



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2009-10/176
A.P. (DIR Series) Circular No.11

October 5, 2009

To

All Authorised Dealer Category - I 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, as amended from time to time. In terms of Regulation 4(3)(iv) thereof [amended vide Notification No. FEMA 151/2007-RB dated January 4, 2007] and A.P. (DIR Series) Circular No. 13 dated November 17, 2006, banks are allowed to issue guarantees in favour of a non-resident service provider, on behalf of a resident customer who is a service importer, for an amount up to USD 100,000 or its equivalent, subject to the terms and conditions stipulated in the said circular.

2. With a view to further liberalise the procedure (other than in respect of a Public Sector Company or a Department/ Undertaking of the Government of India/ State Governments) for import of services, it has been decided to increase the limit for issue of guarantee by AD Category-I banks from USD 100,000 to USD 500,000. Accordingly, AD Category-I banks are now permitted to issue guarantee for amount not exceeding USD 500,000 or its equivalent in favour of a non-resident service provider, on behalf of a resident customer who is a service importer, provided:

- (a) the AD Category-I bank is satisfied about the bonafides of the transaction;
- (b) the AD Category-I bank ensures submission of documentary evidence for import of services in the normal course; and

(c) the guarantee is to secure a direct contractual liability arising out of a contract between a resident and a non-resident.

3. In the case of a Public Sector Company or a Department/ Undertaking of the Government of India/ State Governments, approval from the Ministry of Finance, Government of India for issue of guarantee for an amount exceeding USD 100,000 (USD One hundred thousand) or its equivalent would be required.

4. All other terms and conditions specified in [A.P. \(DIR Series\) Circular No. 13](#) dated November 17, 2006, shall remain unchanged.

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

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

7. 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