure compliance with prudential limits, prescribed by the Reserve Bank from time to time, for such exposure to capital market.”

(Salim Gangadharan)
Chief General Manager

Foot Note:

(i) @ It is clarified that no person will be adversely affected as a result of retrospective effect being given to such regulations.

(ii) The Principal Regulations were published in the Official Gazette vide G.S.R.No.387(E) dated May 5, 2000 in Part II, Section 3, Sub-section (i) and subsequently amended vide,

(a) G.S.R. No. 90 dated February 12, 2001;

(b) G.S.R.No.754(E) dated November 8, 2002;

(c) G.S.R.No.351(E) dated June 8, 2004; and

(d) G. S.R.No.453 (E) dated 16.07.2004.

**Published in the Official Gazette of Government
of India – Extraordinary – Part-II, Section 3,
Sub-Section (i) dated 14.11.2007 - G.S.R.No. 711 (E)**