

**PART A - JOINT VENTURES SUBSIDIARIES ABROAD**

- 9A.1 [General](#)
- 9A.2 [Approvals of Proposals by Reserve Bank](#)
- 9A.2 [Blanket Investment Approval for Overseas Investment by Indian Software Companies](#)
- A
- 9A.3 [Export of Goods towards Equity](#)
- 9A.4 [Remittance towards Equity, Loans and Invoked Guarantees](#)
- 9A.5 [Approval of Proposals under EEFC Fast Track Window](#)
- 9A.6 [Approval of Proposals under GDR Fast Track Window](#)
- 9A.7 [Release of Exchange for other Purposes](#)
- 9A.8 [Acquisition of Shares and Issue of Holding Licences](#)
- 9A.9 [Acceptance of Directorship of Overseas Companies and Acquisition of Qualification Shares](#)
- 9A.1 [Repatriation of Earnings and submission of Reports/Accounts of foreign concern](#)
- 0
- 9A.1 ['In principle' Approval for Acquisition](#)

2

**PART B - REPRESENTATIVES ABROAD**

- 9B.1 [Establishment of Overseas Offices](#)
- 9B.1 [Credit facilities for overseas trading offices of Indian companies](#)
- A
- 9B.2 [Temporary Site/Project Offices Abroad](#)
- 9B.3 [Opening of Overseas Branches by Indian Banks](#)
- 9B.4 [Deleted](#)
- 9B.5 [Appointment/Posting of Correspondents/Representatives by News papers/Periodicals/News Agencies](#)
- 9B.6 [Arrangements with Overseas News Services](#)

- Annexure:**
- I. [Guidelines for Indian Direct Investment in Joint Ventures and Wholly Owned Subsidiaries Abroad](#)
  - II. [Guidelines to Authorised Dealers for approval of proposals under EEFC Fast Track Window](#)
  - III. [Terms and conditions for investment in JV/WOS abroad under EEFC Fast Track Window](#)

## **General**

### **9A.1 (i) Participation in overseas Joint Ventures(JV)/ setting up of Wholly Owned Subsidiaries**

(WOS) abroad will involve remittance of cash, export of goods, etc. from India towards the Indian company's equity contribution and will, therefore, require Reserve Bank's approval under relevant provisions of FERA 1973. Proposals for investment in JV/WOS abroad are considered in accordance with the Guidelines for Indian Direct Investment in Joint Ventures and Wholly Owned Subsidiaries Abroad as notified by Government of India, Ministry of Commerce vide their Notification No.4/1/93-EP (OI) dated 17th August, 1995 (see [Annexure I](#)) and further amendments/modifications notified thereto from time to time. These Guidelines, however, do not apply to portfolio investment by Indian companies in foreign concerns and direct investment in the banking sector. All approvals issued by Regional Offices of Reserve Bank on the basis of approvals given by Government of India, Ministry of Commerce prior to issue of the Guidelines dated 17th August 1995 shall continue to remain in force subject to the terms and conditions stipulated in the relative approval letter issued by the Government of India/ Reserve Bank and such other directions/instructions as may be issued by the Government of India/Reserve Bank from time to time.

(ii) Authorised dealers may keep themselves fully apprised of these Guidelines and also subsequent amendments thereto notified from time to time as also the other procedural instructions issued by Reserve Bank and bring the contents thereof to the notice of their constituents.

### **Approval of proposals by Reserve Bank**

**9A.2 (i)** Proposals involving Indian direct investment not exceeding U.S.\$ 15 million, U.S.\$ 30 million in respect of investments in SAARC countries and Myanmar in a block of three calendar years in JVs/WOS abroad are considered by Reserve Bank under its Fast Track Route. The investment is permitted either in the form of cash remittance and/or capitalisation of exports, technical know-how fees, etc. or by way of grant of loans or issue of guarantees by Indian companies to/on behalf of the JV/WOS within the overall limit of U.S.\$ 15 million. Contingent liabilities like guarantees to be issued to/on behalf of the overseas JV/WOS by the Indian promoter company would be reckoned at 50% of their face value for determining the ceiling amount of investment. Such applications are processed and cleared by the Central Office of Reserve Bank within a period of 21 days from the date of receipt of applications, provided (i) the amount of investment does not exceed 25% of the annual average export/foreign exchange earnings of the applicant Indian company (other than equity exports to their JV/WOS abroad) in the preceding three years, (ii) other criteria laid down in the Guidelines (Annexure I) are fulfilled and (iii) the application is complete in all respects. Proposals for rupee investment in Nepal and Bhutan not exceeding Indian Rs.120 crores are also considered by Reserve Bank under this Fast Track Route without any linkage to the past export/foreign exchange earnings of the Indian

promoter company. In such cases the Indian promoter company can repatriate all its entitlements like dividend, royalty, technical know-how fees, etc. in Indian rupees instead of in foreign exchange.

