



आन्ध्रा बैंक ANDHRA BANK  
(भारत सरकार का उपक्रम)  
(A Govt. of India Undertaking)  
प्रधान कार्यालय Head Office  
हैदराबाद Hyderabad

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A monthly news bulletin from Andhra Bank

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**INTEREST RATES (%) per annum with effect from 1<sup>st</sup> September'11**

F C N R (B)DEPOSITS						NRE TERM DEPOSITS	
Currency	1 Year & above to < 2 Years	2 Years & above to < 3 Years	3 Years & above to < 4 Years	4 Years & above to < 5 Years	5 years	Period	Rate of Interest (%) p.a.
USD	1.80	1.51	1.67	1.95	2.28	A) 1 year and above less than 2 years	2.55
GBP	2.65	2.28	2.44	2.67	2.90		
EURO	3.05	2.54	2.71	2.91	3.13	B) 2 years and above less than 3 years	2.26
CAD	2.66	2.16	2.32	2.51	2.72		
AUD	6.10	5.30	5.46	5.67	5.81	C) 3 years and above	2.42

(\*These rates are subject to change from time to time as per Reserve Bank of India Guidelines)

Visit Our Website [www.andhrabank.in](http://www.andhrabank.in) for details of accounts and to down load Savings (NRE) application form to open account with our Bank. USA AND DUBAI customers may contact our Representative offices for any clarifications. Others may contact NRI CELL, HYDERABAD. Contact details are given at the end of this Bulletin.

FOREX MARKET DURING August'11					BULLION MARKET DURING August'11			
	Open	High	Low	close	Open	High	Low	close
USD/ INR	44.01	46.2150	44.01	46.0850	\$1626	\$1917	\$1607	\$1823

Strong dollar against the major currencies has seen the rupee giving up the gains made over the past one month. Bids from oil refineries and importers also weighed on the local currency unit. Intermittent dollar selling by the exporters could not help the rupee to recover as risk adverse bidding dominated in the currency market. The GDP y-o-y data for June quarter coming weaker at 7.70 percent than the previous level of 8.80 percent triggered fall in local equities which put more pressure on local unit and rupee touched high of 46.2150. However towards end of the month, smart recovery in the local equities gave some respite to the rupee and finally it closed at 46.0850.

Gold is up by 12 percent this month and hit all-time high of 1917 on August 23. Precious metal is in the 11<sup>th</sup> year of a bull market, the longest winning streak since 1920. The metal is up 28 percent since the beginning of this year. Profit booking was seen during the third week ahead of Fed Chairman's speech at Jackson Hole. Investors were expecting Fed Chief Ben Bernanke would announce another round of stimulus, but things were postponed to Feds next meeting on 20<sup>th</sup> Sept. Gold bounced back as Minutes of the Aug 9 Fed meeting showed some policy makers favored "more substantial" measures to boost the U.S. Economy than the current pledge and to hold rates at a record low for the next two years. Data from U.S. is not so encouraging and Euro Zone debt crisis lingering still in the minds, investors are flocking back to safe heaven Gold.

