

**Export of goods and services against repayment of
State Credits granted by erstwhile Soviet Union**

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001**

A.P. (DIR Series) Circular No.4

July 15, 2000.

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Export of goods and services against repayment of
State Credits granted by erstwhile Soviet Union**

Attention of authorised dealers is drawn to Annexure I to A.D. (G.P. Series) Circular No.4 dated 19th May 1999, which contains the names of Nominated banks in India for handling matters relating to exports to Russia against repayment of State Credits.

2. It has now been decided to include Oriental Bank of Commerce, State Bank of Patiala and Bank of Punjab Ltd. in the list of Nominated banks.

3. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,
B. MAHESHWARAN
Chief General Manager

**Indo-Vietnam Credit Agreement dated 1st December 1999
for Indian Rs.600 million**

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI-400 001.**

A.P.(DIR Series)Circular No.5

August 10, 2000

To
All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Indo-Vietnam Credit Agreement dated 1st December 1999
for Indian Rs.600 million**

The Government of India have extended a line of credit upto an amount of Indian Rs.600 million (Rupees six hundred million only) to the Government of the Socialist Republic of Vietnam under a credit agreement entered into between the two Governments on 1st December, 1999. The credit will be available to the Government of Vietnam for import of capital goods including original spare parts and accessories purchased along with the capital goods and included in the original contract as also consumer durables and consultancy services as mentioned in the Annexure, from India. The contents of the Annexure may be modified by way of additions, deletions or substitutions from time to time as may be mutually agreed to between the two Governments. The export of goods and services from India and their import into Vietnam under the line of credit shall take place through normal commercial channels and will be subject to the laws and regulations in force in both the countries. The broad terms and conditions of the line of credit are as under:

- i) All export contracts will be subject to the approval of the Government of India and the Government of Vietnam and shall contain a clause to that effect. The contracts should be sent to the Ministry of Finance, Department of Economic Affairs, Government of India, New Delhi for approval. After each contract has been approved, intimation thereof will be sent to the Government of Vietnam and to the State Bank of India, New Delhi, by the Ministry of Finance, Government of India.
- ii) The credit will be available for 100% of the f.o.b. value of the goods mentioned in the Annexure to be exported from India. Accordingly, Letters of Credit should specify that

100% f.o.b. value shall be financed from the credit. The contract should be expressed in Indian Rupees.

- iii) All disbursements under the credit shall be under letters of credit opened by the Bank of Foreign Trade of the Socialist Republic of Vietnam. All Letters of Credit will be advised by Bank of Foreign Trade of the Socialist Republic of Vietnam, Vietnam to the State Bank of India, New Delhi for onward transmission to the exporter/s either direct or through another bank in India, if any, nominated by the exporter/s. The letters of credit should be supported by a copy of the contract and should contain the following reimbursement clause:

“Reimbursement for 100% of the f.o.b. value of the contract shall be provided by the State Bank of India, New Delhi from the credit extended by the Government of India to the Government of Vietnam. The Letter of Credit is negotiable after the State Bank of India has issued an advice that it is operative”.

2. Contracts concerning the items of goods mentioned in paragraph 1 of the Annexure to be financed under the credit agreement should be signed and relative Letters of Credit established latest by 31st December, 2000 and the full amount be drawn under the credit by 31st December, 2001. In regard to items specified in paragraph 2 of Annexure contracts to be financed under the credit agreement should be signed, relative letters of credit opened and the full amount drawn by 31st December, 2000. If the full amount is not drawn by the aforesaid dates, the balance will be cancelled and the final instalment of the repayment to be made by the Government of Vietnam shall be reduced accordingly, except as may otherwise be agreed to by the Government of India.

3. Shipments of goods and export of consultancy services covered by the Credit Agreement should be declared on GR/SDF/SOFTEX forms with prominent superscription reading “Exports to Vietnam under Credit Agreement dated 1st December, 1999 between the Government of India and the Government of Vietnam.” The number and date of this circular should be recorded on the GR/SDF/SOFTEX forms in the space provided therefor. On receipt of the full payment of the bills in the manner indicated above, authorised dealers should certify duplicate copies of the relative GR/SDF/SOFTEX form and forward the same to the concerned office/s of Reserve Bank in the usual manner.

4. The import content of exports under the Line of Credit should be kept within low or negligible limits.

5. No agency commission should be allowed in respect of exports under this credit.

6. Authorised Dealers may bring the contents of this circular to the notice of their constituents

engaged in exports to Vietnam.

7. The directions contained in this circular have been issued under Section 10 (4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,

K.J. UDESHI

Chief General Manager

Encl:1.

ANNEXURE

Nature of goods referred to in Indo-Vietnam Credit Agreement of 1999

- (1) Capital goods (alongwith original spare parts and accessories purchased with the capital goods and included in the original contract).
- (2) Items eligible for coverage under this credit also include consumer durables and consultancy services.

**Exchange Earners' Foreign Currency (EEFC)
Account Scheme**

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 0001.

AP (DIR Series) Circular No.6

August 14, 2000

To
All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Exchange Earners' Foreign Currency (EEFC)
Account Scheme**

Attention of authorised dealers is invited to the Reserve Bank Notification No. FEMA 10/2000-RB dated 3rd May, 2000.

2. EEFC Account Scheme was introduced in 1992, which enabled exporters and other exchange earners to retain a portion of their receipts in foreign exchange with an authorised dealer in India. At present a 100% Export Oriented Unit or a unit in (a) Export Processing Zone and (b) Software Technology Park and (c) Electronic Hardware Technology Park may credit upto 70% and any other person resident in India upto 50% of inward remittances to the EEFC Account.

On a review of the Scheme, it has been decided as under :

- (i) Authorised dealers should initiate steps to scale down the balances in EEFC accounts to 50% of the amounts held as on 11th August, 2000. Authorised dealers may accordingly direct their constituents to convert into rupees the excess balances latest by 23rd August 2000 and ensure such conversion. Where amounts are held in term deposits the excess amount may be sold forward by the depositor to coincide with the maturity date of deposit. Compliance in regard to conversion/forward sales should be reported to the Chief General Manager, Exchange Control Department, Export Division, Reserve Bank of India, Central Office, Amar Building, Mumbai – 400 001 on or before 25th August 2000.
- (ii) With effect from 14th August 2000 (a) 100% Export Oriented Unit or a unit in (a) Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology Park may credit 35 per cent, and any other person resident in India may credit upto 25 per cent of their eligible inward remittances as indicated in the Schedule to the Notification referred to above.
- (iii) Currently EEFC accounts may be opened, held and maintained in the form of current or savings or term deposit account in cases where the account holder is an individual, and in the form of current or term deposit account in all other cases. It has now been decided that EEFC accounts can be maintained only in the form of current or savings account by an individual or in the form of current account by others with immediate effect. The balances in the existing term deposit less forward sales, will have to be converted into Current/Savings deposits on the date of maturity.

- (iv) In terms of AD(MA Series) Circular No.19 dated June 2, 1999 read with AD(MA Series) Circular No. 5 dated April 22, 2000, authorised dealers are permitted to grant credit facilities, both fund and non-fund based, against the security of funds held in EEFC accounts. It has now been decided, that no credit facilities either fund based or non-fund based should be permitted against the security of balances held in EEFC accounts, by the authorised dealers. Existing facilities may however be allowed to continue till the maturity of existing contract. No extension of time limit should be permitted for repayment of the existing credit facilities.

3. Amendments to the FEMA Notifications are being issued separately.

4. Authorised dealers may bring the contents of this circular to the notice of their concerned constituents.

5. The directions contained in this circular have been issued under Section 10 (4) and Section 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,

B. Maheshwaran
Chief General Manager

A.P. (DIR.Series) Circular No.7 (August 22, 2000)

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001**

A.P. (DIR.Series) Circular No.7

August 22, 2000

To,

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Indo-Seychelles Credit Agreement
dated 24-2-2000 for U.S.\$ 2 Million**

The Government of India have extended a line of credit of an amount of US\$ 2 million (U.S. Dollars Two Million only) to the Government of the Republic of Seychelles under a credit agreement entered into between the two Governments on 24th February 2000. The credit will be available to the Government of the Republic of Seychelles for importing from India capital goods of Indian manufacture including original spare parts and accessories purchased alongwith the capital goods and included in the original contract as also consultancy services and consumer durables as mentioned in the Annexure. The contents of the Annexure may be modified by way of additions, deletions or substitutions from time to time as may be mutually agreed to between the two Governments. The credit will not cover third country imports. The export of goods and services from India and their import into Seychelles under the line of credit shall take place through normal commercial channels and will be subject to the laws and regulations in force in both the countries. The broad terms and conditions of the line of credit are as under:

- i) All contracts will be subject to the approval of the Government of India and the Government of the Republic of Seychelles and shall contain a clause to that effect. All contracts shall be sent to the Ministry of Finance, Department of Economic Affairs, Government of India for approval. After each contract has been approved, intimation thereof will be sent to the Government of the Republic of Seychelles and to the State Bank of India, New Delhi, by the Ministry of Finance, Government of India.
- ii) The credit will be available for 90% of the f.o.b. value of the eligible goods and services to be exported from India. The 10% of the f.o.b. value shall be paid by the importer in U.S. Dollars at the time of opening of the letter of credit. Accordingly, letters of credit should specify that 10% f.o.b. value shall be met out of the remittances from Seychelles while the balance 90% shall be financed from the credit. The value of the contract should be expressed in U.S. Dollars.
- iii) All disbursements under the credit shall be made under letters of credit opened by banks in Seychelles. All letters of credit will be advised by banks in Seychelles to the State Bank of India, New Delhi for onward transmission to the exporter/s either direct or through another bank

in India, if any, nominated by the exporters. Normal commercial practices followed in respect of advising payments under letters of credit will be adopted to ensure that the remaining 10% of the amount of the letter of credit is received in U.S.

All claims to the State Bank of India for payment of 90% of the f.o.b. value will need to be supported by a certificate of the negotiating bank that the 10% amount directly payable has been received. The Letters of Credit should be supported by a copy of the contract and should contain the following reimbursement clause:

“ Reimbursement for 90% of the f.o.b. value of the contract shall be provided by the State Bank of India, New Delhi from US\$ 2 million credit extended by the Government of the Republic of India to the Government of the Republic of Seychelles. The Letter of Credit is negotiable after State Bank of India has issued an advice that it is operative. The Letter of Credit will be made operative by the State Bank of India after verifying that the reimbursement from the credit is sought for 90% of the f.o.b. value only and it will be the responsibility of the negotiating bank to ensure that the remaining 10% of the amount of the letter of credit is received in U.S. Dollar. All claims to the State Bank of India for payment of 90% of the f.o.b. value will need to be supported by a certificate of the negotiating bank to the effect that the 10% directly payable has been received.”

2. Contracts concerning capital goods including original spare parts and accessories purchased alongwith the capital goods forming part of the original contract, to be financed under the credit agreement, should be signed and relative letters of credit established by 28th February 2001 and the full amount be drawn under the credit by 28th February 2002. In regard to consultancy services and consumer durables, contracts to be financed under the credit agreement should be signed, relative letters of credit established and the full amount drawn by 28th February 2001. If the full amount is not drawn by the aforesaid dates, the balance will be cancelled and the final instalment of the repayment to be made by the Government of Seychelles shall be reduced accordingly, except as may otherwise be agreed to by the Government of India.

