Annex III

EXTANT STATUS ON THE CAPITAL ACCOUNT

Position as on April 30, 2006

($ indicates US dollars)

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
I. CORPORATES/BUSINESSES A. Corporates/Businesses – Residents					
1. Issuing foreign currency denominated bonds to residents (only rupee settlement) and investing in foreign currency denominated bonds and deposits (only rupee settlement).	Not permitted.	To be permitted without any ceiling	Same as Phase I.	Same as Phase I.	**Not implemented.**
2. Financial capital transfers abroad including for opening current/chequeable accounts.	Not permitted.	$ 25,000 per annum	$ 50,000 per annum	$ 100,000 per annum	**Implemented in part** Listed Indian companies are permitted to invest up to 25 % of their net worth in • overseas listed companies having at least 10 % stake in listed Indian companies and • in rated bonds/fixed income securities (Cir.No.66 dated 13.01.2003, Cir.No.97 dated 29.04.2003 & 104 dated 31.05.2003) Companies eligible to raise ADRs, GDRs and ECBs are permitted to open foreign currency accounts abroad and invest the proceeds in rated bonds/fixed income securities pending repatriation of proceeds. ECBs can also be retained overseas in bank accounts with debits permitted for purposes for which the loan was raised.

Source: Reserve Bank of India, Foreign Exchange Department

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
3. Accessing capital markets abroad through GDRs & ADRs other forms of equity issues.	Permitted individually by Government. Approval under FERA given by RBI.	No approval to be taken from RBI/ Government. Reporting within 30 days from close of issue.	Same as Phase I.	Same as Phase I.	**Implemented** Companies eligible to issue equity in India and falling under the automatic route for FDI are allowed to access the ADR/GDR markets without approval from Govt/ RBI subject to reporting to RBI within 30 days from close of issue. GOI considers cases not permitted under the automatic route. (Para 4 of Sch.1 of No.FEMA 20 dated 03.05.2000)
4. External Commercial Borrowings (ECB).	ECB are subject to overall ceiling with sub-ceilings as indicated below: (i) Import linked short-term loans (Buyers/ Suppliers credit) for less than 3 years (i.e. 35 months) approved by RBI subject to sub-ceiling fixed by Government. (ii) Loans beyond 35 months approved by Government. (iii) US$ 3 million for a minimum period of 3 years for business related expenses including financing rupee cost	Queuing for purposes of implementing ceiling on ECB while ensuring that relatively smaller borrowers are not crowded out by a few very large borrowers. No restrictions on end use of funds. Loans for periods with average maturity of 10 years and above to be kept outside the ceiling.	Same as Phase I except for loans with average maturity of 7 years and above to be outside ceiling.	Same as Phase II.	**Implemented in part** An overall limit is fixed annually for ECB in consultation with GOI. <u>Automatic route</u> ECB upto US$ 500 million per financial year can be availed by corporates under automatic route <u>Approval route</u> Cases falling outside the purview of automatic route are examined by the Empowered Committee of ECB on the merits of the case. End-use restrictions exist on ECB for • working capital, general corporate purpose and repayment of existing rupee loans • Utilisation of ECB proceeds for on-lending or investment in capital market or acquiring a company (or a part thereof) in India by a corporate. • Utilisation of ECB proceeds for investment in real estate (Cir.No.60 dated 31.01.2004 & Cir.No.5 dated 01.08.2005)

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
	of the project – approved by RBI within sub-ceiling fixed by Government. (iv) All other loans are approved by Government (generally for financing requirements of infrastructure projects, export oriented units, etc.).				Trade Credit Import linked short term loans (Trade Credit) upto US$ 20 million per transaction for all permissible imports with a maturity period less than 1 year is allowed. Trade credit upto US$ 20 million per import transaction with maturity between 1 – 3 years is allowed for import of capital goods.
5. Foreign Currency Convertible Bonds/ Floating Rate Notes.	Permitted individually by Government within overall ECB ceiling.	To be within ECB ceiling with same procedure viz. queuing vide item 4.	Same as Phase I	Same as Phase I	**Implemented** FCCB are permitted subject to the same terms and conditions as ECBs. (Cir.No. 60 dated 31.01.2004)
6. Loans from non-residents.	Allowed by RBI on a case-by-case basis for loans from NRIs on non-repatriable basis with restrictions on interest payment and end-use.	To be allowed to borrow up to $ 250,000 per entity with payment of interest not exceeding LIBOR without restriction on period of loan, use of funds and repatriation of loan/interest.	To be allowed to borrow up to $ 500,000 per entity with payment of interest not exceeding LIBOR without restriction on period of loan, use of funds and repatriation of loan/interest.	To be allowed to borrow up to $ 1 million per entity with payment of interest not exceeding LIBOR without restriction on period of loan, use of funds and repatriation of loan/interest.	**Not Implemented**
7. Joint ventures/wholly owned subsidiaries abroad.	Proposals for investments up to US$ 4 million are	Direct investments abroad to be allowed for ventures up to	Same as Phase I	Same as Phase I	**Implemented** Proposals for investment overseas by Indian companies/registered partnership firms upto 200%

