

November 17, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sir,

**Issue of Bank Guarantee on behalf of service importers**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Regulation 4 of the Foreign Exchange Management (Guarantees) Regulations, 2000 notified vide Notification No. FEMA 8/2000-RB dated May 3, 2000 and as amended from time to time, in terms of which, AD Category-I banks are allowed to give guarantees for specified purposes as stated therein.

2. With a view to further liberalise the procedure for import of services, AD Category-I banks are now permitted to issue guarantee on behalf of their customers importing services, provided:

- (a) the guarantee amount does not exceed USD 100,000,
- (b) the AD Category-I bank is satisfied about the bonafides of the transaction.
- (c) the AD Category-I bank ensures submission of documentary evidence for import of services in the normal course, and
- (d) the guarantee is to secure a direct contractual liability arising out of a contract between a resident and a non-resident.

3. In case of invocation of the guarantee, the AD Category-I bank is required to submit to the Chief General Manager-in-Charge, Foreign Exchange Department, Foreign Investments Division (EPD), Reserve Bank of India, Central Office, Mumbai-400001 a report on the circumstances leading to the invocation of the guarantee.

4. Necessary amendments to the Foreign Exchange Management (Guarantees) Regulations, 2000 are being issued separately.

5. AD - Category I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. The directions contained in this Circular have been issued under Section 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**(Salim Gangadharan)**  
Chief General Manager-in-Charge