3. Shipments of goods and export of consultancy services covered by the credit agreement should be declared on GR/SDF/SOFTEX forms with prominent superscription reading “ Exports to Seychelles under Credit Agreement dated 24th February 2000 between the Government of India and the Government of Seychelles.” The number and date of this circular should be recorded on the GR/SDF/SOFTEX forms in the space provided therefor. On receipt of the full payment of bills in the manner indicated above, authorised dealers should certify duplicate copies of the relative GR/SDF/SOFTEX form and forward the same to the concerned office/s of Reserve Bank of India in the usual manner.

4. No agency commission should be allowed in respect of exports under this credit.

5. Authorised Dealers may bring the contents of this circular to the notice of their constituents engaged in exports to Seychelles.

6. The directions contained in this circular have been issued under Section 10 (4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,

K.J. UDESHI
CHIEF GENERAL MANAGER

Encl: 1.

ANNEXURE

Nature of goods referred to in
Indo-Seychelles Credit Agreement of 2000

1. Capital goods (alongwith original spare parts and accessories purchased with the capital goods and included in the original contract).
2. Items eligible for coverage under this credit also include consumer durables and consultancy services.

A.P. (DIR Series) Circular No.8 (August 22, 2000)

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI-400 001.

A.P. (DIR Series) Circular No.8

August 22, 2000

To,

All Authorised Dealers in Foreign Exchange.

Dear Sirs,

**Exim Bank's Line of Credit of U.S. \$ 10 million to Export-Import
Bank of Thailand (Exim Thailand)**

Export-Import Bank of India (Exim Bank) have concluded an agreement with the Export-Import Bank of Thailand (Exim Thailand) on 4th May, 2000 making available to the latter, a line of credit upto an aggregate sum of US \$ 10 Million (U.S. Dollars ten Million only). The credit has become effective from 30th May 2000 and is available for financing export of eligible goods and related services from India to Thailand. A list of goods eligible for export under this line of credit is given in the schedule attached to this circular. The eligible goods would also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into Thailand shall be subject to the laws and regulations in force in both the countries.

2. The broad terms and conditions of the credit are as under:

- (i) Every contract under the credit will require prior approval of Exim Bank.
- (ii) The credit shall be available for financing an amount upto 90% (Ninety percent) of the f.o.b (free on board) / c.&f. (cost & freight) / c.i.f. (cost, insurance & freight) contract price of the eligible contract.
- (iii) The contract price shall be specified in U.S. Dollars and shall not be less than U.S. Dollars 50,000/- (U.S. Dollars fifty thousand only) or such amount as may, from time to time, be agreed upon between Exim Bank and the Borrower.
- (iv) The contract signed under the credit should also provide for the following:-
 - (a) The buyer shall make an advance payment of 10% (ten percent) of the contract value to the seller payable within 10 business days after the date of the approval of the contract by Exim Bank.

(b) The buyer shall make payment to the seller of the balance 90% (Ninety percent) of f.o.b./c. & f./c.i.f. contract price, pro-rata against shipments, to be covered under an irrevocable letter of credit in favour of the seller.

(c) The eligible goods shall be inspected before shipment on behalf of the buyer and the documents to be furnished by the seller to the negotiating bank under the letter of credit arrangement shall include the related inspection certificate.

3. The letter of credit shall be advised through such offices of the Negotiating Bank in India as may be designated by EXIM Bank in consultation with the borrower from time to time. The letter of credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1994 Edition) published by the International Chamber of Commerce (Publication No.500) and shall be irrevocable and if required by a seller, be also divisible and transferable.

4. Upon presentation of documents by the Beneficiary to the Negotiating Bank, the Negotiating Bank shall pay to the Beneficiary an amount being not more than 90% of f.o.b. contract value or c. & f. contract value if goods are shipped by vessels of Indian Registry, apportionable to the relative shipment in Rupees by credit to its account with such bank in India as may be specified by the Beneficiary, plus the amount of freight/insurance as applicable in Rupees, provided the documents presented are in order and are strictly in conformity with the relevant letter of credit.

5. Where negotiation has been effected without reserve, Exim Bank shall, upon receipt of the Negotiating Bank's advice, reimburse the Negotiating Bank in Dollars with the amount of the eligible value paid by the Negotiating Bank to the Beneficiary to the extent apportionable to the relative shipment by transfer to the credit of the Negotiating Bank in such account with such bank in New York, USA as may be specified in the Negotiating Bank's advice to Exim Bank. If the negotiation has been made under reserve, Exim Bank shall make payment to the Negotiating Bank only after Exim Bank receives an advice from the Negotiating Bank that the Issuing Bank has lifted the reserve and has accepted the documents or an advice from the Issuing Bank through the Borrower or the Negotiating Bank to that effect.

6. Exim Bank shall in no way be liable or responsible for any act or omission of the Negotiating Bank in handling the letter(s) of credit or negotiation of documents thereunder or for payment to a Beneficiary thereof or otherwise for any interest on the amount to be reimbursed to the Negotiating Bank.

7. Bank charges, expenses, commission or stamp duty payable in India shall be to the account of the seller/beneficiary and those payable in Thailand shall be to the account of the buyer.

8. The terminal dates for opening letters of credit and for disbursement are 30th May, 2001 and 30th November, 2001 respectively.

9. Shipments under the credit will have to be declared on GR/SDF forms as usual. All copies of GR/SDF Forms should bear a prominent superscription reading "Export under Exim Bank line of credit dated 4th May, 2000 extended to Export-Import Bank of Thailand (Exim Thailand)". The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, the authorised dealer should certify the duplicate copy/ies of the relative GR/SDF form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

10. Ordinarily, no agency commission shall be payable in respect of exports financed under the above line of credit. However, Reserve Bank may consider on merits, requests for payment of commission upto a maximum extent of 5% of the f.o.b. value in respect of goods which require after sales service. In such cases, commission will have to be paid in Thailand only by deduction from the invoice of the relevant shipment and the reimbursable amount by the Exim Bank to the Negotiating Bank will be 90% of the f.o.b. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

11. Authorised Dealers may bring the contents of this circular to the notice of their exporter constituents.

12. The directions contained in this circular have been issued under Section 10(4) and section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,
(**K.J. UDESHI**)
Chief General Manager

Encl: As above.

SCHEDULE I**List of Eligible Goods for finance out of the Credit****PART A**

1. Air compressors.
2. Air conditioning, heating, cooling, fume extraction, dust collection, humidification and ventilation equipment for industrial use including blowers and exhaust fans.
3. Alcohol and brewery plant.
4. Aluminium plant and equipment.
5. Asbestos cement machinery
6. Cement machinery
7. Cinematographic equipment for motion picture and television studios.
8. Chemical and pharmaceutical plant and machinery.
9. Cigarette making machinery
10. Coffee processing machinery.
11. Coke oven plant and equipment
12. Coke oven refractories.
13. Control and Process Instruments including X-Ray equipment for Industrial Applications.
14. Copper Ore concentration machinery.
15. Dairy equipment and animal feed plant.
16. Earth moving equipment like crawler tractors, shovels, excavators, loaders, dumpers etc.
17. Edible Oil Mill machinery and oil expellers.
18. Electric motors and pumps.
19. Electronic Data Processing equipment.
20. Fertilizer plant and equipment.
21. Flour, rice and dal mill machinery.
22. Food processing plant.
23. Foundry equipment including mould making machinery, Sand and Shot blasting equipment.
24. Freight containers.
25. Garage equipment.
26. Gas and air separation plants.
27. Glass and ceramic machinery.
28. Heat Exchangers.
29. Integrated Steel Plants (complete or in parts), mini steel plants (electric arc and reduction furnaces). Re-heating and heat treatment furnaces, Rolling Mills and other finishing lines for ferrous and non-ferrous metals.
30. Ice-making machinery.
31. Industrial boilers.
32. Industrial furnaces.
33. Industrial switchboards, Control panels, circuit breakers, air break switches.
34. Jute machinery.
35. Leather tanning and processing machinery.
36. Machine tools.

37. Machinery for manufacturing air conditioners, bicycles, corks, electrical goods, enamel-ware, hard board, metal containers, radios, razor blades, refractories and bricks, sewing machines, shoes, steel furniture, wire-ropes and cables etc.
38. Machinery for manufacturing any product figuring in Part B of this List, not specified separately in this Part.
39. Material handling equipment like fork lifts, electric lifts, cranes, hoists etc. and conveyor systems.
40. Metal working machinery.
41. Mining machinery.
42. Motor vehicles and chassis, including three-wheelers.
43. Oil drilling rigs.
44. Oil refinery equipment.
45. Packaging and weighing machinery.
46. Pile foundation machinery.
47. Plastic machinery.
48. Power generation, transmission and distribution equipment including boilers, generators, transformers, switchgears, transmission line towers, conductors, cables, sub-station equipment and protective equipment.
49. Power line carrier communication equipment.
50. Power station structures, hydraulic structures like penstocks, gates and gearings, sub-station structures.
51. Pressure vessels.
52. Printing and book-binding machinery.
53. Pulp and Paper Mill machinery.
54. Railway electrification equipment and structures and railway signalling equipment.
55. Railway rolling stock including locomotives, wagons, coaches and trolleys.
56. Rubber machinery.
57. Road and construction equipment including road rollers, tar boilers, continuous batch plants, stone crushers, asphalt mixers, concrete mixers and vibrators.
58. Ships, boats, trawlers, steamers, launches, barges.
59. Solvent extraction machinery.
60. Spraying equipment.
61. Steam, diesel and petrol engines.
62. Steel fabrication for bridges, factories etc.
63. Steel rails and railway track equipment including sleepers, fishplates, points and crossings.
64. Steel shuttering and scaffolding materials.
65. Steel tanks.
66. Sugar (including Khandsari) machinery.
67. Tele-communication and signalling equipment.
68. Textile machinery.
69. Tractors and Trailers.
70. Vending machines.
71. Water supply equipment including pumping plant, large diameter fabricated steel pipes, C.I. spun pipes and storage tanks, water treatment and sewage treatment plant.
72. Weigh bridges.

- 73. Welding machinery.
- 74. Wood working machinery.