(ii) In addition to the Fast Track Route of Reserve Bank two more Fast Track Windows,

viz. EEFC Fast Track Window and GDR Fast Track Window are available for overseas investments which are explained in paragraphs 9A.5 and 9A.6. Proposals which do not qualify for clearance under these Fast Track Windows will be processed by the Special Committee constituted for this purpose by the Reserve Bank. The Committee, while considering such proposals, will take into account the quantum of EEFC/GDR funds to be utilised by the Indian promoter companies for their overseas investment, their networth, scale of operations and other criteria laid down in the Guidelines. Large investment proposals involving amounts in excess of U.S.\$ 15 million or its equivalent will be referred to the Ministry of Finance for clearance. After the proposals are cleared by the Committee/Ministry of Finance, the necessary approvals will be issued by the Reserve Bank. In all cases of overseas investments, the Indian promoter companies should repatriate to India, through normal banking channels, dividends and other entitlements due to them from their investments in JV/WOS abroad.

(iii) Applications in [form ODI](#), together with documents indicated therein, should be

submitted, in four sets in respect of proposals coming under the Fast Track Route (including rupee investment in Nepal and Bhutan) and in seven sets in respect of other proposals coming under the Normal Route and Large Investment Route with or without GDR/EEFC funds, to the Chief General Manager, Exchange Control Department, Overseas Investment Division (OID), Reserve Bank of India, Central Office, Amar Building, Fort, Mumbai 400 001. Besides, in respect of cases which do not qualify for clearance under the Fast Track Route of Reserve Bank, a copy of the proposal should be forwarded simultaneously by speed post/courier to the concerned Indian Mission in the host country, as indicated in [form ODI](#).

(iv) Where the Indian companies require approval under the Companies Act, 1956 or any other law for the proposed overseas investment, it shall be their responsibility to obtain such approvals from the appropriate authority.

(v) Approval letter issued by Reserve Bank will contain the terms and conditions to be complied with as also the procedure to be followed for effecting actual investment in overseas concern. Reserve Bank will also allot a unique Identification Number for the JV/WOS. On receipt of necessary approval from Reserve Bank, Indian parties should approach the concerned Regional Office of the Exchange Control Department of Reserve Bank for making exports towards equity participation, effecting remittance towards equity/loan, etc.

(vi) Any proposal for addition/deletion of the terms and conditions of approval, change

in size and pattern of investment, granting of loan and/or issue of guarantee from India beyond the limit approved, etc. should be submitted to Reserve Bank, Central Office, with a copy to the concerned Regional Office, justifying the need for the proposal along with the latest information on progress and achievements of the overseas concern and the revised projections relating to profitability and repatriable entitlements, wherever necessary. In respect of supplementary proposals envisaging enhancement of equity, loan/guarantee or involving major changes in the existing terms and conditions of approval resulting in revision in the projections of profitability of the overseas concern and the promoter company's entitlements therefrom, the required information should be furnished by way of application in [form ODS](#) for prior approval.

