

TOPICS

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» **Buyback / Prepayment of Foreign Currency Convertible Bonds (FCCBs)**

The Reserve Bank of India (RBI) vide A. P. (DIR Series) Circular No 65 dated April 28, 2009 has now permitted Indian companies to buyback FCCBs up to USD 100 million (USD 50 million earlier) of the redemption value per company, out of internal accruals, with the prior approval of the RBI, subject to a:

- i. minimum discount of 25 per cent of book value for redemption value up to USD 50 million;
- ii. minimum discount of 35 per cent of book value for the redemption value over USD 50 million and up to USD 75 million; and
- iii. minimum discount of 50 per cent of book value for the redemption value of USD 75 million and up to USD 100 million.

This facility shall come into force with immediate effect and the entire procedure of buyback should be completed by December 31, 2009.

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» **Loans to Non-Residents/third party**

RBI vide A. P. (DIR Series) Circular No. 66 dated April 28, 2009 has decided to enhance the existing cap of Rs.20 lakh on loans against security of funds held in Non Resident External Rupee Account (□NRERA□) and Foreign Currency Non Resident Bank Account (□FCNRBA□) deposits to Rs. 100 lakh either to the depositors or third parties.

Accordingly, the banks may now grant loans against NRERA and FCNRBA deposits either to the depositors or third parties up to a maximum limit of Rs.100 lakh. The Banks are also advised not to undertake artificial slicing of the loan amount to circumvent the aforesaid ceiling.

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