PART B

- 1. Agricultural implements.
- 2. Auto parts.
- 3. Bicycles, motorcycles, scooters, mopeds and parts.
- 4. Construction materials including sanitaryware, tiles and precast cement products, false ceiling, flooring materials, pipes, decorative laminates, fittings, electricals and steel/aluminium doors and windows, provided they are exported as separate items and not as items forming part of civil construction/turnkey projects.
- 5. Agricultural chemicals and industrial chemicals.
- 6. Pressure cookers, watches and clocks, knitting/sewing machines, vacuum flasks, cutlery, plastic moulded luggage.
- 7. Domestic electric appliances.
- 8. Drugs and Pharmaceuticals.
- 9. Electrical equipment including low tension insulators, batteries and accumulators, parts of electrical machinery and lamps, fuses and electrodes for industrial application.
- 10. Electronic components.
- 11. Electronic goods including radios, TV, public address systems, record players, tape recorders.
- 12. Fibreglass, PVC & plastics based products including pipes and tubes, tyre cord.
- 13. Ferrous/ non-ferrous castings, forgings, stampings, extrusions and rolled products.
- 14. Ferrous/ non-ferrous pipes, tubes, sheets, strips, foils, rods, wires, wire ropes.
- 15. Heating and cooling equipment including air conditioners, refrigerators, water coolers.
- 16. Industrial rubber products including tyres and tubes, cots and aprons, conveyor belts, rubber rollers, hose pipes.
- 17. Instruments for measurement, scientific survey and for surgical applications.
- 18. Industrial fasteners, bearings, valves, gears and gaskets.
- 19. X-ray and other electro-medical and other hospital equipments.
- 20. Office equipments including typewriters, calculators, duplicators, teleprinters.
- 21. Metal and plastic furniture.
- 22. Hand tools, cutting tools, grinding wheels, moulds dies.
- 23. Gas cylinders, fire fighting equipment, photographic equipment, helmets, including fibreglass helmets.
- 24. Any item not included in Part 'B' above that might be agreed upon between Exim Bank and Borrower.

A.P. (DIR Series) Circular No. 9 (August 24, 2000)

RESERVE BANK OF INDIA
CENTRAL OFFICE
EXCHANGE CONTROL DEPARTMENT
MUMBAI-400 001

A.P.(DIR Series) Circular No. 9

August 24, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Foreign Exchange Management Act, 1999

Attention of authorised dealers is invited to the Government of India Notification No.GSR.381(E) dated May 3, 2000, notifying the Foreign Exchange Management (Current Account Transactions) Rules, 2000, in terms of which drawal of exchange for certain current account transactions has been prohibited and restrictions have been placed on certain other transactions. In terms of Rule 4 *ibid*, the transactions specified in Schedule II to the said Notification require prior approval of the Government of India and in terms of the Rule 5, the transactions specified in Schedule III to the Notification require prior approval of the Reserve Bank. Authorised dealers may follow directions contained in Annexure while dealing with applications relating to import of goods and services into India.

2. Import trade is regulated by the Directorate General of Foreign Trade (DGFT) and its regional offices, functioning under the Ministry of Commerce and Industries, Department of Commerce, Government of India. Policies and procedures required to be followed for imports into India are announced by the DGFT from time to time. Authorised dealers may, therefore, sell foreign exchange or transfer rupees to non-resident account towards payment for imports into India, from any foreign country, in conformity with the Export-Import Policy in vogue and the Rules framed by the Government of India and the Directions issued by Reserve Bank from time to time under the Act.

3. Authorised dealers should follow normal banking procedures and the provisions of Uniform Customs and Procedures for Documentary Credits (UCPDC), etc., while opening letters of credit for import into India on behalf of their customers. In respect of import of drawings & designs, importers may be advised to submit certificate or undertaking regarding compliance with the Research and Development Cess Act, 1986. An undertaking, in the prescribed format, regarding payment of Income Tax or a No Objection Certificate from Income Tax authorities, wherever required under the extant provisions of the Act, should be obtained in case of remittances relating to import of services and drawings and designs into India.

4. It is further clarified that the Directions contained in the Annexure should be read with the Rules notified by the Government of India, Ministry of Finance, vide Notification dated May 3, 2000, referred to earlier.
5. The Directions contained in the Annexure, supercede the instructions contained in Part A, Part C and Part D of Chapter 7 of the Exchange Control Manual, 1993 edition.
6. Authorised dealers may bring the contents of this circular to the notice of their constituents 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, 1999 (42 of 1999). Any contravention or non-observance of these Directions is subject to the penalties prescribed under the said Act.

Yours faithfully,

B. MAHESHWARAN
Chief General Manager

Part A : Import of Goods

A.1 General

For Exchange Control purposes, rupee accounts maintained in India by citizens of India, Nepal & Bhutan, residents in Nepal & Bhutan, as well as Indian, Nepalese and Bhutanese firms, companies or other organisations, including banks functioning in these countries, are regarded as resident accounts and rupee transfers to such accounts, for imports into India (or for any other purpose), may be made freely, without reference to the Reserve Bank. In terms of Rule 3 of the Government of India Notification No GSR 381(E) dated May 3, 2000, sale of foreign exchange for current account transactions with persons resident in Nepal and/or Bhutan, or against import into these countries made by residents in India, is prohibited.

A.2 Import Licences

Authorised dealers should not open letters of credit or allow remittances for import of goods included in the negative list unless the importer submits a licence marked 'For Exchange Control Purposes'. Special conditions, if any, attached to such licence should strictly be adhered to while opening letters of credit or making remittances.

A.3 Obligation of Purchaser of Foreign Exchange

- (i) In terms of Section 10(6) of the Foreign Exchange Management Act, 1999 (FEMA), any person acquiring foreign exchange is permitted to use it either for the purpose mentioned in the declaration made by him to an authorised dealer under Section 10(5) of the Act or to use it for any other purpose for which acquisition of exchange is permissible under the said Act, or Rules or Regulations framed thereunder.
- (ii) Where foreign exchange acquired has been utilised for import of goods into India the authorised dealer should ensure that importer furnishes an evidence of import to his satisfaction, as laid down in paragraph A.17.
- (iii) In case payment for import is made by way of credit to non-resident account of the overseas exporter or by way of credit to resident account of a non-resident bank, authorised dealer should ensure compliance with sub-paragraph (i) above.
- (iv) The Directions contained in this paragraph are also applicable where payment for imports into India is made through ACU mechanism.

A.4 Manner of Rupee Payment

Payments for retirement of bills drawn under letters of credit as well as bills received from abroad for collection against imports into India, must be received by authorised dealers, irrespective of amount, by debit to the account of the importer maintained with themselves or by means of a crossed cheque drawn by the importer on his other bankers. Payments against bills under no circumstances should be accepted in cash.

A.5 Letters of Authority

Authorised dealers may open letters of credit or make remittances where the Exchange Control (EC) copy of the relative import licence has been issued in the name of a party other than the applicant, provided the applicant produces a letter of authority obtained from the import licence holder in his favour authorising him, inter alia, to open letters of credit or make remittances for payment towards import under the licence (subject to the terms and conditions, if any, stipulated in this regard in the Import Policy in force). Authorised dealers may also open letters of credit or make remittances towards imports permitted without licences on behalf of authorised agents of importers, after satisfying themselves by reference to the Import Policy in force that the importers are permitted to utilise services of agents for the imports in question. In all such cases, the responsibility for production of the Customs Bill of Entry, wherever required, will rest on the letter of authority holder or agent.

A.6 Form A 1

Applications by persons, firms and companies for making payments towards imports into India must be made on form A1. Variants of this form have been devised in different colours to be used for -

- (i) remittance in foreign currency,
- (ii) transfer of rupees to non-resident bank accounts, and
- (iii) remittance through Asian Clearing Union.

Care should be taken to ensure that duly filled in A1 form in appropriate format has been obtained.

A.7 Imports Financed in Rupees

Directions contained herein are also applicable to imports which are financed in rupees and payment for which is made by crediting rupees to a non-resident account in India or to a rupee account maintained by a non-resident bank.

A.8 Endorsement on Import Licences

- (i) Authorised dealers should note to endorse on the 'Exchange Control Copy' of import licences, under their stamp and signature, the details of letters of credit opened or forward contracts booked or remittances made in foreign currency as also the amount of insurance and freight paid by the importer locally in rupees, wherever licences have been obtained by importers.
- (ii) Authorised dealers may likewise endorse on the 'Exchange Control Copy' of the import licence the value of the back-to-back inland letters of credit opened by them on behalf of duty free licence holders (including transferees) as required in terms of the relevant provisions of the Export-Import Policy in force.

A.9 Import Licences for c.i.f. Value

- (i) Import licences are normally issued for the c.i.f. value of the goods to be imported. Import licences cannot be used to the full amount in cover of f.o.b. cost of the goods leaving insurance and freight to local agent of the

supplier, as additional charges to be paid in rupees over the amount specified in the import licence.

- (ii) Importers sometime enter into contracts on f.o.b. terms and agree to the suppliers paying for the freight to be reimbursed to them along with the cost of the goods. Authorised dealers in such cases should, before making the remittance of freight charges, ascertain the actual freight amount paid with reference to the original freight bill or memo issued by the shipping company or the amount stated on the relative bill of lading.

A.10 Surrender of Import Licences

Exchange Control copy of the import licence submitted by importer for opening of L/C or making remittance when fully utilised, should be retained by authorised dealers and may be preserved till scrutiny by the internal audit or inspection is completed.

A.11 Advance Remittance

Authorised dealers may allow advance remittance for import of goods without any ceiling subject to the following conditions :

- (a) the importer should hold the EC copy of a valid import licence if the goods to be imported are those included in the negative list of imports in the Export and Import Policy in force;
- (b) remittance is made direct to the suppliers;
- (c) if the amount of advance remittance exceeds U.S.\$25,000 or its equivalent, a guarantee from an international bank of repute situated outside India or a guarantee of an authorised dealer in India, if such a guarantee is issued against the counter-guarantee of an international bank of repute situated outside India, should be obtained. An unconditional standby L/C from an international bank of repute situated outside India may also be accepted in lieu of bank guarantee provided it is irrevocable, non-transferable and lists out full particulars of the transactions and there is a clear provision for prompt payment being received in convertible currency in an approved manner. The validity of the guarantee /letter of credit should adequately cover the period for the purpose of enforcing payment;
- (d) physical import of goods into India should be made within three months (twelve months in case of capital goods) from the date of remittance and the importer should give an undertaking to furnish documentary evidence of import within fifteen days from the close of the relevant period. Authorised dealers, if satisfied with the request, may allow extension of time for import not exceeding one month (three months in case of capital goods). In cases where the advance remittance has been made against a bank guarantee, the guarantee

should be suitably amended, if need be, to cover the extended period for import of goods into India; and

- (e) authorised dealer should ensure that in the event of non-import of goods, the amount of advance remittance is repatriated to India or is utilised for any other purposes for which release of exchange is permissible under the Act, Rules or Regulations made thereunder, to the satisfaction of the authorised dealer.

A.12 Time Limit for Settlement of Import Payments

(i) In terms of the extant Rules, remittances against imports should be completed not later than six months from the date of shipment. Accordingly, deferred payment arrangements involving payments beyond a period of six months from the date of shipment are treated as external commercial borrowings which require **prior** approval of the Reserve Bank/Government of India {cf: Regulation 5 (3) of Reserve Bank Notification No. FEMA 3/2000-RB dated May 3, 2000}. There would, however, be no objection to importers withholding amounts not exceeding 15 per cent of the cost of goods towards guarantee of performance, etc. Authorised dealers may make remittances of amounts so withheld, provided the earlier remittance had been made through them. No payment of interest is permissible on such withheld amounts.