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
	cleared by the RBI. The extent of outflow is dependent upon the export performance of the Indian promoter and capability for repatriation by way of dividend, etc. within a period of five years. Cases not covered by these criteria are cleared by a Special Committee. Recently, an announcement has been made in the Budget that balances in EEFC accounts can be used for investments upto US$ 15 million without the specific approval of RBI.	$ 50 million by ADs subject to transparent guidelines to be laid out by the RBI. Above $ 50 million through Special Committee. The current stipulation on repatriation of earnings by way of dividend etc. within a specified time period should be removed. JVs/WOSs can be set up by all parties and not restricted only to exporters/exchange earners.			of their networth as per the last audited balance sheet, in any bonafide business activity are permitted by ADs irrespective of the export/exchange earnings of the entity concerned. (Cir.No.42 dated 12.05.2005) The condition regarding dividend neutralisation has been dispensed with.
8. Project Exports	Indian project exporters are required to approach the RBI for prior approval for variety of purposes while executing the	Requirement of prior approval by the RBI may be dispensed with subject to reporting to the RBI.	Same as Phase I	Same as Phase I	**Implemented in part** • Powers have been delegated to ADs/Exim Bank to approve Project/Service export proposals up to contract value of US$ 100 mn. • Contracts of value more than US$ 100 mn are approved by the Working Group. ADs/Exim

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
	projects abroad.				Bank have also been delegated powers to approve various facilities such as initial remittance, overseas borrowing to meet temporary mismatch in cash flow, inter-project transfer etc. (Cir.No.32 dated 28.10.2003) Project/service exporters are required to furnish half-yearly progress report to the concerned R.O. • Inter-project transfer of funds need prior approval of RBI • Temporary surplus can be brought into India with prior permission of RBI
9. Establishment of offices abroad	Powers given to ADs to allow remittances for exporters with an average annual export turnover of Rs.150 lakhs and above to open representative/ non-trading offices. Further, EEFC account holders have been permitted to utilise their EEFC balances without any restriction for establishing any type of offices. Other cases require RBI approval.	Any corporate entity may open offices abroad without the need for prior approval from RBI. Capital expenditure towards opening of the offices and current expenditure for maintenance could be subject to overall value limits to be allowed by ADs.	Same as Phase I	Same as Phase I	**Implemented** No prior approval of RBI is required for opening offices abroad. AD banks have been permitted to allow remittance upto 10% for initial and upto 5% for recurring expenses of the average annual sales/income or turnover during last two accounting years (Cir.No. 32 dated 21.04.2006) • RBI permits remittance of higher percentage based on the merits of the case. • Permission to acquire property for the Branch office is accorded by RBI (Cir.No. 71 dated 13.01.2003)
10. EEFC accounts for	50% for EOUs and	100% of earnings for	Same as Phase I	Same as Phase I	**Implemented in part**

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	Present Position
exporters and exchange earners	25% for others – restrictions on use of funds for current account and permitted capital account transactions.	all exporters/ exchange earners to be allowed to be held in EEFC accounts in India. Use of funds allowed for current and permitted capital account transactions with cheque writing facility.		with additional provision that EEFC accounts can be held with banks outside India at the option of the exporter and the exchange earners.	Amounts that are permitted to be credited by entities with EEFC accounts are as follows: 1. Status holder Exporter (as defined by Foreign Trade Policy in force) - 100%. 2. A resident in India for professional services rendered in his individual capacity - 100%. 3. 100 percent EOU/units in EPZs/STP/EHPT - 100%. 4. Any other person resident in India - 50% (Cir.No. 96 dated 15.06.2004). EEFC a/cs. can be opened with banks in India. Cheque writing facility is allowed. Use of funds is allowed for permitted current and capital account transactions (Sch. to No.FEMA 10)
Additional measures announced by the RBI					
Direct investment abroad by partnership firms					Partnership firms registered under the Indian Partnership Act, 1932 and having a good track record were first permitted to make direct investments outside India in any bonafide activity upto US$ 10 million or 100% of their net worth under the automatic route. Subsequently the monetary ceiling was removed and investment was permitted upto 100% of their networth which was enhanced upto 200% of their networth as is permitted to corporates. A.P. (DIR Series) Cir.Nos. 41 dated December 06.12.2003, 57 dated 13.01.2004 & 42 dated 12.05. 2005
Investment in agriculture overseas by resident corporates and registered partnership firms other than through JV/WOS abroad					Resident corporates and registered partnership firms are allowed to undertake agricultural activities including purchasing of land incidental to this activity either directly or through their overseas office (i.e. other than through JV/WOS) within the

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	**Phase II 1998-99**	**Phase III 1999-2000**	
					overall limit available for investment under the automatic route. A.P. (DIR Series) Cir. No. 57 dated 13.01.2004
Direct investment overseas by proprietorship/unregistered partnership concerns					RBI will consider applications from proprietorship/unregistered partnership concerns which satisfy eligibility criteria as stated in the circular. A.P. (DIR Series) Cir. No. 29 dated 27.03.2006
Disinvestment from JV/WOS overseas					General permission for disinvestment has been given to Indian Parties (i) in cases where the JV/WOS is listed in the overseas stock exchange, (ii) where the Indian promoter is listed on a stock exchange in India and has a networth of not less than Rs.100 crore (iii) where the Indian promoter is an unlisted company and the investment in the overseas venture does not exceed $ 10 million. Reporting requirements are there A.P. (DIR Series) Cir. No. 29 dated 27.03. 2006
Foreign Currency Accounts for Units in SEZs					Units located in a Special Economic Zone have been allowed to open, hold and maintain a Foreign Currency Account with an authorised dealer in India subject to certain conditions. A.P. (DIR Series) Circular No.28 dated 03.10.2002
Rupee loans to NRI employees					A body corporate registered or incorporated in India, has been permitted to grant rupee loans to its employees who are Non-Resident Indians or Persons of Indian Origin, subject to certain conditions. A.P.(DIR Series) Cir.No.27 dated 10.10.2003