### **Blanket Investment Approval for Overseas Investment by Indian Software Companies**

**9A.2(A)** In the case of overseas investment in the field of computer software by Indian promoter companies with cumulative export/foreign exchange realisation of U.S.\$ 25 million or more in the preceding three years, blanket investment approval will be given by Reserve Bank upto 50% of such foreign exchange earnings subject to a maximum of U.S.\$ 25 million in a block of three consecutive financial years. The approved amount will be inclusive of investments, if any, allowed by authorised dealer out of EEFC accounts in terms of paragraph 9A.5. The ceiling of U.S.\$ 25 million will cover equity, loan and 50% of contingent liabilities like guarantees. An Indian promoter company desiring to obtain such blanket approval should submit an application in form ODB, along with documents indicated therein, to the Chief General Manager, Exchange Control Department, Overseas Investment Division (OID), Reserve Bank of India, Central Office, Amar Building, Fort, Mumbai-400001. Remittances within the amount of blanket approval may be made either for setting up a new JV/WOS abroad or for additional equity or loan in respect of existing JV/WOS already approved by the Reserve Bank/Government of India/authorised dealer. On receipt of such blanket approval, the Indian promoter company may apply for release of foreign exchange to the authorised dealer in form A2 along with the particulars of investments in form ODI in respect of new JV/WOS and in form ODS in respect of additional investment in an existing JV/WOS abroad. Authorised dealers may allow remittances to the extent of the amount mentioned in the Blanket Approval without seeking further approval from Reserve Bank. **Immediately** after effecting remittance, authorised dealer should forward a copy of Form A2 together with a copy of Form ODI or ODS (in duplicate) as the case may be giving the details of investment, citing the number and date of the blanket approval, to the concerned Regional Office of Reserve Bank. On receipt of particulars of investment, Reserve Bank will allot a unique Identification Number in respect of newly set up JV/WOS. Authorised dealers would continue to forward original A2 form alongwith the R-Return in which the sale is reported as hitherto.

### **Export of Goods towards Equity**

**9A.3** Export of goods from India towards equity participation should be declared on [GR form](#)

which should be submitted to the Regional Office of Reserve Bank for prior approval since the proceeds of such exports will not be repatriated to India as normally required under the existing Exchange Control Regulations. Copies of GR forms should thereafter be submitted to Customs authorities in the normal manner. Within 15 days of effecting the shipment of the machinery/goods, the Indian party should submit to the concerned Regional Office of Reserve Bank a copy of the final invoice through his banker (duly certified by the latter) indicating, among others, name of the vessel, shipping bill number, date of shipment, details of the goods and price thereof. The duplicate [GR form](#) along with the share certificates of the equivalent value issued by the overseas JV/WOS and the application in [form FAD 2](#) for holding foreign currency shares should be submitted to the concerned Regional Office of Reserve Bank within six months from the date of shipment.

### **Remittances towards equity, loans and invoked guarantees**

**9A.4** (i) Where the approval granted by Reserve Bank for setting up of JV/WOS abroad provides for

equity contribution by way of cash remittance the Indian promoters should apply for release of exchange to the concerned Regional office of Reserve Bank through their bankers in [form A 2](#). In case, however, the remittance is to be effected out of the funds held in their EEFC account, prior permission from Reserve Bank will not be necessary. After effecting the remittance, the particulars thereof, along with the certificate of the authorised dealer concerned, should be reported by the Indian company to the concerned Regional Office of Reserve Bank within 15 days from the date of such remittance.

(ii) Similarly in cases where the approval granted provides for grant of loan by the Indian

promoters to overseas JV/WOS, the aforesaid procedure should be followed and the particulars of remittances made should be reported by the Indian company to the concerned Regional Office of Reserve Bank within 15 days from the date of remittance. Where issue of guarantee by the Indian promoters has been specifically approved by Reserve Bank, a certified copy of such guarantee, as and when issued, should be submitted to the concerned Regional Office of Reserve Bank within 15 days from the date of issue of such guarantee to/on behalf of the overseas concern. In the event of such guarantee being invoked, the Indian promoters should approach the concerned Regional office of Reserve Bank through the concerned authorised dealer for permission to effect the remittance towards the invoked guarantee. After effecting the remittance, the particulars thereof should be reported to Reserve Bank by the Indian promoters as in the case of remittances made for equity and for loan.

**Note** : For subscription to shares of overseas joint ventures/wholly owned subsidiaries by employees of Indian promoter company in the field of software refer to paragraph [12.7A](#)

### **Approval of proposals under EEFC Fast Track Window**

**9A.5** (i) Investments up to U.S.\$ 15 million including the amount of investments approved

by

Reserve Bank under its Fast Track Route, in a block of three years, would be allowed by authorised dealers from out of the balances held in the Exchange Earners' Foreign Currency (EEFC) Account of the Indian promoter company without reference to Reserve Bank. The ceiling of U.S.\$ 15 million will cover equity, loan and 50% of the contingent liabilities like guarantee. This limit of U.S.\$ 15 million will be applicable for a block of three years commencing from the first month of relative calendar half-year in which the first approval is accorded either by Reserve Bank or the authorised dealer, as the case may be. For example, if an approval by Reserve Bank or the authorised dealer was issued in the month of September 1997, the block of three years will be from 1st July 1997 to 30th June 2000 and if it was issued in the month of April 1997, the block of three years will be from 1st January 1997 to 31st December 1999.