(ii) Sometimes, settlement of import dues may be delayed due to disputes, financial difficulties, etc. Authorised dealers may make remittances in such cases even if the period of six months has expired, provided -

- (a) authorised dealer is satisfied about the genuineness of the circumstances leading to the delay in payment; and
- (b) no payment of interest is involved for the additional period. However, in cases where the overseas supplier insists on payment of interest, it may be allowed in accordance with the provisions contained in paragraph A.13, upto a maximum period of 60 days beyond 180 days from the date of shipment provided the import bill is paid within that period.

NOTES:A. In case of import bills negotiated under letter of credit and retired by importer after expiry of six months from the date of shipment of relative goods, settlement of the payment would be deemed to be completed within six months from the date of shipment if reimbursement was made to the overseas bank within that period,

B. Remittances against import of books may be allowed without restriction as to time limit, provided no interest payment is involved nor has the importer forgone any part of the discount/ rebate normally allowed to importers towards compensation for delay in settlement of dues.

A.13 Interest on Import Bills

- (i) Authorised dealers may make remittances on account of interest accrued on usance bills under 'normal interest clause' or of overdue interest payable on sight bills for a period not exceeding six months from the date of shipment in respect of imports without prior approval of Reserve Bank.

NOTE : Interest under 'normal interest clause' would mean interest at the 'prime' rate (or its equivalent) of the country in the currency of which the goods are invoiced or LIBOR for the currency.

- (ii) In case of pre-payment of usance import bills, remittances may be made only after reducing the proportionate interest for the un-expired portion of usance at the rate, according to the contract, at which the interest has been claimed for the usance period or the prime rate or LIBOR of the currency in which the goods have been invoiced, whichever is applicable. Where interest is not separately claimed, remittances may be allowed after deducting the proportionate interest for the un-expired portion of usance at the prevailing 'prime' rate/LIBOR of the currency of invoice.

A.14 War Risk Insurance/Bunker/Congestion Surcharge /Premium for Extended Insurance

Authorised dealers may make remittances towards war risk insurance premium, bunker/congestion surcharge at foreign ports, premia for extended insurance cover, etc., which are incidental to imports.

A.15 Imports under Penalty

Authorised dealers may make remittances against goods imported without authority, but later allowed to be cleared by the Customs Authorities against payment of penalty, to the extent of c.i.f. value of the goods indicated on the relative Exchange Control copy of the Customs Bill of Entry evidencing imports of goods to India.

A.16 Remittances against Replacement Imports

- (i) In case import of an item does not require licence under the Export -Import Policy in force and there is a need for remittance of foreign exchange for import of replacement goods for a defective item imported earlier, the remittance should be made after ensuring that there is no double payment for the same import.

- (ii) Where goods are short-supplied, damaged, short-landed or lost in transit, the procedure laid down below should be followed for payment against replacement goods:

- (a) In cases where no letter of credit has been opened or remittances made, Exchange Control copy of the import licence may be automatically treated as valid for the replacement consignment, provided it is shipped within the validity period of the licence.

- (b) If the Exchange Control copy has already been utilised to cover the opening of a letter of credit against the original goods which have been lost, the original endorsement to the extent of the value of the lost goods may be cancelled by authorised dealers without reference to the Reserve Bank, provided the insurance claim relating to the lost goods has been settled in favour of the importer by remittance from abroad through an authorised dealer, if insurance was covered abroad and by local payment in rupees if insurance was covered in India. Payment for the replacement goods may then be made against suitable endorsement on the import licence subject to the conditions that the replacement consignment is shipped within the validity period of the licence.
- (c) If replacement goods are to be shipped after the expiry of import licence, the importer should be asked to apply to DGFT for replacement or for revalidation of the expired licence.

A.16 A Guarantee for Replacement Import

In case replacement goods for a defective import are being sent by the overseas supplier before the defective goods imported earlier are dispatched out of India, authorised dealers may issue guarantees at the request of importer clients for the despatch/return of defective goods, according to their commercial judgement.

A.17 Evidence of Import

(i) Obligations of purchaser of foreign exchange as contained in sub-section (6) of Section 10 of Foreign Exchange Management Act, 1999 are indicated in paragraph A.3 *ibid*.

(ii) In case of all imports, except import through couriers, where value of foreign exchange remitted/paid for import into India exceeds US \$ 5000 or its equivalent, it is obligatory on the part of authorised dealers through whom the relative remittance was made to ensure that the importer submits

- (a) the Exchange Control copy of the Bill of Entry for home consumption, or
- (b) in case of 100% Export Oriented Units the exchange control copy of the Bill of Entry for warehousing, or
- (c) Customs Assessment Certificate or Postal Appraisal Form as declared by the importer to the custom authorities, where import has been made by post, as an evidence that the goods for which the payment was made have actually been imported into India.

(iii) where imports are made in non-physical form, i.e., software or data through internet/dacom channels and drawings and designs through e-mail/fax a certificate from a chartered accountant that the software/data/ drawing/design has been received by the importer may be obtained.

Note: Authorised dealers should advise importers to keep Custom authorities informed of the imports made by them under this clause.

(iv) In respect of remittances for imports through courier services, authorised dealers should ensure submission of the Exchange Control copy of the Bill of Entry in case of imports valued at Rupees one lakh or more. Where the value of import is less than Rs. one lakh, authorised dealers may obtain from the importer, a copy of the Bill of Entry, in the prescribed form issued by the Customs in the name of registered courier, duly certified by the courier company indicating thereon the particulars of the consignment for which the copy has been issued.

(v) Authorised dealers should ensure that in all cases, including cases of advance remittance permitted in terms of paragraph A.11 above, evidence of import is submitted by their importer customer and is duly verified. In respect of imports on D/A. basis, since goods would normally be cleared before the due date of payment, authorised dealers should insist on production of evidence of import at the time of effecting remittance of import bill. Authorised dealers should advise this requirement to their importer customer while delivering the documents against acceptance.

NOTE: A. In respect of imports on D/A basis if importers fail to produce documentary evidence due to genuine reasons such as non-arrival of consignment, delay in delivery/customs clearance of consignment, etc., authorised dealers may, if satisfied with the genuineness of request, allow reasonable time not exceeding three months from the date of remittance to the importer to submit the evidence of import.

(vi) Authorised dealers should in all cases acknowledge receipt of evidence of import e.g. Exchange Control copy of the Bill of Entry, Postal Appraisal Form or Customs Assessment Certificate, etc., from importers by issuing acknowledgement slips containing the following particulars:

- (a) importer's full name and address with code number ;
- (b) import licence number and date (wherever applicable);
- (c) bank's reference of letter of credit number ,etc., if any;
- (d) number and date of Exchange Control copy of the Bill of Entry/ Postal Appraisal Form or Customs Assessment Certificate and the amount of import ;and
- (e) particulars of goods imported.

(vii) Internal inspectors or auditors (including external auditors appointed by authorised dealers) should carry out 100 per cent verification of the documents evidencing import, e.g. Exchange Control copies of Bills of Entry or Postal Appraisal Form or Customs Assessment Certificate, etc.

(viii) Documents evidencing import into India received in terms of paragraph A.17 above should be preserved by authorised dealers for a period of one year from the date of its verification as required under sub-paragraph (vii) above. However, in respect of cases which are under investigation by investigating agencies, the documents should be destroyed **only** after obtaining clearance from the investigating agency concerned.

A.18 Follow up by Authorised Dealers

(i) In case an importer does not furnish the document of evidence of import, as required under paragraph A.17, within 3 months from the date of remittance involving foreign exchange exceeding US\$5,000, the authorised dealer should rigorously follow-up for the next 3 months, including issue of registered letters to the importer, for submission of an appropriate document as evidence of import.

(ii) Authorised dealers should forward to the Reserve Bank a statement on half yearly basis as at the end of June & December of every year, in form BEF (format enclosed) furnishing details of import transactions, exceeding US\$5,000 in respect of which importers have defaulted in submission of an appropriate document evidencing import within 6 months from the date of remittance. The said half yearly statement should be submitted to the Regional Office of the Reserve Bank under whose jurisdiction the authorised dealer is functioning, within 15 days from the end of half year to which the statement relates.

Note: A. *In cases where at the time of advance remittance purpose of remittance was indicated as import and subsequently the exchange has been used for a purpose for which sale of exchange is permissible, and a document to the satisfaction of authorised dealer has been produced, such cases should **not** be treated as default and hence be excluded from the BEF statement.*

B. *Authorised dealers may accept Into Bond Bill of Entry as a provisional evidence of import into India. However, they may ensure submission of Exchange Control copy of the Bill of Entry for Home consumption within a reasonable period of time. Wherever Into Bond Bill of Entry has been submitted such cases need **not** be reported in BEF statement.*

A.19 Precautions for Handling Import Documents

Authorised dealers should exercise due care while handling import documents on collection basis on behalf of importer customers with reference to their line of business, financial standing, frequency of import, etc. to establish the genuineness of the import. In the case of bills involving large values, authorised dealers should satisfy themselves that the importer is known to be trading in items mentioned in the shipping documents or that the items are required for his actual use. In case of importers who are not their constituents, authorised dealers should, at the time of acceptance of the documents/making payment, call for detailed Certificate-cum-Report from their bankers in support of the genuineness of imports.

A.20 Receipt of import Bills/Documents

(i) Import bills and documents should be received from the banker of the seller by the banker of the buyer in India. Authorised dealers should not, therefore, make remittances where

import bills have been received directly by the importers from the overseas seller, except in the following cases:

- (a) Where the value of import bill does not exceed U.S.\$ 10,000.
 - (b) Import bills received by wholly-owned Indian subsidiaries of foreign companies from their principals.
 - (c) Import bills received by Super Star Trading Houses, Star Trading Houses, Trading Houses, Export Houses, 100% Export Oriented Units/ Units in Free Trade Zones, Public Sector Undertakings and Limited Companies.
 - (d) Where the value of import bill does not exceed U.S.\$ 25,000 in respect of import of -
 - (i) books and magazines
 - (ii) life saving drugs/equipments by Hospitals, etc. and
 - (iii) imports by reputed research and other development institutions like Tata Institute of Fundamental Research, C-DOT, Indian Institute of Technology, Indian Institute of Science and Universities.
 - (e) Import bills received by all limited companies viz. Public limited, public limited and private limited companies.
- (ii) In all other cases, at the request of importer clients, authorised dealers may receive bills direct from the overseas seller up to U.S.\$ 25,000 (U.S. Dollars Twenty five thousand only), provided the authorised dealer is fully satisfied about the financial standing/status and track record of the importer customer. Before extending the facility, authorised dealer should obtain report on each individual overseas seller from the overseas banker or reputed credit agency.

A.21 Postal Imports

Remittances against bills received for collection in respect of imports by post parcel may be made by authorised dealers, provided the goods imported are such as are normally despatched by post parcel. In these cases, the relative parcel receipts must be produced as evidence of despatch through the post and an undertaking to submit Postal Appraisal Form or Customs Assessment Certificate as evidence of import within three months from the date of remittance should be furnished by importers. If the parcel has already been received in India Postal Appraisal Form or Customs Assessment Certificate should be produced in support of the remittance application. Where goods to be imported are not of a kind normally imported by post parcel or where authorised dealer is not satisfied about the bonafides of the application, the case should be referred to the Reserve Bank for prior approval with full particulars together with relative parcel receipt/s and Postal Appraisal Form or Customs Assessment Certificate.