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
Prepayment of ECB					Prepayment of ECB upto US$ 200 million may be allowed by ADs without prior approval of RBI subject to compliance with the minimum average maturity period as applicable to the loan A.P.(DIR Series) Cir. No.5 dated 01.08.2005
Conversion of ECB and Lumpsum Fee/Royalty into equity					Capitalisation of Lumpsum Fee/Royalty/ECB has been permitted subject to certain conditions A.P.(DIR Series) Cir.No. 34 dated 14.11.2003 and 15 dated 01.10.2004.
Foreign Currency Loans to employees of branches outside India					General permission has been given to Indian companies to grant loans in foreign currency to the employees of their branches outside India for personal purposes in accordance with the lenders Staff Welfare Scheme/Loan Rules A.P.(DIR Series) Cir. No.74 dated 20.02.2004
B. Corporates - Non Residents (including OCBs)					
Foreign Direct Investment (FDI)	Currently OCBs are allowed facilities similar to NRIs. Other corporates are allowed to invest up to various proportions with RBI/Government approval under the FDI policy of the Government.	Prior approval of RBI not required for FDI. Reporting by ADs to the RBI.	Same as Phase I	Same as Phase I.	**Implemented** No RBI approval is required GOI have permitted FDI under the Automatic Route in items/activities in all sectors up to the sectoral caps except in certain sectors where investment is prohibited. Investments not permitted under the automatic route require approval from FIPB. The receipt of remittance has to be reported to RBI within 30 days from the date of receipt of funds and the issue of shares has to be reported to RBI within

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
					30 days from the date of issue by the investee company. (Sch 1 of No.FEMA 20) * *OCBs have been de-recognised as a class of investor for FDI* (Cir.No. 14 dated 16.09.2003)
2. Portfolio Investment in India through stock exchanges in shares/debentures.	Allowed within the 24% limit (can be increased to 30% at the option of the company) which includes portfolio investment by NRIs, FIIs & OCBs subject to approval by the RBI which is valid for a period of five years. The investment restricted to 1% by individual NRIs/OCBs and 10% by individual FIIs. Corporates, other than OCBs and FIIs, are not permitted.	To be allowed to all non-residents without prior approval by RBI. Designated ADs should be required to report to the RBI.	Same as Phase I	Same as Phase I	**Implemented in part** No RBI approval is required for registration of FIIs. Investments by non residents is permitted under the portfolio Investment scheme to entities registered as FIIs and their sub accounts under SEBI(FII) regulations and is subject to ceilings indicated therein. The transactions are subject to daily reporting by designated ADs to RBI. (Sch II of No.FEMA 20, Cir 53 dated 17.12.2003) • *OCBs have been banned from investing under PIS* (Cir.No.13 dated 29.11.2001)
3. Disinvestment	Disinvestment as approved by the RBI except where sales are made through stock exchange under portfolio investment	RBI approval to be dispensed with.	Same as Phase I	Same as Phase I	**Implemented in part** RBI approval for transfer of shares from non-residents to residents has been dispensed with in cases where shares are sold on stock exchange or in case of sale under private arrangements, where it complies with the pricing guidelines. (Cir.No.16 dated 04.10.2004)

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
	scheme.				
Additional relaxations permitted by RBI					
Multilateral institutions permitted to raise resources in India					Multilateral institutions like IFC have been allowed to raise resources in India by way of issue of Rupee Bonds with prior approval
Establishment of project offices in India					ADs have been delegated powers to permit foreign companies to establish project offices in India subject to certain conditions. Banks have been allowed to remit surplus on winding up/ completion of the project. A.P.(DIR Series) Cir.No.37 dated 15.11.2003
Establishment of branch offices/units in SEZ					General Permission has been given to foreign companies to set up branch offices/units in SEZ subject to certain conditions A.P.(DIR Series) Cir.No.58 dated 16.01.2004
II. BANKS A. **Banks - Residents**					
1. Loans and borrowings from overseas banks and correspondents including overdrafts in nostro account.	ADs are permitted to borrow up to US$ 10 million from their overseas offices/ correspondents without any conditions on end use and repayment of such borrowings.	(i) Each bank may be allowed to borrow from overseas markets, short-term (up to one year) and long-term (over one year), to the extent of 50 per cent of the unimpaired Tier I capital with a sub limit of one third (i.e. 16.67 per cent of unimpaired Tier I capital) for short-	Same as Phase I except that the ceiling will be 75 per cent of unimpaired Tier I capital with a sub-limit of one third (i.e. 25 per cent of unimpaired Tier I capital) for short-term borrowings.	Same as Phase I except that the ceiling will be 100 per cent of unimpaired Tier I capital with a sub-limit of one third (i.e. 33.33 per cent of unimpaired Tier I capital) for short-term borrowings.	**Implemented in part** The limit was raised from US$ 10 Mio to 15% of unimpaired Tier-I capital or US$ 10 Mio whichever is higher in October 1997(circular ADMA No 42) and was later revised to 25% of the unimpaired Tier I capital as at the close of the previous quarter or US$ 10 mio (or its equivalent), whichever is higher in March 2004. Within this limit, there is no further restriction regarding short-term borrowings. • Overseas borrowings by ADs for the purpose of financing export credit is excluded from the

