

**ALLOTMENT OF TIME FOR
CONSIDERATION OF THE FOREIGN
EXCHANGE REGULATION
(AMENDMENT) BILL, 1958**

MR. CHAIRMAN: I have to inform Members that under rule 162(2) of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I have allotted one hour for the completion of all stages involved in the consideration and return of the Foreign Exchange Regulation (Amendment) Bill, 1958, by the Rajya Sabha, including the consideration and passing of amendment, if any, to the Bill.

**RESULT OF ELECTION TO THE
NATIONAL SHIPPING BOARD**

MR. CHAIRMAN: As a result of the election held on the 22nd December 1958, the following Members are duly elected to be Members of the National Shipping Board:

1. Shri M. H. Samuel
2. Raja Ajit Pratap Singh.

**THE FOREIGN EXCHANGE REGU-
LATION (AMENDMENT) BILL, 1958**

THE DEPUTY MINISTER OF FINANCE (SHRI B. R. BHAGAT): I beg to move:

"That the Bill further to amend the Foreign Exchange Regulation Act, 1947, as passed by the Lok Sabha, be taken into consideration".

The amendment is very simple and restricted in scope. It does not raise any major issue or question of policy. Its only purpose is to clearly identify the 'securities' which come within the operation of section 13A of the Foreign Exchange Regulation Act. Under this section, the holder of a notified security payable outside India in a notified country cannot be paid

in India without the approval of the Reserve Bank of India. The section, as it stands, is very wide. It mentions securities in general terms, although Government's intention has always been to regulate the transfer of a particular class of Government securities to India, enfacd for payment outside India. This limited applicability of the section was, however, made clear in a notification issued on the 19th October, 1957. This notification specifically mentions the class of securities affected by the section as those Government securities defined in the Public Debt Act, 1944, and issued before the 15th August 1947. The present amendment seeks to bring the provisions of section 13A in line with the notification by mentioning the class of securities in the Act itself.

The reason for doing so is mainly to remove a possible misapprehension in the minds of foreign investors. Foreign investors may advance loans to Indian companies in the form of bonds debentures and debenture stocks. These loans are normally payable in the currency of the investing country and, therefore, payable outside India. The bonds and debentures come within the meaning of securities as they are understood in the Foreign Exchange Regulations Act. If for any reason the borrowing company is unable to pay in the currency of the investing country, repayment of the loans or interest cannot be made even in rupees in India without the permission of the Reserve Bank. This is a very unusual provision since in exchange control, regardless of what restrictions are imposed on payment outside the country, the creditor can at least obtain payment in the country where the borrowing company is located without obtaining Government's approval. It might thus scare away foreign investors. It is true, it is just a theoretical possibility since the intention of Government has been made abundantly clear in the notification issued in terms of section 13A. Foreign investors would not,