NOTE: Authorised dealers may make remittances towards import of books by post parcel by book-sellers/publishers against bills received for collection, irrespective of the amounts involved, without prior approval of the Reserve Bank against endorsement on the import licence wherever applicable in the normal course. They may also make remittances even if import licences covering the imports have been issued subsequent to the date of import subject to endorsement on such licences.

A.22 Import of Gold/Platinum/Silver by Nominated Banks/Agencies

(i) Import of Gold on Consignment basis

Gold may be imported by the nominated agencies/banks on consignment basis where the ownership of the goods will remain 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 and in terms of the provisions of agreement entered into between the overseas supplier and nominated agency/bank.

(ii) 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.

NOTE: Instructions contained in this paragraph would also apply to import of platinum and silver.

A.23 Import of films on lease/rental basis

Authorised dealers may allow remittance of rent, royalty, licence fee, profit, etc., in connection with import of cinematograph feature films and video films subject to the following conditions :

- (i) a 'No Objection Certificate' from Central Board of Film Certification, wherever required, has been submitted;
- (ii) a Chartered Accountant's certificate is produced indicating that the payment to overseas supplier is due and the amount sought to be remitted is in conformity with the terms of contract; and
- (iii) an undertaking/Certificate regarding payment of income-tax has been submitted .

A.24 Import factoring

Authorised dealers may enter into arrangements with international factoring companies of repute, preferably members of Factors Chain International, without approval of the Reserve Bank. However, authorised dealers will have to ensure compliance with the extant exchange control directions relating to imports, Import Trade Control policy in force and any other guidelines/directives issued by the Reserve Bank in this regard.

A.25 Import of Gold, Silver & Jewellery

Gold brought by an NRI in accordance with the Export and Import Policy in vogue, is permitted to be sold to residents against payment in rupees. Authorised dealers should credit

the amounts so received only to ordinary non-resident rupee (NRO) accounts of the concerned NRI seller.

Part B – Merchanting Trade

Authorised dealers may take necessary precautions in handling merchant trade transactions or intermediary trade transactions to ensure that (a) goods involved in the transaction are permitted to be imported into India, (b) such transactions do not involve foreign exchange outlay for a period exceeding three months, and (c) all Rules, Regulations and Directions applicable to export out of India are complied with by the export leg and all Rules, Regulations and Directions applicable to import are complied with by the import leg of merchanting trade transactions. Authorised dealers are also required to ensure timely receipt of payment for the export leg of such transactions.

Part C- Import of Currency

C.1 Import of Currency

- (i) Import of currency, including cheques, is governed by clause (g) of sub-section (3) of Section 6 of the Foreign Exchange Management Act, 1999, and the Foreign Exchange Management (Export and import of currency) Regulations 2000, made by the Reserve Bank vide Notification No. FEMA 6/RB-2000 dated May 3, 2000.
- (ii) All imports of currency not covered by the general permission granted under the Regulations require prior permission of the Reserve Bank.

A.P. (DIR Series) Circular No.10 (September 5, 2000)

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI-400 001**

A.P. (DIR Series) Circular No.10

September 5, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs

External Commercial Borrowings (ECB)

Attention of authorised dealers is invited to the Reserve Bank Notification No.FEMA 3/2000-RB dated May 3, 2000.

2. With a view to liberalising further ECB approvals, the Government have vide Press Release F.No.4 (32)-2000 ECB dated September 1, 2000, decided to operationalise the automatic route for fresh ECB approvals upto USD 50 million and all refinancing of existing ECBs with immediate effect.

3. Accordingly, under the automatic route arrangement, any legal entity, registered under the Companies Act, Societies Registration Act, Co-operative Societies Act, including proprietorship/partnership concerns, will henceforth be eligible to enter into loan agreements with overseas lender(s) for raising fresh ECB with average maturity of not less than 3 years for an amount upto USD 50 million and for refinancing an existing ECB provided it is in compliance with both the ECB guidelines framed by the Ministry of Finance, Government of India, and the regulations/directions/circulars issued by Reserve Bank in this regard. Corporates would not be required to obtain prior approval for raising ECB upto USD 50 million and for refinancing of an existing ECB from the Ministry of Finance / Reserve Bank.

The corporate shall ensure that they raise ECB from an internationally acceptable and/or recognised lender, such as export credit agencies, suppliers of equipments, foreign collaborators, foreign equity holders, international capital markets, reputed international banks and financial institutions, etc. Further, the loan should be organised through a reputed merchant banker registered with the regulatory authorities of the host country, viz., USA, Japan, EU countries, Singapore and such other countries as may be notified from time to time by the Government of India. The lenders should be recognised and registered in the host countries for the purpose of extending international finance.

The corporate shall submit through an authorised dealer of its choice, three copies of the loan agreement to the concerned Regional Office of the Reserve Bank after signing the same with the lender. The Regional Office of the Reserve Bank

would acknowledge receipt of the copies of the agreement and will allot a loan identification number to such an agreement. The primary responsibility to ensure that ECBs raised are in conformity with the ECB guidelines and the Reserve Bank regulations/directions/circulars will be that of the concerned corporate. If, however, at a later stage, any violation is found, appropriate action will be taken by Reserve Bank under the Foreign Exchange Management Act, 1999.

Corporate will also be permitted to make necessary draw-downs under the automatic route without prior permission from the Reserve Bank. It will, however, be required to file quarterly returns in a prescribed format through the authorised dealer. The withholding tax exemption would continue to be granted by the Ministry of Finance (Department of Revenue/Department of Economic Affairs), Government of India.

4. Authorised dealers, as hitherto, shall be required to forward all applications to the Chief General Manager, ECB Division, Exchange Control Department, Reserve Bank of India, Central Office, Mumbai 400 001, to obtain prior permission for prepayment of outstanding ECBs (viz., 10 per cent of the outstanding amount once during the life of the loan or ECBs with residual maturity upto one year).
5. Opening of foreign currency account for parking ECB proceeds temporarily, pending utilisation, will require prior approval of the concerned Regional Office of Reserve Bank.
6. Amendments to the FEMA Notification referred to above are being issued separately.
7. Authorised dealers may bring the contents of this circular to the notice of their concerned constituents.
8. The directions contained in this circular have been issued under Section 10 (4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully
B. MAHESHWARAN
Chief General Manager

A.P. (DIR Series) Circular No.11 (September 5, 2000)

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI-400 001**

A.P.(DIR Series) Circular No.11

September 5, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Foreign Exchange Management Act 1999- Commodity Hedging

Attention of authorised dealers is invited to the Notification No. FEMA 25/RB- 2000 dated 3rd May, 2000 issued by Reserve Bank under the Foreign Exchange Management Act, 1999, making "Foreign Exchange Management (Foreign exchange derivative contracts) Regulations, 2000". In terms of the Regulation 6 of the Notification, Reserve Bank considers applications, from persons resident in India, for granting permission to enter into contracts for hedging the price risk in a commodity excluding oil and petroleum products. It has now been decided that importers/exporters of crude oil and petroleum products may also be permitted to hedge their exposure to price risk.

2. Procedure for making application to Reserve Bank seeking its approval for entering into contracts for hedging of commodity price risk as specified in Schedule III to the Notification, referred to above, shall apply mutatis-mutandis to crude oil and petroleum products.
3. Necessary amendment to the Notification is being issued separately.
4. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.
5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully,
B. MAHESHWARAN
Chief General Manager

A.P. (DIR Series) Circular No.12 (September 9, 2000)

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI-400 001

A.P. (DIR Series) Circular No.12

September 9, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Foreign Exchange Management Act 1999 –
Export of Goods and Services**

Attention of authorised dealers is invited to the Notification No. FEMA 23/ 2000-RB dated 3rd May, 2000, issued by Reserve Bank in exercise of the powers conferred by clause (a) of sub-section (1), sub-section (3) of Section 7 and sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), under which the “Foreign Exchange Management (Export of Goods and Services) Regulations, 2000” have been made. Synopsis of these Regulations have already been advised vide Annexure III to A.D. (M.A. Series) Circular No 11 dated May 16, 2000. The Annexure attached to this circular contains detailed directions relating to dealings of authorised dealers with their exporter clients. These directions supersede the existing instructions contained in Chapter 6 of Exchange Control Manual, 1993 edition.

2. Export trade is regulated by the Directorate General of Foreign Trade (DGFT) functioning under the Ministry of Commerce and Industries, Department of Commerce, Government of India. Exporters are required to follow the Notifications/Directions issued by DGFT from time to time.

3. The Reserve Bank has made the Foreign Exchange Management (Export and Import of Currency) Regulations, 2000 vide its Notification No. FEMA 6/RB-2000 dated 3rd May 2000. Any export of Indian currency except to the extent permitted under any general permission granted under the Regulations, will require prior permission of Reserve Bank.

4. In terms of Regulation 4 of the Foreign Exchange Management (Guarantees) Regulations, 2000, notified vide Reserve Bank Notification No FEMA 8/2000-RB dated 3rd May 2000, authorised dealers have been permitted to issue guarantees on behalf of exporter clients on account of exports out of India.

5. Export of goods and services against repayment of state credits granted by erstwhile Soviet Union will continue to be governed by the extant directions issued by Reserve Bank, as amended from time to time. Further, Reserve Bank will continue to consider as hitherto, counter trade proposals from Indian exporters with Romania involving adjustment of value of exports from India against value of imports made into India in terms of a voluntarily entered arrangement between the concerned parties.

6. It is further clarified that the Directions contained in the Annexure should be read with the Regulations notified by the Reserve Bank vide its Notification No. FEMA 23/2000 – RB dated 3rd May 2000, referred to above.

7. Authorised dealers may bring the contents of this circular to the notice of their constituents, concerned.

8. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully,

B. MAHESHWARAN
Chief General Manager

EXPORT OF GOODS, SOFTWARE ETC.

Part A - General

A.1 Trade and Exchange Control

(i) In exercise of the powers conferred by clause (a) of sub-section (1), sub-section (3) of Section 7 and sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank has made the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000 relating to export of goods and services from India, hereinafter referred to as the 'Export Regulations'. These Regulations have been notified vide Notification No. FEMA 23 /2000-RB dated 3rd May, 2000.

(ii) Any reference to Reserve Bank should be made to the office of Exchange Control Department within whose jurisdiction the applicant person, firm or company resides or functions unless otherwise indicated. If for any particular reason, a firm or company desires to deal with a different office of the Exchange Control Department, it may approach the office within whose jurisdiction it functions for necessary approval.

A.2 Exemptions from Declarations

(i) The requirement of declaration of export of goods and software in the prescribed form will not apply to the cases indicated in Regulation No. 4 *ibid*. The requirement of declaration also shall not apply to goods sent for testing abroad, subject to re-import.

(ii) Gift of goods exceeding rupees one lakh in value require approval of the Reserve Bank.

(iii) Export of goods not involving any foreign exchange transaction directly or indirectly, requires the waiver of GR/PP procedure from Reserve Bank.