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
		term borrowings. (ii) No restrictions on use of funds and repayment. Prudential norms regarding open position and gap limits to continue.			limit. • Subordinated debt placed by head offices of foreign banks with their branches in India as Tier-II capital is also excluded from the limit. (Cir.No. 81 dated 24.03.2004)
2. Investments in overseas markets	Banks allowed to invest in overseas money market up to $ 10 million.	Investments may be in overseas money markets, mutual funds and foreign securities. To be allowed subject only to (i) requirements of Section 25 of BR Act 1949* (ii) open position/ gap limits.	Same as Phase I	Same as Phase I	**Implemented in part** Authorised Dealers are allowed to undertake investments in overseas markets up to the limits approved by their Board of Directors within a ceiling in terms of section 25 of BR Act 1949. Such investments may be made in overseas money market instruments and/or debt instruments issued by a foreign state with a residual maturity of less than one year and rated at least as AA (-) by Standard & Poor/ FITCH IBCA or Aa3 by Moody's. (Cir.Nos.63 dated 21.12.2002 & 90 dated 29.03.2003) Authorised Dealers are also allowed to invest the undeployed FCNR(B) funds in overseas markets in long-term fixed income securities subject to the condition that the maturity of the securities invested in do not exceed the maturity of the underlying FCNR(B) deposits. (Cir.No.40 dated 29.04.2002 & 38 dated 02.11.2002)
3. Fund based/non fund based facilities to Indian joint ventures and wholly owned subsidiaries abroad.	Cleared by RBI/Special Committee.	To be left to banks' discretion – only restriction to be Section 25 of BR Act.	Same as Phase I	Same as Phase I	**Implemented in part** In terms of DBOD guidelines, banks are allowed to extend fund based/non fund based credit facilities to Joint Ventures (JVs) and Wholly owned subsidiaries (WOS) abroad by Indian entities upto 10 percent

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
					of the banks unimpaired capital. (Cir.No. DBOD.IBS.BC 94 dated 08.04.2003)
4. Buyers' credit/acceptance for financing importer/their bankers for buying goods and services from India. (including financing of overseas projects).	Depending on amount cleared by ADs/EXIM Bank/Working Group. FERA approval required from RBI.	To be allowed subject only to Section 25 of BR Act.	Same as Phase I	Same as Phase I	**Implemented in part** Banks in India are permitted to provide at their discretion Buyer's Credit/Acceptance Finance to overseas parties for facilitating export of goods and services from India, on "Without Recourse" basis and with prior approval of RBI.
5. Accept deposits and extend loans denominated in foreign currencies from/to individuals (only rupee settlement).	Not allowed other than under existing foreign currency deposit schemes.	To be allowed without any ceilings – assets/liabilities mismatch to be taken into overall open position/gap limits.	Same as Phase I	Same as Phase I	**Not Implemented**
*__Note:__ Section 25 of the Banking Regulation Act, 1949 stipulates that the assets in India of every bank at the close of business on the last Friday of every quarter shall not be less than 75 per cent of its demand and time liabilities in India.					
6. Forfaiting	Exim Bank alone has been permitted by RBI to do forfaiting	All ADs should be permitted to undertake forfaiting.	Same as Phase I	Same as Phase I	**Implemented** All ADs are permitted to undertake forfaiting transactions. (ADMA No.42 dated 27.10.1997)
Additional relaxations permitted by RBI					
Lending to non-residents					Banks have been allowed to grant rupee loans to NRIs as per the loan policy laid down by the bank's Board of Directors, barring certain specific

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
					purposes. Repayment of the loan may be made by debit to NRE/FCNR/NRO accounts of the non-resident borrowers or out of inward remittances by the borrowers. The quantum of loan, rate of interest, margins etc. on such loans to be decided by the Banks based on relevant directives issued by the DBOD. AP DIR Circular No. 69 dated 12.02.2004 & Regulation 7 C of Notification No. FEMA. 4/ 2000-RB dated 03.05. 2000 .
Remittance of insurance premium					Banks have been permitted to freely allow remittances towards premium for general insurance policies taken by units located in SEZs from insurers outside India provided the premium is paid by the units out of their foreign exchange balances. (AP (DIR Series) Cir. No.47 dated 17.05.2002)
Offshore Banking Units					Banks have been allowed to open OBUs subject to certain conditions under FEMA and DBOD guidelines Notification No.FEMA 71 dated 07.09.2002 DBOD.IBS.BC. 42/23.13.004/2002-03 dated 11.11.2002
B. Banks - Non Residents					
1. Rupee Accounts of non resident banks	Used only for merchant based transactions – investments not	Forward cover to be allowed to the extent of balances. Cancelling/ rebooking to be	Same as Phase I	Non resident banks may be allowed to freely open rupee accounts with banks	**Implemented in part** Overdraft limit has been increased to Rs. 500 lakh. (Para B 8 of the Master Circular on risk management and inter-bank dealings)

