



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2004-05/30

A.P.(DIR Series) Circular No.2

July 9, 2004

To,

All Scheduled Commercial Banks which are
Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Import of Gold by (i) Export Oriented Units (EOUs),
(ii) Units in SEZ/EPZ, and (iii) Nominated Agencies**

Please refer to our A.D. (G.P. Series) Circular No.7 dated March 6, 1998 (copy enclosed) wherein nominated agencies and approved banks were permitted to import gold under different arrangements.

2. Attention of Authorised Dealers (ADs) is also invited to A.P. (DIR Series) Circular No. 25 dated October 1, 2003 in which ADs were advised that Letter of Credit (LC) for import of gold under the Nominated Agency Scheme must be established on behalf of the Nominated Agencies themselves and under no circumstances should the LC be issued on behalf of any other entity, even if a letter of authority issued by the Nominated Agency is furnished by these entities.

3. The Ministry of Commerce & Industry has since clarified that as per para 6.2 (b) of the EXIM Policy 2002-2007, Export Oriented Units (EOUs) in the Gem & Jewellery sector, are permitted to import gold directly. These units can also source gold through the existing nominated agencies, in terms of para 6.2 (g) of the policy. Further, units in Special Economic Zones (SEZs) in the gems and jewellery sector can also import gold as per the EXIM Policy 2002-2007. Accordingly, as per the extant guidelines in force,

only nominated agencies, approved banks and EOUs/SEZ units in gems and jewellery sector can directly import gold.

4. ADs can therefore open Letters of Credit and allow remittances on behalf of EOUs, units in SEZs in the Gem & Jewellery sector and nominated agencies, for direct import of gold, subject to the following conditions:

- (i)** The import of gold should be strictly in accordance with the EXIM Policy.
- (ii)** Suppliers' and Buyers' Credit, including the usance period of LCs opened for direct import of gold should not exceed 90 days.
- (iii)** Bankers' prudence should be strictly exercised for all transactions pertaining to import of gold. ADs should ensure that due diligence is undertaken and all Know-Your-Customer (KYC) norms and the Anti-Money-Laundering guidelines, issued by DBOD, Reserve Bank (cf.DBOD.AML.BC.18/14.01.001/2002-03, Dated August 16, 2002), are adhered to while undertaking such transactions. Any large or abnormal increase in the volume of business of the importer should be closely examined to ensure that the transactions are bonafide trade transactions. ADs should closely monitor such transactions in addition to carrying out the normal due diligence exercise. The credentials of the supplier should also be ascertained before opening of LCs. The financial standing, line of business and the net worth of the importer customer should be commensurate with the volume of business turnover. Apart from the above, in case of such transactions banks should also make discreet enquiries from other banks to assess the actual position. Further, in order to establish audit trail of import/export transactions, all documents pertaining to such transactions must be preserved for at least five years.
- (iv)** ADs should follow up submission of the Bill of Entry by the importers as instructed in our A.P.(DIR Series) Circular No.9, dated August 18, 2003.
- (v)** Head Offices/IBDs, of ADs undertaking gold import transactions are required to submit a monthly statement thereof, as per the format enclosed in the Annex, to

the Trade Division, Foreign Exchange Department, Central Office, Reserve Bank of India, Shaheed Bhagat Singh Marg, Fort, Mumbai. The statement should be submitted within ten days of the following month. The statement should also be submitted by e-mail at the following e-mail ID tradedivisionimport@rbi.org.in .

5. These guidelines are issued from the foreign exchange angle only under the provisions of FEMA, 1999 and should not be construed to convey the approval by any other statutory authority or Government under any other existing laws/regulations. If further approval or permission is required from any other regulatory authority or Government under the relevant laws/regulations, the concerned entity should take the approval of the agency concerned before effecting the transaction.

6. ADs may bring the contents of this circular to the notice of their constituents and customers concerned.

7. The directions contained in this circular have been issued under Section 10 (4) and Section 11 (1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999).

Yours faithfully,

Grace Koshie
Chief General Manager

Annex

[A.P.(DIR Series) Circular No.2
dated July 9, 2004]

Statement of Gold Imported during the month ended

Name of the Bank :

Date of Statement :

| | Number of Transactions | | Value of Gold Imported | | | |
|---|------------------------|--------------------------|------------------------|-------------------------|-------------|-------------------------|
| | EOU/ SEZ | Nom. Agency / Bank | (USD million) | | (Rs. Crore) | |
| | | | EOU/ SEZ | Nom. Agency/ Bank | EOU/ SEZ | Nom. Agency /Bank |
| <u>Gold</u> (i) Delivery Against Payment Basis (ii) Suppliers' Credit Basis (iii) Consignment Basis (iv) Unfixed Price Basis | | | | | | |

Note: 1. Full details of transactions may be provided in cases where the number of transactions in respect of a single importer exceeds ten transactions in a month or the aggregate value of imports exceeds US Dollar 50 million.
 2. Details of EOUs/Units in SEZ and Nominated Agencies should be given separately.

A.D.(G.P. Series) Circular No.7

March 6, 1998

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Import of Gold by Nominated Banks/Agencies

1. Under the liberalised policy for import, Government of India has permitted import of gold by certain nominated agencies viz. MMTC, HHEC, STC, SBI and other agencies authorised by Reserve Bank for sale to jewellery manufacturers, exporters, NRIs, holders of Special Import licences and domestic users [cf. paragraph 8.15 of Exim Policy 1997-2002]. It has, therefore, been decided to permit the nominated agencies/banks to import gold under different arrangements, besides outright purchase on D/P basis, as follows :

2. (i) **Import of Gold on loan basis**

Gold loan may be availed of by nominated agencies/banks, where the loan is denominated on the basis of the quantity of gold, subject to the following conditions -

- (a) The loan shall be obtained directly from the overseas supplier.
- (b) The period of loan shall not be more than 180 days from the date of shipment. Extension of period beyond 180 days will require prior approval of Central Office of Reserve Bank (Imports Division).
- (c) Rate of interest on loan shall be as per the prevailing international practice.
- (d) Metal account in the books of the overseas supplier, if required by the supplier, may be maintained by the nominated bank/agency for the purpose of routing the import transactions only. No deposits will be permitted.
- (e) Guarantee for the loan, if required by the supplier may be furnished by the nominated agency.

(ii) **Import of gold on Suppliers credit/Buyers credit basis**

Suppliers credit up to a period of 180 days may be availed of by the nominated agencies/banks subject to the provisions of paragraph 7A.12 of Exchange Control Manual 1993. Prior approval of Reserve Bank will be required if the period of credit exceeds 180 days. However, buyers credit will require prior approval of Reserve Bank irrespective of the period of credit.

(iii) Import of Gold on Consignment basis

Gold may be imported by the nominated banks/agencies on consignment basis wherein the ownership of the goods will rest with the supplier and the importer [consignee] will be acting as an agent of the supplier [consignor]. Remittances towards the cost of import shall be made as and when sales take place as per the provisions of agreement entered into between the overseas supplier [consignor] and nominated agency/bank (consignee).

(iv) Import of gold on unfixed price basis

The nominated agency/bank may import gold on outright purchase basis subject to the condition that although ownership of the gold shall be passed on to the importer at the time of import itself, the price of gold shall be fixed later/ as and when the importer sells the gold to the users.

3. The directions contained in the circular have been issued under Section 73(3) of the Foreign Exchange Regulation Act, 1973 (46 of 1973) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Sd/-

(Khizer Ahmed)

Chief General Manager