

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

RBI/2004/37
A.P.(Dir Series) Circular No.63

February 3, 2004

To

All Authorised Dealers in Foreign Exchange

Madam/Sir,

Investment by International Financial Institutions in Govt. Securities

Attention of Authorised Dealers is invited to paragraphs 1 and 2 of Schedule 5 to Notification No. FEMA 20/2000-RB dated May 3, 2000 as amended from time to time whereby, FIIs and NRIs have been allowed to purchase Govt. Securities on repatriation basis without limit.

2. As part of measures for further liberalisation, it has been decided that Multilateral Development Banks like International Finance Corporation (IFC), Asian Development Bank (ADB), etc. which are specifically permitted by the Government of India to float rupee bonds in India, may purchase Govt. dated securities. The payment shall be made either by inward remittance through normal banking channels or out of funds held in the fund account opened with the specific approval of Reserve Bank.

3. In the case of sale of Government dated Securities by a Multilateral Development Bank, the net maturity proceeds after payment of taxes, may be either remitted abroad or credited to the fund account which has been opened with the specific approval of Reserve Bank.

The necessary amendments to the Foreign Exchange Management Act (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000 has been made vide Notification No. FEMA.106/2003-RB dated October 27, 2003 (copy enclosed).

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 Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager