

July 31, 2008

To,

All Category – I Authorized Dealer Banks

Madam / Sir,

Project Offices — Foreign Currency Accounts in India

Attention of Authorised Dealer Category – I (AD Category - I) banks is invited to Foreign Exchange Management (Establishment in India of Branch or Office or other Place of Business) Regulations, 2000, notified vide Notification No. FEMA 22/2000-RB dated May 3, 2000, Foreign Exchange Management (Remittance of Assets) Regulations, 2000, notified vide Notification No. FEMA 13/2000-RB dated May 3, 2000, as amended from time to time and A.P. (DIR Series) Circular No. 44 dated May 17, 2005.

2. At present, foreign companies having Project Offices in India are permitted to open only one foreign currency account for each project, subject to the terms and conditions as mentioned in A. P. (DIR Series) Circular No. 44 dated May 17, 2005. With a view to avoid currency exposures, many foreign companies have been approaching the Reserve Bank for permission to open more than one foreign currency account, usually in their home currency and another in US Dollar. It has, therefore, been decided to liberalise the procedure and allow AD Category – I banks to open an additional foreign currency account for each Project Office (established under the general/specific approval of Reserve Bank) subject to the same terms and conditions as applicable to the existing foreign currency account provided that both the foreign currency accounts are maintained with the same AD Category – I bank. The other conditions mentioned in the abovementioned circular shall continue.

3. The above instructions shall come into force with immediate effect.

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

5. Necessary amendments to 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 are being issued separately.

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,

(Salim Gangadharan)
Chief General Manager-in-Charge