A.3 Numbering of forms

GR, PP and SOFTEX forms will bear specific identification numbers. In all applications/ correspondence with the Reserve Bank, this identification number should invariably be cited. In the case of declarations made on SDF form, the port code number and shipping bill number should be cited.

A.4 Manner of Payment

(i) The amount representing the full export value of the goods exported shall be received through an authorised dealer in the manner specified in the Foreign Exchange Management (Manner of Receipt & Payment) Regulations, 2000 notified vide Notification No. FEMA 14/2000-RB dated 3rd May, 2000

(ii) Payment for export may also be received by the exporter in the following manner :

(a) In the form of bank draft, pay order, banker's or personal cheques.

- (b) Foreign currency notes/foreign currency travellers' cheques from the buyer during his visit to India.
- (c) Payment out of funds held in the FCNR / NRE account maintained by the buyer.
- (d) Through International Credit Cards. When payment, in respect of goods sold to overseas buyers during their visits is received in this manner the GR/SDF (duplicate) should be released by the authorised dealers only on receipt of funds in their Nostro account or on production of a certificate by the exporter from the Credit Card servicing bank in India to the effect that it has received the equivalent amount in foreign exchange, if the authorised dealer concerned is not the Credit Card servicing bank.

A.5 Guarantees against Exports

Prior approval of Reserve Bank should be obtained by authorised dealers for issue of guarantees in respect of caution-listed exporters.

A.6 (i) Foreign Currency Accounts

Reserve Bank may consider applications in form EFC from exporters having good track record for opening foreign currency accounts with banks subject to certain terms and conditions. Applications for opening such an account with a branch of an authorised dealer in India may be submitted through the branch at which the foreign currency account is to be maintained. If the foreign currency account is to be maintained abroad the application should be made by the exporter giving details of the bank with which the account will be maintained.

(ii) Diamond Dollar Account

Under the scheme of Government of India, firms and companies dealing in purchase/sale of rough or cut and polished diamonds, with track record of at least three years in import or export of diamonds and having an average annual turnover of Rs. 5 crores or above during preceding three licensing years (licensing year is from April to March) are permitted to transact their business through Diamond Dollar Accounts, with not more than two authorised dealers in India. Accordingly, eligible firms and companies may apply for permission to the Chief General Manager, Exchange Control Department, Exports Division, Reserve Bank of India, Central Office, Mumbai 400 001, through their authorised dealer.

A.7 Counter-trade Arrangement

(i) Counter trade proposals involving adjustment of value of goods imported into India against value of goods exported from India in terms of an arrangement voluntarily entered into between the Indian party and the overseas party through an Escrow Account opened in India in U.S. dollar will be considered by the Reserve Bank. All imports and exports under the arrangement should be at international prices in conformity with the Exim Policy and Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder. No interest will be payable on balances standing to the credit of the Escrow Account but the funds temporarily rendered surplus may be held in a short-term deposit up to a total period of three months in a year (i.e. in a block of 12 months) and the banks may pay interest at the applicable rate. No fund based / or non-fund based facilities would be permitted against the balances in the Escrow Account.

(ii) Application for permission for opening an Escrow Account may be made by the overseas exporter/organisation through the authorised dealer with whom the account is

proposed to be opened, to the office of Reserve Bank under whose jurisdiction the authorised dealer is functioning.

A.8 Export of goods on lease, hire, etc.

Export of machinery, equipment, etc. on lease, hire, etc. basis under agreement with the overseas lessee against collection of lease rentals / hire charges and ultimate re-import require prior approval of the Reserve Bank. Exporters should apply for necessary permission, through an authorised dealer, to the concerned Regional Office of the Reserve Bank, giving full particulars of the goods to be exported.

A.9 Participation in Trade Fairs Abroad

(i) Participants in international exhibition/ trade fair have been granted general permission vide Regulation 7(7) of the Foreign Exchange Management (Foreign Currency Account by a person resident in India) Regulations, 2000 notified under Notification No. FEMA 10/ 2000-RB dated 3rd May, 2000 for opening temporary foreign currency account abroad. Exporters may deposit the foreign exchange obtained, by sale of goods, at the international exhibition/trade fair and operate the account during their stay outside India provided that the balance in the account is repatriated to India within a period of one month from the date of closure of the exhibition/trade fair and full details are submitted to the concerned authorised dealer.

(ii) Firms/Companies and other organisations participating in Trade Fair/ Exhibition abroad should obtain approval on GR Form from the concerned office of Reserve Bank for export of exhibits and other items for display-cum-sale in the trade fair/exhibition. On closure of the fair/exhibition, they should re-import the exhibits or repatriate the value of goods sold within one month of the closure of the fair/ exhibition and submit necessary documentary evidence to the concerned Regional office of Reserve Bank in support of the re-import or repatriation.

A.10 Project Exports and Service Exports

(i) Export of engineering goods on deferred payment terms and execution of turnkey projects and civil construction contracts abroad are collectively referred to as 'Project Exports'. Indian exporters offering deferred payment terms to overseas buyers and those participating in global tenders for undertaking turnkey/civil construction contracts abroad are required to obtain approval of Authorised dealer/ Exim Bank/ Working Group at post-award stage before undertaking execution of such contracts. Regulations relating to 'Project Exports' and 'Service Exports' are laid down in the Memorandum on Project Exports (PEM).

(ii) Pure supply contracts (contracts for export of goods) where at least 90 per cent of the export value is realised within the prescribed period i.e. six months from the date of export and the balance amount within a maximum period of two years from the date of export are not treated as deferred payment exports, provided the exporter does not require/avail of any funded or non-funded facility/ies for such exports from authorised dealers.

A.11 Export on Elongated Credit Terms

Exporters intending to export goods on elongated credit terms may submit their proposals giving full particulars through their banks to the concerned Regional Office of Reserve Bank for consideration.

A.12 Forfeiting

Export-Import Bank of India (Exim Bank) and authorised dealers have been permitted to undertake forfeiting, for financing of export receivables. It would be in order for authorised dealers to allow remittance of commitment fee/ service charges, etc. payable by the exporter as approved by the Exim Bank/ the concerned authorised dealer. Such remittance may be permitted in advance in one lumpsum or at monthly intervals as approved by the concerned agency.

PART B – GR/PP/SOFTEX PROCEDURE

B.1 Disposal of Copies of Export Declaration Forms

(i) Copies of export declaration forms should be disposed of as under:

(a) GR forms should be completed by the exporter in duplicate and both the copies submitted to the Customs at the port of shipment along with the shipping bill. Customs will give their running serial number on both the copies after admitting the corresponding shipping bill. The Customs serial number will have ten numerals denoting the code number of the port of shipment, the calendar year and a six digit running serial number. Customs will certify the value declared by the exporter on both the copies of the GR form at the space earmarked and will also record the assessed value. They will then return the duplicate copy of the form to the exporter and retain the original for transmission to Reserve Bank. Exporters should submit the duplicate copy of the GR form again to Customs along with the cargo to be shipped. After examination of the goods and certifying the quantity passed for shipment on the duplicate copy, Customs will return it to the exporter for submission to the authorised dealer for negotiation or collection of export bills.

(b) Within twenty one days from the date of export, exporter should lodge the duplicate copy together with relative shipping documents and an extra copy of the invoice with the authorised dealer named in the GR form. After the documents have been negotiated/sent for collection, the authorised dealer should report the transaction to Reserve Bank in statement ENC under cover of appropriate R-Supplementary Return. The duplicate copy of the form together with a copy of invoice will be retained by the authorised dealer till full export proceeds have been realised and thereafter submitted to Reserve Bank duly certified under cover of appropriate R-Supplementary Return.

NOTE: (i) *In the case of exports made under deferred credit arrangement or to joint ventures abroad against equity participation or under rupee credit agreement, the number and date of Reserve Bank approval and/or number and date of the relative RBI circular should be recorded at the appropriate place on the GR form.*

(ii) *Where Duplicate copy of GR form is misplaced or lost, authorised dealer may accept another copy of duplicate GR form duly certified by Customs.*

(c) On account of introduction of Electronic Data Interchange (EDI) System at certain Customs offices where shipping bills are processed electronically, the existing declaration in GR form is replaced by a declaration in form SDF (Statutory Declaration Form). The SDF form should be submitted in duplicate (to be annexed to the relative shipping bill) to the concerned Commissioner of Customs. After verifying and authenticating the declaration in form SDF, the Commissioner of Customs will hand over to

the exporter, one copy of the shipping bill marked 'Exchange Control Copy' in which form SDF has been appended for being submitted to the authorised dealer within 21 days from the date of export. The authorised dealer should accept the Exchange Control (EC) copy of the shipping bill and form SDF appended thereto, submitted by the exporter for collection/ negotiation of Shipping documents. The manner of disposal of EC copy of shipping Bill (and form SDF appended thereto) is same as that for GR forms.

(d) In cases where ECGC initially settles the claims of exporters in respect of exports insured with them and subsequently receives the export proceeds from the buyer/buyer's country through the efforts made by them, the share of exporters in the amount so received is disbursed through the bank which had handled the shipping documents. In such cases, ECGC will issue a certificate to the bank which had handled the relevant shipping documents after full proceeds have been received. The certificate will indicate the number of declaration form, name of the exporter, name of the authorised dealer, date of negotiation, bill number, invoice value and the amount actually received by ECGC. It will be in order for authorised dealers to certify the duplicate GR form/ EC copy of shipping bill on the basis of the certificate issued by ECGC and submit them to Reserve Bank. The certificate issued by ECGC may also be attached to the duplicate GR/SDF/PP form while forwarding them to Reserve Bank.

(e) Where a part of export proceeds are credited to EEFC account, the export declaration (duplicate) form may be certified as under:

"Proceeds amounting to
representing% of the export realisation
credited to EEFC account maintained by the
exporter with....."

(ii) The manner of disposal of PP forms is same as that for GR forms. Postal authorities will allow export of goods by post only if the original copy of the form has been countersigned by an authorised dealer. Therefore, PP forms should be first presented by the exporter to an authorised dealer for countersignature. Authorised dealer will countersign the forms in accordance with directions in paragraph B.2 and return the original copy to the exporter, who should submit the form to the post office with the parcel. The duplicate copy of the PP form will be retained by the authorised dealer to whom the exporter should submit relevant documents together with an extra copy of invoice for negotiation/collection, within the prescribed period of twenty one days.

B.2 Counter signature on PP forms

PP forms will be presented by the exporter to an authorised dealer for countersignature. Authorised dealers should countersign the PP forms after ensuring that the parcel is being addressed to their branch or correspondent bank in the country of import. The concerned overseas branch or correspondent should be instructed to deliver the parcel to consignee against payment or acceptance of relative bill. Authorised dealers may, however, countersign PP forms covering parcels addressed direct to the consignees, provided

(a) an irrevocable letter of credit for the full value of the export has been opened in favour of exporter and has been advised through authorised dealer concerned;

or

(b) the full value of the shipment has been received in advance by the exporter through an authorised dealer;

or

- (c) the authorised dealer is satisfied, on the basis of the standing and track record of the exporter and the arrangements made for realisation of the export proceeds, that he could do so

In such cases, particulars of advance payment/letter of credit/authorised dealer's certification of standing etc. of the exporter should be furnished on the form under proper authentication. Any alteration in the name and address of consignee on the PP form should also be authenticated by the authorised dealer under his stamp and signature.

