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## Foreign Exchange Management Act - FEMA.

The Central Government of India formulated an act to encourage external payments and across the borders trades in India known as the Foreign Exchange Management Act.

FEMA (Foreign exchange Management Act) was introduced in the year 1999 to replace on earlier act FERA (Foreign exchange Regulation Act). FEMA was formulated to fill all the loopholes and drawbacks of FERA (Foreign Exchange Regulation Act) and hence several economic reforms (major reforms) were introduced under the FEMA act. FEMA was basically introduced to de-reg. deregularize and have a liberal economy in India.

### - OBJECTIVES OF FEMA:

- APPLICABILITY OF FEMA ACT

- PROHIBITION ON DRAWAL OF FOREIGN EXCHANGE

- ROUTE FOR DRAWAL OF FOREIGN EXCHANGE

- PENALTIES UNDER FEMA.

### OBJECTIVES OF FEMA.

The main objectives for which FEMA was introduced in India was to facilitate external trade and payments.

FEMA was also formulated to assist orderly development and maintenance of the Indian forex market.

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FEMA outlines the formalities and procedure for the dealings of all foreign exchange transactions in India. These foreign exchange transactions have been classified into two categories - Capital Account transactions and Current Account transactions. Under FEMA Act, the balance of payment is the record of dealings between citizens of different countries in goods, services, assets. It is mainly divided into two categories - Capital account and Current account. Capital account comprises all capital transactions whereas current account comprises trade of merchandise.

Current account transactions that inflow and outflow of money to and from the country / countries during a year, due to the trading / and rendering of commodity service and income.

The current account is an indicator of an economy's status. As mentioned above the balance of payment comprises current and capital accounts. The remainder of the balance of payments is capital account, which consists the movement of capital in the economy due to capital receipts and expenditure. Capital account recognises domestic investment in foreign assets and foreign investment in domestic.

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APPLICABILITY OF FEMA ACT:

FEMA (Foreign Exchange Management Act) is applicable to the whole of India and equally applicable to the agencies and office, located outside India (which are owned or managed by an Indian citizen). The head office of FEMA is situated in New Delhi and known as Enforcement Directorate. FEMA is applicable to -

- Foreign Exchange
- Foreign Security
- Exportation of any Commodity and/or Service from India to a Country outside India.
- Importation of any Commodity and/or Service from outside India.
- Securities as defined under Public Debt Act 1994.
- purchase, sale and exchange of any kind, ie (Transfer)
- Banking, financial and insurance services.
- Any overseas Company owned by or NRI (Non Resident Indian) and the owner is 60% or more.
- Any citizen of India, residing in the Country or outside (NRI)

The Current Account transactions under the FEMA Act has been categorized into three parts namely -

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- Transactions prohibited by FEMA
- The transactions requires central government permission.
- The transaction requires RBI permission

### Prohibition on Drawal of Foreign Exchange

- Any kind of remittance out of winning the lottery.
- Any kind of remittance from the income on racing / riding etc
- Any remittance for buying of a lottery ticket, football pools, Sweepstakes, banned / prescribed magazines etc.
- Commission payments on exports towards equity investment of Indian Companies in joint ventures / wholly owned subsidiaries abroad.
- Remittance of dividend by any Company.  
However, this clause is applicable only if the requirement of dividend balancing is applicable.
- Commission payments on exportation under Rupee state Credit Routes except Commission up to 10% of invoice value of export tea and tobacco.

- payment regarding "call back services of telephones.
- A travel to Bhutan and/or Nepal
- Remittances of interest income on funds held in NRSR Account i.e Non Resident special Rupees scheme account.
- A transaction with a resident of Bhutan or Nepal.

