You can now Invest up to $125,000 Overseas

A strong rupee has emboldened the Reserve Bank of India (RBI) to relax some foreign exchange-related restrictions, including the individual overseas remittance limit of $75,000 per year which has been increased to $125,000. The central bank has also allowed foreign institutional investors to hedge their investments and an additional $10 million using exchange-traded currency derivatives, besides promising to allow domestic entities the same flexibility.

The overseas remittance limit comes under the liberalized remittance scheme which was reduced to $75,000 last year when the rupee was in a free fall against the dollar. “In view of the recent stability in the foreign exchange market, it has been decided to enhance the limit to $125,000 without end-use restrictions except for prohibited foreign exchange transactions such as margin trading, lottery and the like,“ RBI's bi-monthly policy statement on Tuesday said.

Also, the earlier directive that remittances cannot be used for acquisition of immovable property outside India is absent in the new policy.

Bankers say this could mean the $1.25 lakh can be used to buy property . But, they are waiting to see the notification. Reserve Bank of India has allowed foreigners and non-resident Indians to take currency worth Rs 25,000 out of the country to facilitate their travel requirements. Earlier, the limit was Rs 10,000 and was available only for Indian residents. This facility will, however, not be available to citizens of Pakistan and Bangladesh. Money changers say Indian currency is already being exchanged in several foreign cities and the liberalized scheme will increase the acceptance of the rupee.

“The measures with respect to outward remittances and currency markets reflect both the significantly improved confidence in India's external position, which allows a reversal of the extraordinary mea sures taken last year, and the focus on developing deeper onshore markets,“ Chanda Kochhar, MD & CEO, ICICI Bank, said.

The stability in the forex market has also encouraged the central bank to open exchange-traded currency derivatives for foreign investors (FIIs).

“With a view to improving the depth and liquidity in the domestic foreign exchange market, it has been decided to allow foreign portfolio investors to participate in the domestic exchange-traded currency derivatives market to the extent of their underlying exposures and an additional $10 million. Furthermore, it has been decided to allow domestic entities similar access to the exchange-traded currency derivatives market.“ the RBI said.

(Times of India)