B.3.A. Terms of payment - Invoicing - (Software)

(i) In respect of long duration contracts involving series of transmissions, the exporters should bill their overseas clients periodically, i.e. at least once a month or on reaching the "milestone" as provided in the contract entered into with the overseas client and the last invoice/bill should be raised not later than 15 days from the date of completion of the contract. It would be in order for the exporters to submit a combined SOFTEX form for all the invoices raised on a particular overseas client, including advance remittances received in a month.

(ii) In respect of contracts involving only 'one shot operation', the invoice/bill should be raised within 15 days from the date of transmission.

(iii) The exporter should submit SOFTEX form to the concerned official of Government of India at STPI/EPZ for valuation/certification not later than 30 days from the date of invoice/the date of last invoice raised in a month, as indicated above.

(iv) The invoices raised on overseas clients as at (i) to (iii) above will be subject to valuation of export declared on SOFTEX form by the designated official of Government of India and consequent amendment made in the invoice value, if necessary.

B.3.B. Disposal of SOFTEX forms

As for disposal of SOFTEX forms the procedure indicated in Regulation 6 of Export Regulations is to be observed. The authorised dealers on receipt of the duplicate copy of the SOFTEX form from the exporter will after full realisation of value declared on the form or as certified by the designated officials (whichever is higher) submit it to Reserve Bank duly certified, under cover of an appropriate "R" return along with a copy/ies of invoice/s.

B.4 Shut out Shipments and Short Shipments

(i) When part of a shipment covered by a GR form already filed with Customs is short-shipped, exporter must give notice of short shipment to Customs in form and manner prescribed. In case of delay in obtaining certified short shipment notice from Customs, exporter should give an undertaking to the authorised dealer to the effect that he has filed the short-shipment notice with the Customs and that he will furnish it as soon as it is obtained. Authorised dealer should send the short shipment notice along with the GR duplicate to Reserve Bank.

(ii) Where a shipment has been entirely shut out and there is delay in making arrangements to re-ship, exporter will give notice in duplicate to Customs in the manner and in form prescribed for the purpose, attaching thereto the unused duplicate copy of GR form and the shipping bill. Customs will verify that the shipment was actually shut out, certify copy of the notice as correct and forward it to Reserve Bank together with unused

duplicate copy of the GR form. In this case, the original GR form received earlier from Customs will be cancelled. If the shipment is made subsequently, a fresh set of GR form should be completed.

B.5 Consolidation of Air Cargo

Where air cargo is shipped under consolidation, the airline company's Master Airway Bill will be issued to the Consolidating Cargo Agent who will in turn issue his own House Airway Bills (HAWBs) to individual shippers. Authorised dealers may negotiate HAWBs only if the relative letter of credit specifically provides for negotiation of these documents in lieu of Airway Bills issued by the airline company.

B.6 Exports by Barges/Country Craft/Road Transport

Following procedure should be adopted by exporters for filing original copies of GR/SDF forms where exports are made to neighbouring countries by road, rail or river transport :

- (a) In case of exports by barges/country craft/road transport, the form should be presented by exporter or his agent at the Customs station at the border through which the vessel or vehicle has to pass before crossing over to the foreign territory. For this purpose, exporter may arrange either to give the form to the person in charge of the vessel or vehicle or forward it to his agent at the border for submission to Customs.
- (b) As regards exports by rail, Customs staff have been posted at certain designated railway stations for attending to Customs formalities. They will collect the GR/SDF forms in respect of goods loaded at these stations so that the goods may move straight on to the foreign country without further formalities at the border. The list of designated railway stations is obtainable from the Railways. In respect of goods loaded at stations other than the designated stations, exporters must arrange to present GR/SDF forms to the Customs Officer at the Border Land Customs Station where Customs formalities are completed.
- (c) In terms of an agreement on Border Trade between India and Myanmar, exchange of certain specified locally produced commodities, by people living along the India-Myanmar border on both sides under barter trade arrangement as also trade in freely convertible currency, has been permitted as per guidelines issued by Reserve Bank to authorised dealers from time to time. Authorised dealers should follow strictly the guidelines.

PART C – Authorised Dealer's Obligation

C.1 Delay in Submission of Shipping Documents by Exporters

In cases where exporters present documents pertaining to exports after the prescribed period of twenty one days from date of export, authorised dealers may handle them without prior approval of Reserve Bank, provided they are satisfied with the reasons for the delay.

C.2 Check-list for Scrutiny of Forms

Authorised dealer/exporter should verify the following :

- (i) Authorised dealer should ensure that the number on the duplicate copy of a GR form presented to them is the same as that of the original which is usually recorded on the Bill of Lading/Shipping bill and the duplicate has been duly verified and authenticated by appropriate Customs authorities. In the case of SDF form, the Shipping Bill No. should be the same as that appearing on the Bill of Lading.
- (ii) Bill of Lading/Airway Bill issued on 'freight prepaid' basis may be accepted where the sale contract is on f.o.b., f.a.s. etc. basis provided the amount of freight has been included in the invoice and the bill. Conversely, in the case of c.i.f., c.&f. etc. contracts whose freight is sought to be paid at destination, it should be ensured that the deduction made is only to the extent of freight declared on GR/SDF form or the actual amount of freight indicated on the Bill of Lading/Airway Bill, whichever is less. Likewise, where the marine insurance is taken by the exporters on buyer's account, authorised dealer should verify that the actual amount paid is received from the buyer through invoice and the bill.
- (iii) The documents submitted do not reveal any material inter se discrepancies in regard to description of goods exported, export value or country of destination.

NOTE:A. *The export realisable value may be more than what was originally declared to/accepted by Customs on the GR/SDF form in certain circumstances such as where in c.i.f. or c.&f. contracts, part or whole of any freight increase taking place after the contract was concluded is agreed to be borne by buyers or where as a result of subsequent devaluation of the currency of the contract, buyers have agreed to an increase in price.*

B. *In cases where the documents are being negotiated by a person other than the exporter who has signed GR/PP/SDF/SOFTEX Form in respect of the concerned consignment of export, authorised dealers may negotiate the documents after ensuring compliance with Regulation 12 of "Export Regulations".*

C. *In certain lines of export trade, final settlement of price may be dependent on the results of quality analysis of samples drawn at the time of shipment; but the results of such analysis will become available only after the shipment has been made. Sometimes, contracts may provide for payment of penalty for late shipment of goods in conformity with trade practice concerning the commodity. In these cases, while exporters declare to Customs the full export value based on the contract price, invoices submitted along with shipping documents for negotiation / collection may reflect a different value arrived at after taking into account the results of analysis of samples or late shipment penalty, as the case may be.*

As such variations stem from the terms of contract, authorised dealers may accept them on production of documentary evidence after verifying the arithmetical accuracy of the calculations and on conforming the terms of underlying contracts.

C.3 Trade Discount

Bills in respect of exports by sea or air which fall short of the value declared on GR/SDF forms on account of trade discount may be accepted for negotiation or collection only if the discount has been declared by exporter on relative GR/SDF form at the time of shipment and accepted by Customs.

C.4 Advance Payments against Exports

Exporters may receive advance payments (with or without interest) from their overseas buyers. It should however, be ensured that the shipments made against the advance payments are monitored by the authorised dealer through whom the advance payment is received. The appropriations made against every shipment must be endorsed on the original copy of the inward remittance certificate issued for advance remittance.

NOTE : *Purchase of foreign exchange from the market for refunding advance payment credited to EEFC account may be allowed only after utilising the entire balances held in the exporter's EEFC accounts maintained at different branches/banks.*

C.5 Part Drawings

In certain lines of export trade, it is the practice to leave a small part of the invoice value undrawn for payment after adjustment due to differences in weight, quality, etc. to be ascertained after arrival and inspection, weighment or analysis of the goods. In such cases, authorised dealers may negotiate bills, provided

- (a) the amount of undrawn balance is considered normal in the particular line of export trade, subject to a maximum of 10 per cent of the full export value;
and
- (b) an undertaking is obtained from exporter on the duplicate of GR/SDF/PP that he will surrender/account for the balance proceeds of the shipment within the period prescribed for realisation.

NOTE : *In cases where exporter has not been able to arrange for repatriation of the undrawn balance in spite of best efforts authorised dealers, on being satisfied with the bona fides of the case, may submit duplicate copies of GR/PP/SDF forms to Reserve Bank duly certified for the amount actually realised. Authorised dealers should however, ensure that the exporter has realised at least the value for which the bill was initially drawn (excluding undrawn balances) or 90% of the value declared on GR/PP/SDF form, whichever is more and a period of one year has elapsed from the date of shipment.*

C.6 Consignment Exports

- (i) When goods have been exported on consignment basis, authorised dealer, while forwarding shipping documents to his overseas branch/ correspondent, should instruct the latter to deliver them only against trust receipt/undertaking to deliver sale proceeds by a specified date within the period prescribed for realisation of proceeds of the export. This procedure should be followed even if, according to the practice in certain trades, a bill for part of the estimated value is drawn in advance against the exports.
- (ii) The agents/consignees may deduct from sale proceeds of the goods expenses normally incurred towards receipt, storage and sale of the goods, such as

landing charges, warehouse rent, handling charges, etc. and remit the net proceeds to the exporter.

- (iii) The Account Sales received from the Agent/Consignee should be verified by the authorised dealer before it is sent to Reserve Bank along with the relative duplicate GR/SDF/PP forms. Deductions in Account Sales should be supported by bills/receipts in original except in case of petty items like postage/cable charges, stamp duty etc.

- NOTES:**
- A. *In case of goods exported on consignment basis, freight and marine insurance must be arranged in India.*
 - B. *Reserve Bank, on an application made to it may, permit individual exporters to hire warehouses abroad subject to such terms and conditions as it may stipulate.*
 - C. *Reserve Bank will permit, on application, exporters with satisfactory track record a longer period up to twelve months for realisation of export proceeds for exports on consignment basis made to CIS countries and East European countries financed in any permitted currency.*

C.7 Despatch of Shipping Documents

- (i) While Authorised dealers should normally despatch shipping documents to their overseas branches/ correspondents expeditiously, they may despatch shipping documents direct to the consignees or their agents resident in the country of final destination of goods in cases where advance payment or an irrevocable letter of credit has been received for the full value of the export shipment and the underlying sale contract/letter of credit provides for despatch of documents direct to the consignee or his agent resident in the country of final destination of goods.
- (ii) In cases not covered by (i) above also, authorised dealers may accede to the request of the exporter, for despatch of documents for whatever reason, direct to the consignee/agent provided the exporter is a regular customer and the authorised dealer is satisfied, on the basis of standing and track record of the exporter and the arrangements made for realisation of export proceeds, that the request can be acceded to.
- (iii) Documents in respect of goods or software which are accompanied with a declaration by the exporter that they are not more than rupees twenty five thousand in value and not declared on GR/SDF/PP/ SOFTEX form, in terms of paragraph A.2 may be directly sent by the exporter to the consignee.
- (iv) Documents in respect of goods exported against 100% advance remittance, in terms of paragraph C.4 may be directly sent by the exporter to the consignee.