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
	allowed. Overdrafts allowed upto Rs.150 lakhs for normal business requirements for temporary periods.	allowed. The present overdraft limit could be increased and limited investments may be allowed in rupee accounts.		in India without any restrictions on their operations.	No investments are allowed. No forward cover is permitted.
III. NON BANKS - FINANCIAL **A. Non Banks – Financial – Residents**					
1. SEBI registered Indian investors (including Mutual Funds) investments overseas.	Not allowed.	Overall ceiling of $500 million and the ceiling should be so operated that a few large funds do not pre-empt the overall amount.	Overall ceiling of $ 1 billion.	Overall ceiling of $ 2 billion.	**Implemented** The aggregate ceiling on investment overseas by Mutual Funds has been raised to US$ 2 billion with an individual ceiling as decided by SEBI. Mutual Funds registered with SEBI, investing overseas do not need separate permission from foreign exchange angle. (Announced in the budget for FY 2006-07. Operational instructions are under issue)
2. All India Financial Institutions	Borrowings from overseas markets or investments abroad subject to RBI/Government prior approval.	(i) Borrowings more than one year to continue within ECB ceiling with Government approval. (ii) Short-term borrowings to be allowed subject to limits. Investments in short term instruments to be permitted within limits up to the extent of liabilities maturing within one month.	(i) Same as Phase I. (ii) Short-term borrowings to be allowed subject to limits. Investments in short term instruments to be permitted within limits up to the extent of liabilities maturing within 3 months.	(i) Same as Phase I. (ii) Short-term borrowings to be allowed subject to limits. Investments in short term instruments to be permitted within limits up to the extent of liabilities maturing within 6 months.	**Not Implemented** Financial institutions cannot raise ECB under the automatic route.

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
Additional relaxations permitted by RBI					
Insurance policies in foreign currency					Insurance companies registered with IRDA have been permitted to issue general insurance policies denominated in foreign currency and receive premium in foreign currency without prior approval of RBI. A.P.(DIR Series) Cir. Nos.8 dated 13.10.2001 &. 36 dated 02.04.2002.
A. Non Banks - Non Residents					
1. FIIs (a) Portfolio Investment	(a) Investments in secondary market allowed once FII is registered with SEBI subject to 24 per cent ceiling (can be increased to 30 per cent at the option of the company) which includes portfolio investment by NRIs, FIIs and OCBs with a 10 per cent limit for individual FIIs and 1 per cent by individual NRIs/OCBs. FERA approval is given by RBI which is valid for a period of five	To be allowed without RBI prior approval. Designated ADs would be required to report to RBI.	Same as Phase I.	Same as Phase I.	**Implemented in full** No RBI approval is required

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
	years.				
(b) Primary market investment/private placement.	(b) Primary market offering/private placement allowed with RBI approval up to 15% of the new issue/capital.	(b) RBI approval not required. Designated ADs to report to the RBI.	Same as Phase I.	Same as Phase I.	**Implemented in full** The ceiling in I.B.2 is inclusive of primary market investments/private placements
(c) Disinvestment	(c) (i) Disi-nvestment through stock exchange allowed freely. (ii) Other routes of disinvestment require RBI approval.	(ii) RBI approval for disinvestment to be dispensed with.	Same as Phase I.	Same as Phase I.	**Implemented in part** RBI approval for transfer of shares from non-residents to residents has been dispensed with in cases where shares are sold on stock exchange or in case of sale under private arrangements, where it complies with the pricing guidelines. (Cir.No.16 dated 04.10.2004)
(d) Investments in debt instruments	Permitted to invest in dated Government securities of Central and State Governments (excluding Treasury Bills) both in primary and secondary markets. ECB ceiling includes FII	Maturity restrictions on investments in debt instruments (including treasury bills) to be removed. FII investments in rupee debt securities to be kept outside ECB ceiling but could be part of a separate ceiling.	Same as Phase I.	Same as Phase I.	**Implemented** FII investments in debt is subject to a sub ceiling within the overall ECB ceiling as indicated below a) G-secs and T-bills – US$ 2.00 Billion b) Corporate debt – US$ 1.5 Billion. The ceilings for FII investment in dated Govt. securities and T-Bills was US$ 1.5 Billion. This was increased to US$ 1.75 billion in November 2004. As this ceiling was exclusive of limits for investment in corporate debt, a separate limit of

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
	investment in rupee debt instruments. The Debt Funds of FIIs are also allowed to invest in corporate debt securities (NCD, Bonds, etc.) listed or to be listed. FIIs can invest in equity and debt (NCDs, Bonds, etc.) in the ratio of 70:30, Debt Funds of FIIs can invest upto 100 per cent in debt instruments subject to a ceiling prescribed by SEBI.				US$ 0.5 Billion was prescribed for FII investment in corporate debt. This ceiling has been revised to the limits indicated above. (Cir.No. IMD/FII/20/2006 dated 05.04.2006 issued by SEBI)
Additional relaxations permitted by RBI.					
Liaison Office of foreign insurance companies					Foreign Insurance Companies having approval of IRDA have been granted general permission to establish Liaison Offices in India. (A.P. (DIR Series) Cir. No. 39 dated 25.04.2005)
IV. INDIVIDUALS **A. Individuals - Residents**					
1. Foreign currency denominated deposits with banks/corporates in India	Not permitted.	To be permitted without ceiling.	Same as Phase I	Same as Phase I	**Not Implemented**