(ii) Proposals of overseas investment which involve cash remittance of equity and loan or guarantee should only be permitted by authorised dealers under this Window. Authorised dealers should not approve cases where the overseas investment proposals involve capitalisation of export proceeds of plant and machinery/goods, utilisation of Euro-issue proceeds, etc. for which the Indian promoter companies have to make an application to Reserve Bank or the Ministry of Finance as the case may be.

(iii) Proposals of Indian companies involving contingent liabilities, such as, extension of corporate/bank guarantee to/on behalf of their JV/WOS abroad may be approved by the authorised dealer maintaining the EEFC account subject to a margin amount equivalent to 50% of the guarantee being earmarked separately in the EEFC account of the applicant company for the entire tenure of the guarantee and within the overall ceiling of U.S.\$ 15 million. If and when the relative guarantee is invoked, such earmarked funds have to be utilised towards satisfaction of the guarantee claim and for the shortfall amount, the balances available in the EEFC account should be used. In case, funds in the EEFC account are not adequate, the Indian promoter company may acquire foreign exchange from the market. Credit risk involved in allowing such facility of guarantee has to be assessed by the concerned authorised dealer keeping in view the usual norms and commercial judgement.

An Indian promoter company proposing to make overseas investment in JV/WOS under the EEFC Fast Track Window should submit an application to the concerned authorised dealer with whom the EEFC account is maintained in [form ODA](#), in triplicate, alongwith the documents indicated therein. In case the Indian promoter company holds more than one EEFC account with authorised dealers, the overseas investment under this scheme should be routed through a specific EEFC account maintained with a particular branch of an authorised dealer. For proposals for additional equity, loan and guarantee, in respect of JV/WOS already approved by Reserve Bank or the authorised dealer, application should also be made in [form ODA](#), in

triplicate, to the concerned authorised dealer citing Reserve Bank Identification Number. For such supplementary proposals, particulars furnished earlier to the authorised dealer, when the first application (in [form ODA](#)) was submitted, need not be repeated and revised particulars may only be indicated. The amount of Indian promoter's contribution under the supplementary proposals alongwith earlier approvals granted by Reserve Bank/authorised dealer should not exceed U.S.\$ 15 million in a block of three years. Where the amount of investment exceeds U.S.\$ 15 million in a block of three years, such proposals should not be considered by authorised dealers and the applicant should be advised to approach Reserve Bank.

(v) Guidelines to be followed by authorised dealers for processing applications under EEFC Fast Track window and the procedure and the terms and conditions to be complied with by the applicants are given in Annexures [II](#) and [III](#) respectively.

### **Approval of proposals under GDR Fast Track Window**

**9A.6** Investments up to a maximum of 50% of GDRs to be raised would be permitted by the

Ministry of Finance, Government of India, under its normal GDR approval process with overseas investments as a permitted end-use. Applications for the purpose should be made by Indian promoter companies directly to the Government of India, Ministry of Finance as per the procedure laid down for Euro Issue ([see paragraph 10B.10](#)) indicating, inter alia, the details of overseas investment proposed to be made out of such GDR issues (viz., nature of the overseas concern, country of location, line of activity, amounts of investment by way of equity/loan, etc. and Identification/Approval Number issued by Reserve Bank in respect of existing JV/WOS). On receipt of approval from the Ministry of Finance, the concerned Indian promoter company may utilise the Euro issue proceeds for such approved overseas investments subject to compliance with the usual requirements. Such investments will, however, be subject to the terms and conditions to be complied with by the Indian promoter company from the point of view of Exchange Control regulations which will be communicated by the Ministry of Finance while conveying their approval to the Indian promoter company. The Indian promoter company should inform the details of such investments immediately to the Chief General Manager, Exchange Control Department (Overseas Investment Division), Reserve Bank of India, Central Office, Amar Building, Mumbai 400 001, indicating the names of the foreign concerns, amount of investment, the line of activity, country of location, Reserve Bank's Approval/Identification Number in case of an existing JV/WOS, etc. In respect of investments in a new JV/WOS abroad, Reserve Bank will communicate its Identification Number to the Indian promoter company which should be quoted in all future correspondence.

