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**RESERVE BANK OF
INDIA**

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March 18, 2004

**Liberalised Remittance Scheme of USD 25,000 for Resident Individuals-Investor Protection
– Disclosure Requirements**

In terms of A.P. DIR (Series) Circular No. 64 dated February 4, 2004, Reserve Bank has operationalised the Scheme permitting resident individuals to make remittance for an amount not exceeding USD 25,000 per calendar year. This facility is now available for making remittance up to USD 25,000 per calendar year for any current or capital account transaction or a combination of both.

A number of foreign banks operating in India as well as Indian banks have been subsequently soliciting deposits from residents under the above Scheme. It has been observed that several advertisements appeared soliciting foreign currency deposit/fund at certain interest rates to be placed at overseas centers. These advertisements do not contain appropriate disclosures to guide potential depositors. Marketing in India of schemes soliciting foreign currency deposits by foreign entities, not having operational presence in India, also raises supervisory concerns.

It has therefore been decided in public interest that no entity other than a licensed banking company can solicit foreign currency deposits from residents. Further, all banks, both Indian and foreign including those not having an operational presence in India should seek prior approval from RBI for the schemes being marketed by them in India to residents either for soliciting foreign currency deposits for their foreign/overseas branches or for acting as agents for overseas mutual funds or any other foreign financial services company.

- While seeking such approval the banks would have to provide the following information to RBI:
- the name of the bank and the location of its head office (and local offices, if applicable) with its full address;
- the identity of the primary bank supervisory authority (or authorities) responsible for the supervision of the bank's head office
- long-term rating given by an internationally acceptable rating agency such as Moody's or Standard and Poor
- Full details of the scheme being marketed

The applications in this regard may be made to the Chief General Manager-in-Charge, Department of Banking Operations and Development, Reserve Bank of India, Central Office, Centre-1, World Trade Center, Cuffe Parade, Mumbai -400005

The above instructions do not restrict the freedom of resident individual from investing in permissible capital account transactions under the Scheme.

This press release has been issued to ensure that only banking entities solicit foreign currency deposits from public and such entities provide minimum disclosures. Residents should undertake their own due diligence and understand the risks before making the foreign currency deposits at overseas centres.

Ajit Prasad
Manager

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