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
(only rupee settlement)					
2. Financial capital transfers including for opening current/chequeable accounts.	Not permitted.	$ 25,000 per annum.	$ 50,000 per annum	$ 100,000 per annum.	**Implemented in part** Resident individuals have been permitted to freely remit upto US$ 25,000 per calendar year for any permissible. current or capital account transactions or a combination of both from February 2004. (Cir.No.64 dated 04.2.2004) They can invest, without limit, in overseas companies listed on a recognised stock exchange and which have the shareholding of at least 10 per cent in an Indian company listed on a recognised stock exchange in India (as on 1st January of the year of the investment) as well as in rated bonds/fixed income securities. (Cir.Nos.66 dated 13.01.2003, 97 dated 29.04.2003 104 dated 31.05.2003)
3. Loans from non residents	Residents are allowed to obtain interest free loans on non repatriation basis from non resident relatives for personal and business purposes other than investment. Other cases need RBI approval.	Residents to be allowed to take loans from non residents up to $ 250,000 per individual with payment of interest not exceeding LIBOR, without restrictions on period of loan, repatriation of principal/interest and use of funds.	Residents to be allowed to take loans from non-residents up to $ 500,000 per individual with payment of interest not exceeding LIBOR, without restrictions on period of loan, repatriation of principal/interest and use of funds.	Residents to be allowed to take loans from non-residents up to $ 1 million per individual with payment of interest not exceeding LIBOR, without restrictions on period of loan, repatriation of principal/interest and use of funds.	**Implemented in part** Borrowings with a minimum maturity of one year upto US$ 250,000 permitted from close relatives on interest free basis. (Cir.No. 24 dated 27.09.2003) Indian students have been given the status of non-resident (in addition to being resident) and as a result they are free to borrow unlimited amount outside India (Cir.No.45 dated 08.12.2003)
Additional relaxations permitted by RBI					

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
RFC (D) Account					A person resident in India has been permitted to open, hold and maintain with an AD in India a Foreign Currency Account to be known as Resident Foreign Currency (Domestic) Account, out of foreign exchange acquired in the form of currency notes, bank notes and travellers cheques from specified sources. The account has to be maintained in the form of current account and shall not bear any interest. Cheque facility is available. There will be no ceiling on the balances held in the account. (A.P. (DIR Series) Cir.No.37 dated 01.11. 2002)
Diplomatic Missions/ Personnel - immovable property					Foreign Embassy/Diplomat/ Consulate General have been allowed to purchase/sell immovable property in India other than agricultural land/plantation property/farm house provided (i) clearance from Government of India, Ministry of External Affairs is obtained for such purchase/sale, and (ii) the consideration for acquisition of immovable property in India is paid out of funds remitted from abroad through banking channel. (A.P. (DIR Series) Cir. No.19 dated 23.09.2003)
Employees Stock Options (ESOP)					ADs can allow remittance for acquiring shares of a foreign company offered under an ESOP scheme either directly by the issuing company or indirectly through a Trust/SPV/step down subsidiary to employees or directors of the Indian office or branch of a foreign company or of a subsidiary in India of a foreign company or of an Indian company in which the company issuing shares effectively holds directly or indirectly atleast a 51% stake. Foreign companies have been given general permission to repurchase

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
					the shares issued to residents in India under any ESOP scheme. (A.P.(DIR Series) Cir.No.30 dated 05.04.2006)
B. Individuals : Non Residents					
1. Capital transfers from non repatriable assets held in India (including NRO and NRNR RD accounts)	Not allowed; however, a few cases allowed on sympathetic grounds	$ 25,000 per year	$ 50,000 per year	$ 100,000 per year	**Implemented** Remittance, upto USD one million, per calendar year, out of balances held in NRO accounts/sale proceeds of assets/the assets in India acquired by way of inheritance is permitted. (Cir.Nos.67 dated 13.01.2003, 104 dated 31.05.2003 & 43 dated 13.05.2005) Repatriation of sale proceeds of a House bought out of domestic assets is repatriable after 10 years of acquisition.
2. Foreign Direct Investment (FDI) in India (other than in real estate)	(a) FDI for NRIs with repatriation benefits are to be cleared by RBI/Government under FDI policy. (b) FDI for other non resident individuals are to be cleared by Government and RBI.	No RBI permission for FDI subject to reporting by ADs.	Same as Phase I	Same as Phase I	**Implemented** No RBI approval is required Non-resident individuals are at par with non-resident corporate for the purposes of FDI. As per I.B.1
3. Portfolio Investment in India through stock exchange.	Allowed to NRIs within the 24 per cent ceiling (can be increased to 30 per	Allowed to all non-residents without RBI prior approval. Designated ADs would	Same as Phase I.	Same as Phase I.	**Implemented in respect of NRIs** Individual NRIs can invest upto 5% of the total paid up capital (PUC) of the investee company or 5% of

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
	cent at the option of the company) which includes portfolio investment by NRIs, FIIs and OCBs subject to approval by the Reserve Bank which is given for a period of five years. The investment restricted to 1 per cent by individual NRIs/OCBs and 10 per cent by individual FIIs.	be required to report to RBI.			the total paid-up value of each series of the convertible debentures of the company. The aggregate ceiling for NRI investments in a company is 10% of the PUC or 10% of the total paid-up value of the each series of debentures. This ceiling can be raised upto 24% of the PUC. NRIs can invest in Perpetual Debt Instruments issued by banks upto an aggregate ceiling of 24% of each issue and investments by individual NRIs can be up to 5% of each issue. NRIs can invest in Debt Capital Instruments (Tier II) of banks without limit. (Cir.No.24 dated 25.01.2006)
4. Disinvestment	Disinvestment to be approved by RBI except where sales are made through stock exchange under portfolio investment scheme.	RBI approval to be dispensed with.	Same as Phase I	Same as Phase I	**Implemented** Sale of shares through private arrangement which is not in compliance with pricing guidelines requires approval of RBI. (Cir.No.16 dated 04.10.2004)
Additional Relaxation permitted by RBI					
Two way fungibility of					A registered broker in India has been allowed to