### **Release of Exchange for other purposes**

**9A.7** (i) Authorised dealers have been permitted to release exchange up to U.S.\$ 100,000 by

Indian companies to overseas consultants for conducting feasibility studies for projects to be set up/acquired abroad, vide item XI(B) of Part B of [Annexure I](#) to Chapter 8. Applications involving remittances beyond U.S.\$ 100,000 should be referred to the concerned Regional Office of Reserve Bank giving full details. Permission granted by authorised dealer/Reserve Bank for remittance for conducting such feasibility studies should not be construed as 'in principle' approval for setting up/acquiring any overseas concern.

- (ii) For release of exchange for meeting preliminary/pre-operative expenses in connection with

JV/WOS abroad approved by Government of India/Reserve Bank, applications should be made to the concerned Regional Office of Reserve Bank. Such applications would be considered by Reserve Bank keeping in view, inter alia, the nature of the project, total project cost, need for meeting such expenses from India, etc. subject to such conditions as deemed necessary including repatriation of amounts so released. Remittances towards recurring expenses for the upkeep of the JV/WOS will, however, not be permitted.

### **Acquisition of Shares and issue of Holding Licence**

**9A.8** Where equity contributions are made by way of cash remittance or capitalisation of exports,

royalty, technical know-how fees, etc., Indian promoter companies are required to receive share certificates of equivalent value from the overseas JV/WOS within three months from the date of effecting such cash remittance or the date on which the royalty, fees, etc. become due for payment. As soon as shares are acquired from the overseas concern, Indian companies should apply in [form FAD 2](#) to the concerned Regional Office of Reserve Bank for obtaining necessary licence to hold such foreign securities as required under Section 19(1)(e) of FERA, 1973. In case of bonus shares issued by the overseas JV/WOS, the Indian promoter company while applying for holding licence in [form FAD 2](#) should also submit certified copies of the Board resolution of the overseas concern approving and allotting the bonus shares. They should also file an Annual Return of Foreign Currency Shares held in JV/WOS abroad in [form FAD 3](#) as at the end of every calendar year.

### **Acceptance of Directorship of Overseas Companies and Acquisition of Qualification Shares**

**9A.9** Persons resident in India are free to accept appointments as directors on the boards of the overseas companies. They will, however, require permission from Reserve Bank for remittance towards acquisition of qualification shares, if any, of the overseas companies for which application should be made in [form A2](#) together with an offer letter of the overseas company to



the concerned Regional Office of Reserve Bank through an authorised dealer. In approved cases, on receipt of shares from the foreign concern, an application in [form FAD 2](#) should be made to the concerned office of Reserve Bank by the director concerned for issue of necessary holding licence. Such directors are required to repatriate to India promptly, remuneration, if any, received by way of sitting fees, etc. through normal banking channels.

### **Repatriation of Earnings and Submission of Report/Accounts**

**9A.10** Indian promoter companies participating in JV/WOS abroad should repatriate to India

their foreign exchange entitlements/earnings due from the overseas concern by way of dividend, royalty, technical know-how fees, etc. Bank certificates supporting repatriation should be furnished to the concerned Regional Office of Reserve Bank. They are also required to submit to the concerned Regional Office of Reserve Bank every year an Annual Performance Report in [form APR](#) alongwith certified true copies of audited Profit and Loss Account statement and Balance Sheet togetherwith the report of the Board of Directors of the overseas company adopting the accounts. Till such time the overseas concern commences commercial operations/production, Indian companies are also required to submit to Reserve Bank, a Half-yearly Progress Report in form HPR on the status of implementation of the project. Failure to repatriate the entitlements/earnings and submit the required reports and other information/clarifications, as and when called for by Reserve Bank, will amount to violation of the terms and conditions of the approval granted by Reserve Bank and as such, will be an offence under FERA 1973.

### **Disinvestment/Winding up/Liquidation of foreign concern**

**9A.11** Indian participants in overseas JV/WOS are not permitted to sell or transfer or otherwise

dispose of, wholly or partly, the shares held by them in such companies without prior approval of Reserve Bank. Proposals for disinvestment, which should be accompanied by a share valuation certificate from a Chartered Accountant justifying the sale price, are generally approved subject to Indian promoter company repatriating all its entitlements/dues including the proceeds of outstanding non-equity exports.

