

## Corpsec Hotline

February 05, 2004

### RESIDENT INDIVIDUALS PERMITTED TO FREELY REMIT USD 25,000 FOR ANY PURPOSE

As a part of the continuing effort to liberalize the exchange control regime in India and in line with the Government's announcements on the same, the Reserve Bank of India ("RBI") vide its **Circular** dated February 4, 2004 ("**the Circular**"), has announced partial capital account convertibility by allowing the Indian residents to remit up to USD 25,000 per year, subject to the conditions stipulated in the Circular. This liberalization has come in the backdrop of the record forex reserves, which have crossed over USD 100 billion.

#### Eligibility

All resident Indians are eligible for this facility, in addition to the facilities contained in Foreign Exchange Management (Current Account Transactions) Rules, 2000 ("**Current Account Rules**"). This facility, however, is not available to corporates, partnership firms, HUFs and Trusts.

#### Purposes

The facility may be availed for current or capital account transactions or a combination of both. Resident Indians will no longer require prior approval of the RBI to acquire and hold immovable property or shares or any other asset outside India subject to the limit of USD 25,000.

It is also possible for Resident Indians to now open, maintain and hold foreign currency accounts with a foreign bank for making remittances under the scheme and this account may be used for effecting all transactions specified under this facility.

However, this version of limited capital account convertibility is not available for making remittances to countries like Bhutan, Nepal, Mauritius and Pakistan or the countries identified as non-cooperative countries and territories such as Egypt, Nigeria, Indonesia, etc. by the Financial Action Task Force or for transactions specifically prohibited under the Current Account Rules.

#### Procedure for Remittance

For availing this facility, Resident Indians will have to designate the branch of an Authorized Dealer ("**AD**") through which all remittances under this facility will be made.

ADs are required to comply with a number of requirements, including Know Your Customer Guidelines and Anti-Money Laundering Rules in force while facilitating the remittances. There are certain other reporting requirements prescribed under the Circular that the ADs will have to comply with.

Source: **RBI Circular dated February 4, 2004**

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