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
ADRs/GDRs					purchase shares of an Indian company on behalf of a person resident outside India for purpose of converting the shares into ADRs/GDRs subject to compliance with provisions of the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and guidelines issued by the Central Government from time to time (AP (Dir series) Cir.No.21 dated 13.02.2002)
Housing loan to NRI that can be repaid by close relative in India					Close relatives of NRIs or PIOs can repay the loans taken by NRIs or PIOs for acquisition of a residential accommodation in India through their bank account directly to the borrower's loan account with the AD/Housing Finance Institution (A.P.(DIR Series) Cir.No.93 dated 25.05.2004)
Remittance of assets					ADs have been permitted to allow remittance/s upto US$ 1 million per calendar year on account of legacy, bequest or inheritance to a citizen of foreign state permanently resident outside India subject to conditions. (AP.(DIR Series) Cir.No.67 dated 13.01.2003)
V. FINANCIAL MARKETS					
1. Foreign Exchange Market (a) Forward contracts	(a) Forward contracts are allowed to be	(a) To allow all participants in the spot market to participate in	(a) Same as Phase I	(a) Same as Phase I. No restrictions on participants in	**Implemented in part** Underlying exposure is necessary for a person

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
	booked on the basis of business projections in respect of exporters and importers. Also forward cover allowed for non residents for limited purposes such as dividend remittance and freight/passage collections.	the forward market; FIIs, non residents and non resident banks having rupee assets can be allowed forward cover to the extent of their assets in India. Banks to be allowed to quote two way in rupee to overseas banks/correspondents both spot and forward subject to their position/gap limits. Those with economic exposures to be allowed to participate in forward market.		spot/forward markets i.e. participation allowed without any underlying exposure.	resident in India for entering into a forward contract. Importer/Exporter can book forward contracts on past performance basis. Economic exposure cannot be hedged. Forward contracts cannot be undertaken with non-resident banks. Offer of two-way quotes to non-resident banks is prohibited. ADs may enter into forward contracts with persons resident outside India to the extent of investment in equity/debt instruments. Persons resident outside India may enter into forward sale contracts of tenors not exceeding 6 months with ADs for their proposed investment in India. These forward contracts booked by non-residents once cancelled are not eligible to be rebooked. (Para A 1-11 of Master Circular on risk management & inter bank dealings)
(b) Authorised dealers	(b) Authorised dealers at present are only banks.	(b) All India Financial Institutions which comply with the regulatory/ prudential requirements and fulfil well defined criteria should be allowed to participate as full-fledged ADs in the forex market.	(b) Same as Phase I	(b) to allow select NBFCs to act as full fledged authorised dealers on basis of criteria similar to FIs.	**Not implemented**
(c) Products (Derivatives)	(c) Currently the only derivative in	(c) All derivatives including rupee based	(c) Direct access to overseas markets by	(c) Same as Phase I & II.	**Implemented in part**

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
	the rupee $ market is the forward contract. ADs have been allowed to enter into Rupee/$ currency swaps with counterparties in India subject to open position and gap limits. Cross currency derivatives and interest rate derivatives allowed for covering underlying exposures – to be routed through ADs.	derivatives to be allowed. Futures in currencies and interest rates to be introduced with the system of screen-based trading and an efficient settlement mechanism.	corporates for derivatives without routing through ADs Phase I to continue.		Swaps and Options and rupee based derivatives are allowed for a person resident in India through ADs. Currency futures have not been introduced.
2. Money Market	Banks allowed to lend and borrow freely. FIs allowed to lend with no limit/ allowed to borrow within small limits. Others allowed to lend to primary dealers for minimum amount of Rs.10 crores. MFs participate only as lenders. Residual restrictions on deposit rates applicable to public deposits; minimum period for	Market segmentation to be removed. Deposit rates to be deregulated and minimum period restrictions to be removed. Restrictions on participants in the money market to be freed. Level playing field for all banks, FIs and NBFCs regarding reserve requirements and prudential norms.	Same as Phase I	Same as Phase I	**Implemented in part** Deposit rates have been freed excepting prescription on saving deposits and ceiling on non-resident deposits. Lending rates have also been freed except for a ceiling of BPLR on loans below Rs. 2 lakh and LIBOR-linked ceiling on export credits. Union budget, 2006-07 has proposed that the farmer receives short-term credit at 7 per cent, with an upper limit of Rs.3 lakh on the principal amount. Following the recommendations of Narasimham Committee II, since 2001 RBI has moved towards making call/notice money market a pure inter-bank market and prudential limits have been placed on lending/borrowing in this market. Accordingly the

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
	CDs/MMMFs/ fixed deposits specified.				non-banks (except PDs) have been completely phased out of call money market since August 6, 2005. Non-banks are free to participate in collateralized market repo and Collateralised Lending and Borrowing Obligations (CBLO) as per extant guidelines. Minimum period is reduced to seven days for term deposits, CDs and CPs.
3. Government Securities Market	A number of measures have been taken to strengthen the market for Government securities such as a move towards market related rates of interest, introduction of auctions and new instruments and measures to develop the secondary market through Primary Dealers (PDs) and Satellite Dealers (SDs).	(i) Access to FIIs in Treasury bill market. (ii) RBI to develop Treasury bill market offering two-way quotes. (iii) Government Securities (including Treasury bills) futures to be introduced. (iv) RBI to provide Liquidity Adjustment Facility to PDs through Repos and Reverse Repos. (v) Dedicated gilt funds to be given strong and exclusive fiscal incentives to individuals to develop the retail segment. (vi) Number of PDs and SDs to increase.	(i) The OPD to take up part of issue of dated securities and all Treasury bills. (ii) RBI to discontinue participation in 91 day Treasury bill primary auctions and it should only participate in the secondary market. (iii) Number of PDs and SDs to be further increased with a quantum jump in share of PDs in underwriting with strong incentives through underwriting commission.	(i) The OPD to take full responsibility for primary issues of all treasury bills and dated securities. (ii) Full underwriting of issues by PDs with RBI discontinuing participation in primary market for dated securities.	**Implemented** FIIs permitted to invest in G-secs and T-bills upto US$ 2.00 Billion. FIIs can invest in equity and debt in the ratio of 70:30 and Debt Funds of FIIs can invest upto 100 per cent in debt instruments subject to above ceiling. Multilateral FIs like IFC, ADB which have been permitted by the GOI to float Rupee Bonds in India can purchase Govt. dated securities out of such resources. (Cir.No. 63 dated 03.02.2004) There is a fairly active treasury Bill market in place. T-bills as well as bond futures introduced in 2003, but have not encountered success. No activity at present. LAF has been provided to PDs. Dedicated gilt funds have been provided liquidity