### **'In principle' Approval for Acquisition**

**9A.12 (i)** In case an Indian company desires to have an 'in principle' approval for acquisition

of an overseas concern through bidding/tender procedure, which may involve remittance towards Earnest Money Deposit (EMD) or issue of bid bond guarantee by a bank in India in favour of the overseas authorities, application should be submitted to Central Office of Reserve Bank by way of a letter, atleast one month prior to the last date for submission of bid to the overseas authority,

along with following documents:

- (a) Certified relevant extracts of bidding guidelines,
- (b) Chartered Accountant's certificate indicating the valuation of shares and assets of the overseas concern justifying the acquisition price,
- (c) Project/feasibility report on the proposal, and
- (d) Application in [form ODI](#), duly filled in to the extent applicable.

Where the final investment does not qualify for clearance under 'Fast Track Route', a copy each of the proposal should be forwarded simultaneously by speed post/courier to (i) Ministry of Commerce [EP(OI) Section], Government of India (GOI) (ii) Ministry of Finance (Department of Economic Affairs),GOI,(iii) Ministry of External Affairs (Economic Division), GOI, (iv) Department of Company Affairs, GOI, New Delhi and (v) the concerned Indian Mission in the host country, as indicated in [form ODI](#).

(ii) In case of final investment proposal in the post-award stage, Indian company should furnish suitable documentary evidence in support of winning the bid citing Reserve Bank's reference number granting 'in principle' approval and apply afresh to Reserve Bank under copy to the concerned Indian Mission in the manner indicated in [form ODI](#).

## **PART B - OFFICES AND REPRESENTATIVES ABROAD**

### **Establishment of Overseas Offices**

**9B.1** (i) Firms/Companies in India desiring to open offices (trading/non-trading) or post representatives abroad including offices/representatives sought to be opened/posted abroad for promotion of their exports should submit applications to their bankers (authorised dealers) in [form OBR](#) alongwith the particulars of their turnover duly certified by their auditors and also a declaration to the effect that they have not approached/would not approach any other authorised dealer for the facility being applied for. Authorised dealers may release exchange towards initial expenditure as also for recurring expenses of the office as under, provided the applicant fulfils the following conditions:

<b>Category</b>	<b>Initial Expenditure</b>	<b>Recurring Expenditure (per annum)</b>
(a) EEFC Account	No limit for remittances out of EEFC funds.	No limit for holders remittances out of EEFC funds.

(b) Firms/companies <b>not</b> having EEFC accounts or not having sufficient funds EEFC accounts.	Up to 2% of their average annual sales/income turnover during last two years.	Up to 1% of their average annual sales/income turnover during last two years.
---	---	---

**NOTES: A.** *The above limits are applicable for all the overseas offices of the applicant taken together. In regard to category (b) above the ceiling is inclusive of remittances, if any, allowed out of EEFC Account.*

**B.** *In the case of newly established 100% EOUs or Units in EPZs and Hardware/Software Technology Parks, exchange may be released as per their estimated requirements for initial as well as recurring expenses on verification of suitable documentary evidence during the first two years of their operation. From third year onwards, exchange may be released as per item (a) or (b) above.*

**C.** *Remittances towards actual retainer fees may be allowed to be made to the overseas agents engaged for rendering services for promotion of exports by Indian firms/companies provided (a) the applicant does not have a non-trading/trading office or representative posted at that centre, (b) the eligibility criteria as stated in (i) above is satisfied and (c) the amount of retainer fee is within the ceiling fixed for recurring expenses of all the overseas offices taken together as stated above.*

**D.** *Firms/companies wishing to take Indian goods such as floor covering, furniture and other items for office use may approach Reserve Bank for grant of GR waiver in respect of such exports.*

(ii) Remittance facilities on the above basis may be allowed initially for a period of two

years only, after obtaining confirmation from the applicant that they have completed all legal and other formalities in India and abroad in connection with the opening of trading/non-trading office or for posting a representative abroad. While issuing approval the following terms and conditions should be advised to the applicant.

- a) The overseas office should **not** create any financial liabilities contingent or otherwise for the Head Office in India.
- b) Exchange released by the authorised dealer should be strictly utilised for the purpose(s) for which it is released. The unused exchange may be repatriated to India under advice to the authorised dealer.
- c) The details of bank account opened in the overseas countries should be

promptly reported to authorised dealer.

