



**RESERVE BANK OF INDIA  
FOREIGN EXCHANGE DEPARTMENT  
CENTRAL OFFICE  
MUMBAI-400 001**

RBI/2004/233

A.P.(DIR Series) Circular No.94

June 7, 2004

To

All Authorised Dealers in Foreign Exchange

Dear Sirs/Madam,

**Exchange Earners' Foreign Currency(EEFC) Account Scheme –  
Trade Related Loans/Advances**

Attention of Authorised Dealers is invited to A.P.(DIR Series) Circulars Nos.78 and 104 dated February 14, 2003 and May 31, 2003 in terms of which, exporters have been permitted to grant trade related loans / advances from their EEFC Account to their overseas importer customer without any ceiling, subject to compliance with terms of sub-regulation (4) of regulation 5 of Notification No.FEMA 3/2000-RB dated May 3, 2000, viz. Foreign Exchange Management Act (Borrowing or Lending in Foreign Exchange) Regulations,2000. Further, as per Notification No.FEMA.3/2000-RB, where the amount of loan exceeds USD 25,000 a guarantee of a bank of international repute situated outside India is required to be provided by the overseas borrower in favour of the lender.

2. As a measure of further liberalisation, it has now been decided to raise the above limit to USD 1,00,000 from USD 25,000. Accordingly, guarantee of a bank of international repute situated outside India will be required to be provided by the overseas borrower in favour of the lender where the amount of trade related loan / advance by exporter out of his EEFC Account exceeds USD 1,00,000.

3. The reporting requirement will continue as per A.P. (DIR Series) Circular 78 dated February 14, 2003.

4. The necessary amendment to the Foreign Exchange Management Act (Borrowing or Lending in Foreign Exchange) Regulations,2000 has been issued vide Notification No.FEMA 112/2004-RB dated March 6,2004 (copy enclosed).

5. Authorised Dealers may bring the contents of the circular to the notice of their constituents concerned.

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).

Yours faithfully,

**Grace Koshie**

Chief General Manager

Encl : One

**RESERVE BANK OF INDIA  
FOREIGN EXCHANGE DEPARTMENT  
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MUMBAI - 400 001**

**Notification No.FEMA 112 /2004-RB**

**Dated : 6<sup>th</sup> March 2004**

**Foreign Exchange Management (Borrowing or Lending in  
Foreign Exchange) (Amendment) Regulations 2004**

In exercise of the powers conferred by clause (d) of sub-section 3 of Section 6 of sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in partial modification of Notification No.FEMA 3/2000-RB dated May 3, 2000, as amended from time to time, the Reserve Bank of India makes the following Regulations to amend the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, namely:-

**1. Short title and commencement :-**

- (i) These Regulations may be called the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) (Amendment) Regulations, 2004.
- (ii) They shall come into force on their publication in the Official Gazette.

**2. Amendment to the Regulations :-**

In the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, for the proviso in sub-regulation 4 of regulation 5, the following proviso shall be substituted :

"Provided that where the amount of loan exceeds US \$ 100,000, a guarantee of a bank of international repute situated outside India is provided by the overseas borrower in favour of the lender".

**Sd/-  
(Shyamala Gopinath)  
Executive Director**