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	**Phase II 1998-99**	**Phase III 1999-2000**	
		Progressive increase in share of PDs in underwriting. Commission to PDs to be related to underwriting commitment. (vii) Government to initiate action for setting up of an Office of Public Debt (OPD). (viii) Delivery Versus Payment (DVP) system to be fully automated for all securities on a real time basis with proper safeguards for ensuring that risks are controlled.			support, but rarely being used. In accordance with the FRBM Act, RBI has withdrawn participation in primary issues of all government securities, effective April 1, 2006. The system of PDs is being strengthened. Currently there are 17 PDs and the SD system has been discontinued. RBI has recently issued guidelines for banks' undertaking PD business through which permitted structure of PD business would be expanded to include banks' which fulfill certain minimum eligibility criteria. (Cir.No. 64 dated 27.02.2006) A revised scheme of underwriting commitment and liquidity support for PDs has been put in place (Cir.No.347 dated 04.04.2006). With this, PDs are underwriting the issues fully through compulsory and optional portions in equal proportions and the commission is related to the underwriting commitments and the success rate. Settlement of government securities in RBI's books is through CCIL on DVP-III on a net basis. As a central counterparty, CCIL guarantees settlements and risk mitigation procedures have been put in place.
4. Gold	At present, there are restrictions on import of gold. There are only three channels through which import of gold is allowed	(i) Banks and financial institutions fulfilling well-defined criteria to be allowed to operate freely both in domestic and international markets.	Steps to be taken by Government and the RBI for developing a well regulated market in India for gold and gold derivatives	Same as Phase I and II.	**Implemented in part** Four nominated agencies, which are all PSUs and certain scheduled banks that fulfill eligibility criteria defined for this purpose are permitted to import gold in their own name. Residents are allowed to access these entities for their gold import requirements

Item	Position in 1997	Recommendations of 1997 Committee on Capital Account Convertibility			Present Position
		Phase I 1997-98	Phase II 1998-99	Phase III 1999-2000	
	through canalising agencies (ii) through returning NRIs and (iii) through special import licences.	(ii) Sale of gold by banks and FIs included under (i) above to be freely allowed to all resident. (iii) Banks to be allowed to offer gold denominated deposits and loans. (iv) Banks fulfilling well-defined criteria may be allowed to mobilise household gold and provide working capital gold loans to jewellery manufacturers as also traders. (v) Banks may be allowed to offer deposit schemes akin to GAPs (Gold Accumulation Plans)	including forward trading. Both residents and non residents to be allowed to operate in this market.		without any quantitative restrictions. Under the Gold Deposit Scheme, 1999 certain banks are permitted to accept deposits in gold from residents. Nominated agencies and approved banks are permitted to offer gold loans to residents, for export as well as domestic sale of jewellery. Residents with exposure to gold are permitted to hedge the same by way of forward contracts in gold with approved banks in India. Resident banks can cover/hedge their exposure to gold in the derivative markets overseas. Residents are permitted by buy and sell futures contracts in gold in commodity exchanges in India, regardless of whether there is underlying exposure to gold or not. Securities and Exchange Board of India (SEBI), in consultation with RBI has permitted mutual funds in India to introduce Gold Exchange Traded Funds, with physical gold as the underlying.
5. Participation in international commodity markets.	Not allowed	To be allowed	Same as Phase I	Same as Phase I	**Implemented** Listed resident companies engaged in import and export trade, are allowed to hedge the price risk of commodities (except Gold and silver, petroleum and petroleum products) in the international commodity exchanges/markets through select commercial bank ADs. RBI can consider applications not covered under the delegated authority. (Cir.No.3 dated 23.07.2005)

Summary Status of Implementation by April 2006 of the 1997 CAC Recommendations

Sl. No.	Category	No. of items listed in recommendations	No. of items implemented			Items not implemented	Additional Measures by RBI
			Partly	**Fully**	**Total**		
1.	Corporates/Business - Residents	10	4	4	8	2	9
2.	Corporates - Non-Residents	3	2	1	3	0	3
3.	Banks - Residents	6	4	1	5	1	3
4.	Banks - Non-Residents	1	1	-	1	-	-
5.	Non-Banks - Financial Residents	2	-	1	1	1	1
6.	Non-Banks Non-Residents - FIIs	4	1	3	4	0	1
7.	Individuals - Residents	3	2	-	2	1	3
8.	Individuals - Non-Residents	4	1	3	4	0	3
9.	Financial Markets	7	4	2	6	1	-
	Total	**40**	**19**	**15**	**34**	**6**	**23**
	Of which						
	Residents	28	14	8	22	6	16
	Non-Residents	12	5	7	12	Nil	7