- d) The approval granted for the purpose should be made valid for 6 months from the date thereof, within which time the applicant should open its overseas office or post representative abroad. In case the overseas office is not opened or the representative is not posted abroad within this period, an intimation in writing to that effect should be sent to the authorised dealer immediately after expiry of 6 months period. Fresh application for release of exchange should be submitted to the authorised dealer as and when the overseas office is desired to be opened.
- e) Profits, if any, earned by the overseas office/s should be repatriated to India.
- f) The following statements should be submitted by the applicant to the authorised dealer:
  - (A) A statement showing details of initial expenses incurred together with suitable documentary evidence, wherever possible, within three months from the date of release of exchange for that purpose.
  - (B) Annual account of trading/non-trading office abroad duly certified by statutory Auditors/Chartered Accountants.

(iii) Authorised dealer should send a report of permission granted for opening of trading/

non-trading office/posting of representative abroad in [form ORA](#) on a monthly basis to the Regional Office of Reserve Bank. The statement should be submitted to the concerned office of Reserve Bank within ten days from the close of month. Where remittances are made by utilising funds held in EEFC accounts, authorised dealers may obtain from the applicants a statement in [form ORR](#). Copies of **ORR** statements should be submitted to Reserve Bank by authorised dealers after adding their certification thereon alongwith the monthly statements in [form ORA](#). The records relating to the remittance facilities should be kept in a systematic manner by authorised dealers so as to facilitate inspection. A `nil' statement in [form ORA](#) may be sent if no permission is granted during the month, for the above purpose.

(iv) The renewal of remittance facility after two years may be granted, provided proper accounts of utilisation of foreign exchange released are furnished to the authorised dealer.

(v) Applications from firms/companies who do not satisfy the conditions in (i) above are required to be made in [form OBR](#) to the concerned Regional Office under whose jurisdiction the Registered/Head Office of the applicant is situate. The applicant should justify the need for setting up the office. Reserve Bank will also consider applications for posting technical representatives abroad by manufacturer exporters of sophisticated machinery etc. to provide

technical support, after sales service etc.

NOTE: *Setting up of offices and posting of representatives abroad and meeting their expenses from out of foreign exchange retained abroad or from foreign exchange released by Reserve Bank for any other purpose or from out of proceeds of exports or any income earned abroad is prohibited.*

### **Credit facilities for overseas trading offices of Indian companies**

**9B.1A** Reserve Bank considers, on merits, request from Export Houses/Trading Houses/Star Trading Houses/Super Star Trading Houses to avail of fund based/non-fund based facilities for their trading offices abroad from overseas banks. Application in such cases should be made to the Chief General Manager, Reserve Bank of India, Exchange Control Department (Export Division), Mumbai together with full particulars of the exchange facilities availed of for maintenance of the overseas office concerned, full details of terms and conditions subject to which the facilities are being extended by the overseas bank and the need for availing of the credit facilities by the overseas trading office.

### **Temporary Site/Project Offices Abroad**

**9B.2** Indian firms/companies executing contracts/projects abroad with the approval of the appropriate authority are permitted under a general permission granted by Reserve Bank to set up site/project offices abroad provided that such offices are maintained out of project receipts and remittances from India are not required. These offices are required to be closed down and surplus foreign exchange earnings repatriated to India after completion of the project (See paragraph D.1 of Memorandum PEM).

### **Opening of Overseas Branches by Indian Banks**

**9B.3** Opening of branches abroad by Indian banks requires permission of Reserve Bank under Section 23 of the Banking Regulation Act, 1949. Indian banks wishing to open branches abroad should apply to the Chief General Manager, Department of Banking Operations and Development, Reserve Bank of India, Central Office, Mumbai. After the application has been approved by that Department, the bank should apply to the Chief General Manager, Exchange Control Department (Forex Markets Division), Reserve Bank of India, Central Office, Mumbai for release of foreign exchange for initial remittance, if such remittance is necessary.