## Rente for Drawal of foreign Exchange

According to the Reserve bank of india, foreign exchange can be drawn from any authorized dealer by the prior approval

Rente or General permission Rente

S. NO. :                      particulars

1. Visiting Privately to any Country (except Bhutan and Nepal) 10,000 US dollar or eqv
2. Donation / Gift per donor Not exceed 1,25,000 US\$
3. Corporate donations 1 percent of FVX capx 25.0% US\$
4. Going out of india for the purpose of employment 1,00,000 US dollar
5. Remittance facility for emigrants 1,00,000 US\$
6. Remittance for maintenance of relatives (only close relative) outside india 1,00,000 US\$
7. Business Travel Abroad 1,00,000 US\$
8. Attending specialized training & Confer 25000 US\$
9. For Medical treatment 1,00,000 US\$ per trip
10. Maintenance of a patient going for medical check-up for medical treatment 25000 US\$
11. For Studying in Abroad 1,00,000 US\$ 2500
12. Meeting the expenses of a person 25,000 US\$

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accompanying as attendance to a patient going medical check up for medical treatment. **25,000 US\$**

13. Payment of Commission to an agent outside India for selling Commercial or Residential plot or flats in India.

14. Consultancy services from abroad.

15. Pre incorporation expenses reimbursement

16. Remittance for purchase and/or use of trade mark

17. Remittance for Securing Health insurance for from a foreign company

18. Remittance of royalty and payment of lump sum fee under the technical collaboration agreement

19. Release of exchange for medical treatment outside India when a person has fallen sick after proceeding abroad

20. Small value Remittance - up to USD 25000 per (A2)

11 SUN Transactions for which Central Government prior approval is required for Drawal of foreign EXchange —

— cultural tours

— Advertisement in print media of a foreign country for any purpose other than promoting tourism

2020 International bidding and foreign investment (exceeding 10000 US Dollar) by a state Government and its Public sector units.

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- Payment of importation by a public sector unit or a department of government on C.I.F basis only for importation through ocean transport. -

10 - Remittance of freight of vessels chartered.  
 11 - Remittance of detention charges of Containers, exceeding the DSGs (Director General of Shipping) prescribed rate.

12 Remittance of prize.

1 Money / sponsorship of any activity of sport outside india by a person other national / International / Street level sports bodies, if the amount of the prize money / sponsorship exceeds 1,00,000 US Dollars.

3 Remittance of hiring charges of transponders.  
 - Internet service providers.

4 TV Channels.

- Remittance for P & I club membership member  
 5 - ship.

6 - Remittance by Multi-modal transport operators to their agents in abroad.

## PENALTIES UNDER FEMA —

if any person contravenes the provisions of FEMA or any rule, direction, regulation, order or notification issued under FEMA, he shall be liable to pay a penalty up to thrice the sum involved in such contravention or up to Rs 2 lakh. Where such contravention is a continuing one, he shall be liable to pay a further penalty 2020, which may extend to Rs 5000 for every day during which the contravention continues.

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## List of Countries by

## Foreign exchange reserves —

Foreign-exchange reserves (also called Forex reserve) are, in a strict sense, only foreign-currency deposits held by central banks and monetary authorities.

However, in popular usage and in the list below, it also includes gold reserves, special drawing right (SDRs) and International Monetary Fund (IMF) reserve position because this total figure, which is more accurately termed as official reserve or international reserves.

These foreign-currency deposits are the financial assets of the central banks and monetary authorities that are held in different reserve currencies (e.g. the U.S. Dollar, the Euro, the Japanese Yen, Swiss Franc, Chinese Yuan, and the pound Sterling) and which are used to back its liabilities (e.g. the local currency issued and the various bank reserves deposited with the central bank by the government or financial institution. Before the end of the gold standard, gold was the preferred reserve currency. Some nations are converting foreign exchange reserves into sovereign wealth funds which can be several foreign reserve in size.

The list below is mostly based on the latest available IMF data and while most nations report in U.S. dollars, a few nations in Eastern Europe report solely in Euros. And since all the figures below are in US dollars equivalents, exchange rate fluctuations can have a significant impact on these figures.



Foreign exchangeReserveschange from  
Previous date

Rank	Country or region	Foreign Exchange Reserve	change from Previous date
1	China	3,362,471	May 2021 32066
2	Japan	1,378,467	April 2021 10,002
3	Switzerland	1,070,369	April 2021 A 18,3542
4	India	608,085	11th June 2021 A 3,074
5	Russia	604,800	11th June 2021 V 400
6	Taiwan	541,110	April 2021 2,070
7	Hong Kong	490,600	April 2021 V 800
8	South Korea	452,300	April 2021 A 6,200
9	Saudi Arabia	440,728	April 2021 V 8,135
10	Singapore	398,074	May 2021 A 12,367