



INDIALAW

POLICY

Liberalisation of foreign exchange regulations

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- **Enhanced limit under the Liberalized Remittance Scheme (“LRS”)**

The Reserve Bank of India (the “**RBI**”) introduced LRS in 2004 to allow remittances outside India. Under the scheme, resident individuals are permitted to remit a prescribed amount every financial year which can be used for the purpose of acquisition of shares or debt instruments or any other assets including property outside India^[1], without prior approval of the Reserve Bank. Individuals can also open, maintain and hold foreign currency accounts with banks outside India for carrying out transactions permitted under the Scheme.

LRS is subject to certain controls, as excessive outflow of foreign exchange depreciates Indian reserves and destabilizes the value of rupee. Initially in 2004, it allowed maximum remittance of US\$25,000. Thereafter, it was gradually increased to US\$ 50,000, US\$ 1,00,000 and finally up to US\$ 2,00,000 per financial year. In 2013^[2], RBI reduced the maximum limit of remittances to \$75,000 as the rupee was depreciating. Subsequently, in the light of currency stabilization, the limit was raised to \$125,000 in June 2014^[3].

RBI has again enhanced the limit to US\$250,000 which is double the earlier limit of US\$125,000^[4]. The enhanced limit provides more flexibility to resident Indians to make remittances outside India.

In addition to this, foreign exchange withdrawals for transactions listed under Schedule III of the Foreign Exchange Management (Current Account Transactions) Rules, 2000 will also be subsumed by the increased limit. As a result such transactions will not require prior RBI approval, which was mandatory earlier.

- **Online Reporting under the e-Biz platform**

The RBI has simplified the process of compliance for filing Advance Reporting Form (“**ARF**”) used by an Indian company to report inflow of FDI and Form FC-GPR used by an Indian company to notify issue of securities to a person resident outside India ^[5]. The said forms can now be filed online under the e-biz portal, hosted on the National Informatics Centre (NIC). This would save a lot of time thereby easing the process of compliance.

The customer can login into the e-Biz portal, download ARF and FCGPR forms, complete and then upload the same onto the portal using their digitally signed certificates. The Authorised Dealer Banks (“**ADs**”) will be required to download the completed forms, verify the contents from the available documents, call for additional information from the customer if necessary and then upload the same for RBI to process and allot the Unique Identification Number.

The ADs will be required to access the e-Biz portal, servers using a Virtual Private Network (“**VPN**”) Account obtained from NIC. The financial aspects for obtaining/using the VPN accounts is yet to be finalised.

RBI has also clarified that the online facility is an additional facility and the manual system of reporting as prescribed in terms of A.P. (DIR Series) Circular No. 102 dated February 11, 2014 would continue until further notice is given in this regard.

- **Changes in investment in Government Securities**

Pursuant to the Sixth Bi-monthly Monetary Policy Statement, 2014-15 dated February 03, 2015 by RBI, the Security and Exchange Board of India (“**SEBI**”) has issued a circular^[6] allowing investment of coupons in Government securities. The coupons invested in purchasing Government securities will be classified into a separate investment category and will not be included in the USD 30 billion limit applicable to Foreign Portfolio Investments (“**FPI**”) in government securities.

For the purpose of investment of coupons, an investment period of 5 working days from the date of receipt of the coupon has been prescribed. It is further clarified that coupons received on these Government securities purchased by investment of coupons shall also have the same facility.

All other existing conditions for investment by FPIs in the Government securities market will also be applicable to this additional facility.

- **Changes in investment in Corporate Debt Securities**

Pursuant to the announcements made in the Sixth Bi-monthly Monetary Policy Statement, 2014-15 dated February 03, 2015 by RBI, SEBI has issued a circular^[7] stating that the minimum residual maturity period for all future investments to be made in corporate bonds within the USD 51 billion Corporate Debt limit category must be three years. This would include the limits vacated when the current investment runs off either through sale or redemption. Further, FPIs will not be permitted in liquid and money market mutual fund schemes. However, there will be no lock-in restrictions and investors will be free to sell the securities

to domestic investors.

[1] Earlier acquisition of immovable property outside India was prohibited vide RBI/2013-14/181 A. P. (DIR Series) Circular No.24 dated 14th August, 2013. Later on the restriction was removed vide RBI/2014-15/171 A. P. (DIR Series) Circular No.19 dated 11th August, 2014.

[2] RBI/2013-14/181 A. P. (DIR Series) Circular No.24 dated 14th August, 2013.

[3] RBI/2013-14/624 A.P. (DIR Series) Circular No.138 dated 3rd June, 2014.

[4] Sixth Bi-Monthly Monetary Policy Statement, 2014-15 dated 3rd February 2015.

[5] RBI//2014-15/468 A.P (DIR Series) Circular No.77 dated 12th February, 2015; with effect from 19thFebruary, 2015.

[6] CIR/IMD/FIIC/2/2015 dated 5th February, 2015

[7] CIR/IMD/FIIC/1/2015 dated 3rd February, 2015