G-Sec Market during 'August'11			Equity Market during August'11			
<b>The 7.80% GS 2020 levels</b>	<b>YIELDS (%)</b>	The yield on the 10-year benchmark security opened at 8.4088% against the previous month closing level of 8.4542% tracking substantial fall in crude oil prices and 10-year US treasury yield. However, the comments by PM economic panel chief that he expects fiscal gap 4.70% of GDP against budgetary aim of 4.60% dented the market sentiments. The comments by RBI governor that there is need to increase rates to curb inflation and some growth can be sacrificed for the same further added to the selling pressure and gilts lost all the gains. The IIP for the month of June came at 8.80% against the previous month level of 5.60%. The monthly inflation data for the month of July came at 9.22% against the market expectations of 9.20%. The yields started softening again after S & P downgraded the sovereign credit rating of US from AAA to AA+ with negative outlook. The aggressive receiving in the swap market further provided bidding interest to the market and 10-year benchmark security touched a low of 8.1456% during the month. However, higher inflation figures and continuous supply in the debt market due to Govt. auctions prompted the traders to book profits at lower levels. The yield on 10 year bench mark security 7.80% GS 2021 softened by 14 basis points during the month and closed at 8.3164%.	<b>INDEX</b>	<b>BSE</b>	<b>NIFTY</b>	This month sensex and nifty declined by 1520 points and 481 points to close at 16,676.75 and 5001.00 respectively. First week, the markets plunged 5%, clocking the sharpest fall in the last 21 months caused by global recession concerns. Markets sank to their lowest closing levels since June 14, 2010 amid fears that the US economy was slowing down and the Euro zone credit crisis would deteriorate. Second week, Markets started on a negative note, as investors scurried for cover in the wake of the downgrade of US rating by S & P. Volatility sky rocketed with stock indices gyrating throughout the week. In spite of better than expected IIP data markets ended the week on negative note ahead of long weekend. Third week, Headline markets slumped across the globe after a slew of disappointing economic data from the U.S. once again ignited double-dip recession talk, while leading financial institutions validated investors' concerns by downgrading their economic growth forecasts. Fourth week, Markets continued to drop marking the 5 <sup>th</sup> consecutive week of negative closing. The triad of Policy limbo, Anna Hazare and Global uncertainty continued to be drags on the market. Our markets underperformed as concerns arose over asset quality in the banking sector. Last two days, markets went up on some value buying and short covering.
OPEN	8.4088		OPEN	18352.23	5527.50	
HIGH	8.4670		HIGH	18440.07	5551.90	
LOW	8.1456		LOW	15765.53	4720.00	
CLOSE	8.3164		CLOSE	16676.75	5001.00	

**WE HAVE OPENED FOUR SPECIALISED NRI BRANCHES IN FOUR METROS FOR EXCLUSIVE BENEFIT OF NRIs. PLEASE AVAIL THE SERVICES OF THESE BRANCHES. CONTACT DETAILS ARE AS FOLLOWS:**

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**This bulletin deals with the Liberalisation in rules announced by Reserve Bank of India**

**simplifying the procedures with respect to NRIs and their close relatives under Foreign Exchange Management Act, 1999, so as to remove the operational impediments after reviewing the facilities available to individuals under FEMA.1999. Here are the new guidelines on the extant rules which are liberalized for the benefit of NRIs as well as for Residents.**

**NRE/FCNR(B)accounts can be held jointly with resident close relatives**

Hitherto NRI/PIOs cannot open NRE/FCNR (B) account with Resident Indians as Joint account holders. Now on the recommendations of Committee to review the facilities for individuals under the Foreign Exchange Management Act, 1999 it is decided to permit NRIs to open NRE/FCNR (B) account along with their close relatives on "Former or Survivor" basis. The definition of close relative is as defined in Section 6 of the company's Act 1956. However, the resident close relative shall be eligible to operate the account as a power of Attorney holder in accordance with extant instructions during the life time of the NRI/PIO account holder.

**Resident Indians can include NRI close relatives as joint account holders**

Till now Resident Indians are not allowed to include their close relatives who are NRIs in their Resident Bank accounts. But now on the recommendations of Committee to Review the Facilities for Individuals under the Foreign Exchange Management Act, 1999 it is decided to allow Residents to include Non Resident Indians who are close relatives as defined in the Companies Act,1956 as Joint Account Holders. But such Non-Resident Indian close relatives shall not be eligible to operate the account during the life time of the resident account holder.

**Credit of Sale Proceeds of FDI in India to NRE/FCNR(B) accounts.**

Under Notification No FEMA 20/2000-RBdated May3,2000 ,Sale proceeds of Foreign Investments in India were treated as eligible credit to NRE/FCNR (B) accounts, where the purchase consideration was paid by the Non-resident Indians/ Persons of Indian Origin out of Inward remittance or funds held in their NRE/FCNR (B) accounts. It is now clarified that the same facility would be available to NRI/PIOs under Regulation 11 of the said Notification.

The Regulation 11 reads as follows:

An authorized dealer may allow the remittance of sale proceeds of a security (net of applicable taxes) to the seller of shares resident outside India:-

Provided - a) the security was held by the seller on repatriation basis b) either the security has been sold on a recognized stock exchange in India through a stock broker at the ruling market price as determined on the floor of the exchange, or the Reserve Bank's approval has been obtained in other cases for sale of the security and remittance of the sale proceeds thereof; and c) a no objection/tax clearance certificate from the Income Tax authority has been produced.

