

**Notification No: FEMA71/2002- RB dated September 7, 2002**

**Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai- 400 001**

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Dated September 7, 2002

In exercise of the powers conferred by Section 6, Section 7, Section 8, Section 9 and Section 47 of the Foreign Exchange Management Act, 1999 (Act 42 of 1999) and all other powers enabling it in this behalf, the Reserve Bank of India makes the following Regulations, namely: -

**CHAPTER I**

**1. Short title and commencement**

- (i) These Regulations shall be called the Foreign Exchange Management (Offshore Banking Unit) Regulations, 2002
- (ii) They shall come into force from the date of their publication in the Official Gazette.

**2. Definitions:**

In these Regulations, unless the context requires otherwise-

- (i) 'Act' means the Foreign Exchange Management Act, 1999 (Act 42 of 1999);
- (ii) 'Offshore Banking Unit' means a branch of a bank in India located in the Special Economic Zone and holds an authorisation issued under clause (a) of sub-section(1) of section 23 of the Banking Regulation Act, 1949 (10 of 1949);
- (iii) 'Regulations' means the Regulations made under the Act;
- (iv) 'Special Economic Zone' means the Special Economic Zone notified by the Government of India;
- (v) Words and expressions used but not defined in these Regulations shall have the same meanings respectively assigned to them in the Act.

**CHAPTER- II**

**PART 1**

3. Notwithstanding the status, as an authorised dealer, of the bank setting up the Offshore Banking Unit, and save as otherwise directed by the Reserve Bank, the Offshore Banking Unit shall not be regarded as an authorised dealer for the purpose of the Act, rules or regulations made thereunder.

4. Save as otherwise provided in these or any other Regulations or directed by the Reserve Bank, nothing contained in any other Regulations shall apply to an Offshore Banking Unit.

5. Save as otherwise provided in these Regulations or with the permission of the Reserve Bank, an Offshore Banking Unit shall not conduct any activity or undertake any transaction with residents in India.

**PART II**

**Transactions which may be undertaken by an Offshore Banking Unit**

6. An Offshore Banking Unit may undertake foreign exchange transactions with any authorised dealer in India only on principal-to-principal basis.

7. An Offshore Banking Unit may undertake transaction in foreign change with a unit located in Special Economic Zone to the extent the latter is eligible to enter into or undertake such transaction, within the ceilings and subject to the conditions specified in the Regulations governing such transaction.

8. Engagement of an Offshore Banking Unit in any of the forms of business specified in sub-section (1) of section 6 of the Banking Regulation Act, 1949 shall be only in foreign exchange and shall be subject to these Regulations and the conditions of licence issued under the said Act.

**(K J Udeshi)**  
**Executive Director**

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