

September 08, 2008

To,

All Category – I Authorised Dealer banks

Madam / Sir,

**Foreign Exchange Management Act, 1999 –
Advance Remittances for Import of Services**

Attention of all Authorized Dealer Category – I (AD Category – I) banks is invited to paragraph 3 of A. P.(DIR Series) Circular No.65 dated January 6, 2003, in terms of which AD Category – I banks are required to obtain a guarantee from a bank of international repute situated outside India or a guarantee from an AD Category – I bank in India, if such a guarantee is issued against the counter guarantee of a bank of international repute situated outside India for advance remittances exceeding USD 100,000 or its equivalent for import of services into India.

2. With a view to liberalizing the procedure further, it has been decided to raise the limit of USD 100,000 for advance remittance for all admissible current account transactions for import of services without bank guarantee to USD 500,000 or its equivalent. AD Category – I banks may frame their own guidelines to deal with such cases as per the policy approved by the bank's Board of Directors.

3. Where the amount of advance exceeds USD 500,000 or its equivalent, a guarantee from a bank of international repute situated outside India, or a guarantee from an AD Category – I bank in India, if such a guarantee is issued against the counter-guarantee of a bank of international repute situated outside India, should be obtained from the overseas beneficiary.

4. AD Category – I banks should also follow-up to ensure that the beneficiary of the advance remittance fulfils his obligation under the contract or agreement with the remitter in India, failing which, the amount should be repatriated to India.

5. AD Category – I banks may bring the contents of the 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 Section 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