**Transfer Of Security By Way Of Gift- Enhanced From USD 25000 To USD 50000**

Hitherto a person resident in India who proposes to transfer, by way of gift to a person resident outside India any security including shares/convertible debentures is required to obtain prior approval of the Reserve Bank. However the value of security to be transferred together with any security transferred by the transferor, as gift, to any person residing outside India which was not to exceed the rupee equivalent of USD 25,000 during a calendar year has been enhanced to USD 50000 per financial year.

**Gift in Rupees by Resident Individuals to NRIs.**

A remittance towards gift and donation by a resident individual was included in the Liberalised Remittance Scheme. As per this scheme Residents are permitted to send remittance as gift to their close relatives who are NRIs. The extant position has been reviewed and it has been decided by RBI to permit a resident individual to make a rupee gift to NRI/PIO who is a close relative of the resident individual (close relative as defined in Section 6 of the Companies Act, 1956) by way of Crossed cheque/electronic transfer. The amount should be credited to the Non-Resident (Ordinary) Rupee account (NRO)a/c of the NRI/PIO and credit such gift amount may be treated as a eligible credit to NRO a/c. The gift amount would be within the overall limit of USD 200,000 per financial year as permitted under the Liberalised Remittance Scheme (LRS) for a resident individual. It would be the responsibility of the resident donor to ensure that the gift amount being remitted is under the LRS and all the remittances under the LRS during the financial year including the gift amount have not exceeded the limit prescribed under the LRS

**Loans in Rupees by resident Indians to NRI Close relatives**

As per the extant guidelines an authorized dealer in India may grant loan in rupees to a non-resident Indian. The position has been reviewed and it has been decided to permit a resident individual to lend to a Non Resident Indian (NRI)/Person of Indian Origin (PIO) close relative (means relative as defined in Section 6 of the Companies Act, 1956) by way of crossed cheque/electronic transfer. The loan should be within the overall limit under Liberalised Remittance Scheme of USD 200,000 per financial year available of resident Indians and subjected to certain other conditions

**Repayment of loans of Non-resident close relatives by residents**

As per the extant guidelines Housing Loans availed by NRIs in Indian rupees can be repaid by their close relatives (relative as defined in Section 6 of the companies Act, 1956). Now on the recommendations of committee to review the facilities of individuals under FEMA,1999, RBI has decided to extend the facility of repaying the other loans taken by NRI close relatives in accordance with the Regulation 7 of the Notification No FEMA 4/2000-RB, by crediting the borrower's loan account through the bank account of such relative.

**Meeting of Medical expenses of NRI close relatives by Resident Individuals**

Hitherto a resident may make payment of in rupees towards meeting expenses on account of boarding, lodging and services related to travel to and from and within India of a person resident outside India who is on a visit to India. Now on the recommendations of committee to review the facilities of individuals under FEMA, 1999, RBI has decided to allow resident Indian to make payment of medical expenses also to their NRI Close relative (relative as defined in Section 6 of the Companies Act, 1956)

**SNIPPETS SNIPPETS SNIPPETS SNIPPETS**

**FOREIGN INVESTORS ALLOWD TO INVEST IN EQUITY MFs**

The centre has allowed foreign investors other than FIIs and NRIs to invest up to \$10 billion in equity schemes of Indian Mutual funds. The \$10 billion investment ceiling is meant for a new category of qualified foreign investors or QFIs. Currently Foreign Nationals, other than NRIs, are not permitted to invest directly in Indian Markets.

**FIPB STREAMLINES FDI PROPOSALS**

Investors seeking Government approvals for FDI will now have to obtain electronically generated unique number for the concerned authorities before filing request with Foreign Investment Promotion Board. The Government's move is expected to streamline as well as expedite the process of clearing FDI proposals in key sectors.

**RBI for calibrated approach to capital Account convertibility**

RBI governor has said that India needs a calibrated approach to capital account convertibility and sufficient foreign exchange to act as a buffer against uncertainties, given their increasing global integration. The ratio of imports and exports to GDP was 15%in 1990-91 which went up to 37% in 2011. The two way current and capital flows have moved from 32% in 1991 to 108% in 2010-11. Their total trade and financial integration have been much deeper and faster. They need to focus on external sector.

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