



FOREIGN EXCHANGE MANAGEMENT ACT



Introduction

- Union Budget 1997 – 98 replaced Foreign Exchange Regulation Act (FERA) by Foreign Exchange Management Act (FEMA).

Foreign Exchange Regulation Act, 1973

- Main objective - to prevent the outflow of Indian currency and to maintain proper checks on the inflow on foreign exchange due to India.



Objectives and Main Provisions

- To regulate payments to be made in international market
- To regulate import and export of currency
- To conserve foreign exchange resources of the country so that the same could be utilized for economic development of the nation
- To regulate foreign companies and employment of foreigners in India

MAIN PROVISIONS

- FERA_ empowered RBI to regulate or exercise direct control over activities of foreign companies in India.
- Trading, commercial and industrial activities in India of persons resident abroad and foreign companies were regulated by FERA
- No person shall, except with the permission of RBI, receive in India or send out of India any gold, jewellery, Indian currency or foreign currency.



Objective of FEMA

1. To consolidate & amend the law relating to foreign exchange
2. Facilitate external trade and payments
3. Promoting the orderly development and maintenance of foreign exchange market in India



FEATURES

1. Dealings in Foreign Exchange: no person shall
 - Deal in or transfer foreign exchange to any person who is not being an authorized person.
 - Make any payment to or for the credit of any person resident outside India in any manner
 - Receive any payment by order or on behalf of any person resident outside India in any manner.
 - Enter into any financial transaction in India as consideration for acquisition of any asset outside India by any person



2. **Holding of Foreign Exchange** – no person resident in India shall acquire, hold or transfer any foreign exchange or immovable property situated outside India

3. **Current Account Transactions** - permitted but may be restricted by govt. only in public interest.

4. **Capital Account Transactions**

- A. Any person may draw or sell foreign exchange to & from an authorized person for a capital account transaction
- B. RBI may regulate, prohibit, restrict the transfers or borrowing & lending



- C. An Indian National may transfer or invest in foreign currency if such currency or property was acquired by him when he was resident outside India or inherited from a person who was resident outside India
- D. A person resident outside India may transfer or invest in Indian currency if such currency or property was acquired by him when he was resident in India or inherited from a person who was resident in India



5. Export to Goods and Services-

- Every exporter of goods shall furnish to RBI or any other such authority a declaration containing true & correct material particulars and also in relation to payment for such services.





AUTHORISED PERSON UNDER FEMA

- The RBI may authorize any person to deal in foreign exchange as an authorized dealer.
- An authorization may be revoked by RBI at any time if RBI is satisfied that
 - It is in public interest
 - The authorized person has failed to comply with the conditions subject to which the authorization was granted