NOTE: *Opening of representative offices abroad by Indian banks also requires permission of both the Department of Banking Operations and Development and the Exchange Control Department of Reserve Bank.*

## **Maintenance of Overseas Offices**

**9B.4** Deleted.

## **Appointment/Posting of Correspondents/Representatives by Newspapers/Periodicals/News Agencies**

**9B.5** (i) Indian newspapers/periodicals having a minimum daily/per issue circulation of

50,000 copies and Indian news agencies recognised by the concerned Administrative Ministry of Government of India may engage the services of correspondents/representatives abroad without the prior permission of Reserve Bank. Authorised dealers may allow remittances in such cases as under:

- (a) The actual amount of exchange required towards monthly/maintenance expenses (salary, allowances, house rent etc.) of the correspondent/representative posted abroad as per the terms of their appointment. Other office expenses such as office rent, telephone/cable charges, postage, stationery etc. as also travel within the country of posting or visits to other countries to cover international events or specific assignments can be remitted on actual basis. Remittance can also be sent in advance on the basis of estimates furnished, subject to accounting. However, wherever "collect telex" facility has been made available by the Director General, Overseas Communication Service, Mumbai to the correspondent/representative in respect of sending telex message from foreign countries to India on a regular basis, remittances of telex charges would not be admissible.
- (b) All remittances to the correspondents/ representatives posted in one country abroad should be remitted through one branch of an authorised dealer to be designated by the company. There is, however, no objection to designating different branches of authorised dealers for making remittances to correspondents / representatives posted to different countries.

Applications from Indian newspapers/periodicals which do not satisfy the above criteria and applications for posting of correspondent/representative on temporary basis for covering international events or on specific assignments should be referred to Reserve Bank for prior approval.

(ii) Indian Newspapers/periodicals/news agencies companies desiring to appoint correspondent/s or representative/s abroad and satisfying the conditions laid down in sub-paragraph (I) should advise by letter, the name/nationality/address of the

correspondent/representative, country of posting and terms of appointment together with a certified copy of the consent letter from the correspondent/representative to the terms of appointment to the designated branch of authorised dealer through whom the remittances to the correspondent will be made by them, under intimation to the concerned office of Reserve Bank within whose jurisdiction the company's Head/Registered Office is situate. A certificate from the Audit Bureau of Circulation or the Company's auditors, confirming the circulation figures (in the case of newspapers/periodicals) or a copy of the recognition of the concerned Administrative Ministry of Government of India (in the case of news agency) should also be sent to the designated branch along with the letter. Applications for remittances to be made to the correspondent/representative under the arrangement should be made by the Indian company direct to the authorised dealer concerned on [form A2](#) separately in respect of each correspondent/representative. The newspaper/periodical/news agency should submit to the designated branch of authorised dealer, in duplicate, a half-yearly statement as on 30th September/31st March every year in [form CNP](#) duly certified by its auditors, giving item-wise details of expenditure incurred in foreign exchange by each correspondent/representative. The statement should be submitted to the designated branch within one month of the close of the half-year to which it pertains.

(iii) On receipt of the application from the Indian newspaper/periodical/news agency on [form A2](#), the designated branch of the authorised dealer may allow the remittance after ensuring that the amount of remittance is in conformity with conditions (a) AND (b) of sub-paragraph (i). The designated branch should keep a proper record (correspondent-wise) of remittances made and verify the same with the half-yearly statements in [form CNP](#) received from the company and also forward to Reserve Bank one copy of the statement after completing the certificate in Part C of the statement, within 15 days of the receipt from the newspaper/periodical/news agency.

## **Arrangements with Overseas News Services**

**9B.6** Indian newspapers/news agencies may be required in the normal course of their

business, to make arrangements for obtaining news features, pictures, photographs, colour pictures, cartoons, crossword puzzles, etc. from overseas news agencies, feature agencies, etc. on a regular basis against payment. Indian newspapers/news agencies wishing to enter into such arrangements should first approach Government of India (Ministry of Information and Broadcasting) for prior approval for the arrangements indicating full details of the arrangements such as nature of the material to be supplied by the overseas news service, remuneration payable therefor, etc. Applications for remittance should be made by Indian newspapers/news agencies to authorised dealers alongwith the letter of sanction in original from the Ministry of Information and Broadcasting and the relative invoice received from the overseas news agency, etc. Authorised dealers may allow the remittances strictly in accordance with the approval issued by the Govt. of India, Ministry of Information and Broadcasting. A photo copy of the Government's letter of approval and the relevant contract with the overseas company should be kept on record

for verification by internal auditors/Reserve Bank.