

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2083
ANSWERED ON:04.08.2000
FOREIGN BANKS IN INDIA
SURESH CHANDEL

Will the Minister of FINANCE be pleased to state:

- (a) whether some of the Foreign Banks operating in India have requested the Government to grant them permission to send their surplus funds and profits to their countries without approval of Reserve Bank of India;
- (b) if so, the details of existing procedure and the time since when it is in existence and the ground on which the Foreign Banks have asked for relaxations;
- (c) whether the Government have accepted some of their requests/demands;
- (d) if so, the details thereof and the manner in which India is likely to be benefited by giving relaxation in present procedure;
- (e) whether Indian Banks working abroad are also facing some difficulties in sending their surplus funds and profits to India;
- (f) If so, the details thereof; and
- (g) the steps taken by the Government to remove the difficulties being faced by the Indian Banks operating abroad?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATH) :

(a) to (d) Reserve Bank of India (RBI) has reported that till June, 1998 foreign banks operating in India were required to obtain prior approval of RBI for remittance of their net profit/surplus (net of taxes) earned in normal course of business out of their Indian Operations, to their Head Office. The procedure was reviewed and it was decided to allow the foreign banks to remit their net profit/surplus (net of taxes) without approval of Reserve Bank subject to their complying with provisions of Banking Regulation Act, 1949. The above decision was taken as a further step towards liberalisation as per the commitment to convertibility on current account transactions. The foreign banks are, however, required to submit full details of remittances to Reserve Bank of India.

(e) to (g) RBI has reported that there are no legal restrictions for Indian banks to remit profit from these countries banks. However, regulatory authorities of some of the host countries require the banks to maintain minimum capital at certain prescribed ratio to their risk weighted assets. Remittance of profit is permitted only after the minimum level of capital is reached. Sometimes banks also prefer to build up capital over and above the level stipulated by the regulatory authorities, in order to expand their business activities. RBI has also permitted banks to retain profits, abroad on the merits of each case. RBI has further reported that no specific steps are required, as the banks do not face any problems in repatriating profits to India.