

**Opening of Foreign Currency Account in India by Project /
Service Exporter for Execution of Contract Abroad
A.P.(DIR Series) Circular No.20 (Sept 23, 2003)**

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

A.P.(DIR Series) Circular No.20

September 23, 2003

**To
All Authorised Dealers in Foreign Exchange**

Madam / Sirs,

**Opening of Foreign Currency Account in India by Project /
Service Exporter for Execution of Contract Abroad**

Attention of Authorised Dealers is invited to Regulation 7(5) of Notification No.FEMA. 10/2000-RB dated May 3, 2000 relating to opening, holding and maintaining Foreign Currency Accounts outside India by project/service exporters. The relevant provisions have been amended by [Notification No.FEMA.87/2003-RB dated March 20, 2003](#) (copy enclosed).

2. In terms of the aforesaid amendment, a person resident in India being a project/service exporter may open, hold and maintain Foreign Currency Account with a bank outside or in India. Accordingly, the Approving Authority of the overseas contract, i.e., Authorised Dealer / Exim Bank / Working Group may approve the proposal of exporter, to open, hold and maintain Foreign Currency Account in India subject to the terms and conditions indicated in the annexure and the conditions mentioned below.

- i) Exporter will have to open, hold and maintain a separate Foreign Currency Account for each project under execution abroad.
- ii) Authorised Dealers shall not avail of rupee loans against the security of balances held in such accounts and no overdraft in the account shall be permitted.
- iii) The balance in the account will be subject to SLR / CRR requirement as prescribed by Reserve Bank (DBOD) from time to time.

3. Presently, project/service exporters are required to obtain specific approval of Reserve Bank for making payment to their Indian suppliers of goods/services in foreign currency in India out of Foreign Currency Accounts opened/maintained in India for execution of projects abroad. It has since been decided that Project Approving Authority may on request allow such of the project/service exporters, as have been permitted to open foreign currency accounts in India, to pay their Indian suppliers/service providers in foreign currency from their Foreign Currency Accounts subject to the following conditions :

- i) Project / service exporter should not claim export benefits on the payment made to Indian supplier / service provider.
 - ii) Indian supplier of goods / services should comply with export procedure as per provisions / requirements of FEMA 1999.
4. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie
Chief General Manager

ANNEXURE

[A.P.(DIR Series) Circular No.20
dated September 23, 2003]

**Standard conditions to be stipulated by Authorised Dealer / Exim Bank
for opening of foreign currency account in India at the time of
conveying post-award approval for projects / service contracts**

1. The account may be maintained in any convertible foreign currency.
2. The following credits / debits will be permitted.

(a) **Credits**

- (i) Payment in foreign currency received from the client.
- (ii) Interest earned on surplus funds parked in short term deposits.

(b) **Debits**

- i) Payment to overseas suppliers of goods and services to the extent approved by the approving authority.
- ii) Transfer of funds to the project site.
- iii) Bank charges.
- iv) Project related expenses in rupees.
- v) Transfer of funds to rupee account in case payment made by the client for supply of material/equipment from India has to be temporarily credited to the account.
- vi) Conversion of balance in the account into Indian rupees at the end of the contract.

All other credits/debits would require prior approval of the approving authority/Reserve Bank of India.

3. The account shall be closed immediately after completion of the project and the entire balance transferred to rupee account and/or EEFC account, as the case may be, as per the prevailing guidelines.

4. Project funds temporarily rendered surplus may be invested in short-term deposits not exceeding one year and on maturity, they should be transferred to the project foreign currency account. However, the maturity period of the fixed deposit should not, in any case, go beyond the date of completion of the project in question.

5. No forward cover facility would be available on these balances.

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**Reserve Bank of India
(Exchange Control Department)
Central Office
Mumbai 400 001**

Notification No.FEMA.87 / 2003-RB

dated March 20, 2003

**Foreign Exchange Management (Foreign Currency Account by
a Person Resident in India)(Amendment) Regulations, 2003**

In exercise of the powers conferred by clause (b) of Section 9 and clause (e) of sub-section (2) of Section 47 and in partial modification of its Notification No.FEMA 10/2000-RB dated 3rd May 2000 the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Foreign Currency Account by a Person Resident in India) Regulations 2000 namely:

1. Short title and commencement

- (a) These Regulations may be called the Foreign Exchange Management (Foreign Currency Account by a Person Resident in India) (Amendment) Regulations, 2003.
- (b) They shall come into force from the date of their publication in the Official Gazette.

2. Amendment of the Regulation

In the Foreign Exchange Management (Foreign Currency Account by a Person Resident in India) Regulations 2000, in Regulation 7, in clause (5), for the words "Foreign Currency Account with a bank outside India", the words, "Foreign Currency Account with a bank outside or in India" shall be substituted.

Sd/-
(K.J. Udeshi)
Executive Director