C.8 Handing Over Negotiable Copy of Bill of Lading to Master of Vessel/Trade Representative

Authorised dealers may deliver one negotiable copy of the Bill of Lading to the Master of the carrying vessel or trade representative, in respect of exports to certain landlocked countries if the shipment is covered by an irrevocable letter of credit and the documents conform strictly to the terms of the Letter of Credit which, inter alia, provides for such delivery.

C.9 Export Bills Register

- (i) Authorised dealers should maintain Export Bills Register, in physical or electronic form. Details of GR/SDF/PP form number, due date of payment, the fortnightly period of R Supplementary Return with which ENC statement covering the transaction was sent to Reserve Bank and the period of R Supplementary Return with which the duplicate copy of GR/SDF/PP form is submitted to Reserve Bank should be available.
- (ii) Authorised dealers should ensure that all types of export transactions are entered in the Export Bills Register and are given bill numbers on calendar year basis (i.e. January to December). The bill numbers should be recorded in ENC statement and other relevant returns submitted to Reserve Bank.

C.10 Follow-up of Overdue Bills

- (i) Authorised dealers should closely watch realisation of bills and in cases where bills remain outstanding, beyond the due date for payment or 6 months from the date of export, the matter should be promptly taken up with concerned exporter. If the exporter fails to arrange for delivery of the proceeds, within six months or seek extension of time beyond six months the matter should be reported to Reserve Bank stating, where possible, the reason for the delay in realisation of proceeds. The duplicate copies of GR/SDF/PP forms should, however, continue to be held by authorised dealer until full proceeds are realised except in case of undrawn balances covered by Note under paragraph C.5. Authorised dealers should follow up export outstandings with exporters systematically and vigorously so that action against defaulting exporters does not get delayed. Any laxity in the follow up of realisation of export proceeds by authorised dealers will be viewed seriously by Reserve Bank leading to the invocation of the penal provision under FEMA 1999.
- (ii) Authorised dealers should furnish to Reserve Bank, on half-yearly basis, a consolidated statement in Form XOS giving details of all export bills outstanding beyond six months from the date of export as at the end of June and December every year. The statement should be submitted in triplicate within fifteen days from the close of the relative half-year.

C.11 Reduction in Invoice Value on account of Prepayment of Usance Bills

Occasionally, exporters may approach authorised dealers for reduction in invoice value on account of cash discount to overseas buyers for prepayment of the usance bills. In such cases authorised dealers may allow cash discount to the extent of amount of proportionate interest on the unexpired period of usance, calculated at the rate of interest stipulated in the export contract or at the prime rate/LIBOR of the currency of invoice where rate of interest is not stipulated in the contract.

C.12 Reduction in Value

If, after a bill has been negotiated or sent for collection, the amount thereof is desired to be reduced for any reason, authorised dealer may approve such reduction, if satisfied about genuineness of the request, provided;

- (a) the reduction does not exceed 10% of invoice value
- (b) it does not relate to an export of
 - i. gold or silver jewellery or articles made out of cut and polished diamonds,

- ii. commodities subject to floor price stipulations,
- (c) the exporter is not on the exporters' caution list of Reserve Bank, and
- (d) the exporter is advised to surrender proportionate export incentives availed of, if any.

In the case of exporters who have been in the export business for more than three years, reduction in invoice value may be allowed, without any percentage ceiling, subject to the above conditions as also subject to their track record being satisfactory i.e. the export outstandings do not exceed 5% of the average annual export realisation during preceding three calendar years. For the purpose of reckoning the percentage of outstanding export bills to average export realisations during the preceding three calendar years, outstandings in respect of exports made to countries facing externalisation problems may be ignored provided the payments have been made by the buyers in the local currency.

C.13 Export Claims

Authorised dealers may remit export claims on application, provided the relative export proceeds have already been realised and repatriated to India and the exporter is not on the caution list of Reserve Bank. In all such cases of remittances, the exporter should be advised to surrender proportionate export incentive, if any, received by him.

C.14 Change of Buyer/Consignee

Prior approval of Reserve Bank is not required if, after goods have been shipped, they are to be transferred to a buyer other than the original buyer in the event of default by the latter, provided the reduction in value, if any, involved does not exceed 10% and the realisation of export proceeds is not delayed beyond the period of six months from the date of export. Where the reduction in value exceeds 10%, all other relevant conditions stipulated in paragraph C.12 should also be satisfied.

C.15 Extension of Time Limit

In cases where an exporter has not been able to realise proceeds of a shipment made within the period prescribed (i.e within six months from the date of export), for reasons beyond his control, but expects to be able to realise proceeds if extension of the period is allowed to him, necessary application (in duplicate) should be made to the concerned Regional Office of Reserve Bank in form ETX through his authorised dealer with appropriate documentary evidence. Extension will not ordinarily be granted unless Reserve Bank is satisfied that the exporter is in no way directly or indirectly responsible for the delay in realisation of proceeds and that by grant of a short extension the exporter will be able to realise proceeds.

C.16 Shipments Lost in Transit

When shipments from India for which payment has not already been received either by negotiation of bills under letters of credit or otherwise are lost in transit, authorised dealer must ensure that insurance claim is made as soon as the loss is known. The duplicate copy of GR/SDF/PP form should be forwarded to Reserve Bank with following particulars:

- (a) Amount for which shipment was insured.
- (b) Name and address of insurance company
- (c) Place where claim is payable.

In cases where claim is payable abroad, authorised dealer must arrange to collect the full amount of claim due on the lost shipment, through the medium of his overseas branch/correspondent and forward the duplicate copy of GR/SDF/PP form to Reserve Bank only after the amount has been collected. A certificate for the amount of claim received should be furnished on the reverse of the duplicate copy.

NOTE : *Sometimes claims on shipments lost in transit are also partially settled directly by shipping companies/airlines under carriers' liability. Authorised dealers should ensure that amounts of such claims if settled abroad are also repatriated to India by exporters.*

C.17 Payment of Claims by ECGC

Where export has been covered by a policy issued by ECGC, settlement of a claim by the Corporation does not absolve the exporter of the statutory obligation undertaken on the GR/SDF/PP form to realise proceeds of the export within prescribed period. In such cases, exporter should, in consultation with ECGC, take all necessary steps for realising the proceeds. Authorised dealers should also continue to hold the duplicate copies of GR/SDF/PP forms in their custody and initiate follow-up measures in the normal manner.

C.18 Write off of unrealised Export Bills

(i) An exporter who has not been able to realise the outstanding export dues despite best efforts, may approach the authorised dealer, who had handled the relevant shipping documents, with appropriate supporting documentary evidence with a request for write off of the unrealised portion. Authorised dealers may accede to such requests subject to the under noted conditions:

- (a) The relevant amount has remained outstanding for one year or more;
- (b) The aggregate amount of write off allowed by the authorised dealer during a calendar year does not exceed 10% of the total export proceeds realised by the concerned exporter through the concerned authorised dealer during the previous calendar year;
- (c) Satisfactory documentary evidence is furnished in support of the exporter having made all efforts to realise the dues;
- (d) The case falls under any of the undernoted categories:
 - (i) The overseas buyer has been declared insolvent and a certificate from the official liquidator indicating that there is no possibility of recovery of export proceeds produced.
 - (ii) The overseas buyer is not traceable over a reasonably long period of time.
 - (iii) The goods exported have been auctioned or destroyed by the Port/Customs/Health authorities in the importing country.
 - (iv) The unrealised amount represents the balance due in a case settled through the intervention of the Indian Embassy, Foreign Chamber of Commerce or similar Organisation;
 - (v) The unrealised amount represents the undrawn balance of an export bill (not exceeding 10% of the invoice value) remained outstanding and turned out to be unrealisable despite all efforts made by the exporter;
 - (vi) The cost of resorting to legal action would be disproportionate to the unrealised amount of the export bill or where the exporter even after winning the Court case against the overseas buyer could not execute the Court decree due to reasons beyond his control.;

- (vii) Bills were drawn for the difference between the letter of credit value and actual export value or between the provisional and the actual freight charges but the amount has remained unrealised consequent on dishonour of the bills by the overseas buyer and there are no prospects of realisation.
- (e) The case is not the subject matter of any pending civil or criminal suit.
- (f) The exporter has not come to the adverse notice of the Enforcement Directorate or the Central Bureau of Investigation or any such other law enforcement agency.
- (g) The exporter has surrendered proportionate export incentives, if any, availed of in respect of the relative shipments.
- (ii) Where there is no further amount to be realised against the GR/SDF/PP form covered by the write off, authorised dealer should submit the duplicate thereof to Reserve Bank along with 'R' return, duly certified, as under:
 “ Write off of
 (Amount in words and figures)
 permitted in terms of paragraph C.18 of Directions to Authorised Dealers.

Date Stamp & Signature of
Authorised Dealer “

C.19 Return of Documents to Exporters

The duplicate copies of GR/SDF/PP forms and shipping documents, once submitted to authorised dealers for negotiation, collection, etc, should not ordinarily be returned to exporters, except for rectification of errors and resubmission.

C.20 Exporters' Caution List

Authorised dealers will also be advised whenever exporters are cautioned in terms of provisions contained in Regulation 17 of “Export Regulations”. Authorised dealers should not accept for negotiation/collection shipping documents covering exports declared on GR/SDF/PP forms completed by such exporters nor countersign PP forms completed by them unless the GR/SDF/PP forms bear approval of Reserve Bank.

PART D - Remittances connected with Export

D.1 Agency Commission on Exports

(i) Authorised dealers may allow payment of commission, either by remittance or by deduction from invoice value, on application submitted by the exporter. The remittance on agency commission may be allowed subject to the following conditions:

- (a) Amount of commission has been declared on GR/SDF/PP/SOFTEX form and accepted by Customs authorities or Department of Electronics, Government of India /EPZ authorities as the case may be. In cases where the commission has not been declared on GR/SDF/PP/SOFTEX form,

remittance thereof may be allowed after satisfying about the reasons adduced by the exporter for not declaring commission on Export Declaration Form, provided a valid agreement/written understanding between the exporter and /or beneficiary for payment of commission subsists.

(b) The relative shipment has already been made.

(ii) Authorised dealers may allow payment of commission by Indian exporters, in respect of their exports covered under counter trade arrangement through Escrow Accounts designated in U.S. dollar, subject to the following conditions;-

- (a) The payment of commission satisfies the conditions as at (a) and (b) stipulated in paragraph above.
- (b) The commission is not payable to Escrow Account holders themselves.
- (c) The commission should not be allowed by deduction from the invoice value.

NOTE : *Payment of commission is prohibited on exports made by Indian partners towards equity participation in an overseas joint venture/wholly owned subsidiary as also exports under Rupee Credit Route.*

D.2 Refund of Export Proceeds

Refund of export proceeds may be allowed by authorised dealers through whom the proceeds were originally received, provided such goods are re-imported into India on account of poor quality etc. and evidence of re-import has been submitted. In all such cases, exporters should be advised to surrender the proportionate incentives availed of, if any, against the relevant export.

A.P. (DIR Series) Circular No.13 (September 14, 2000)

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001

A.P. (DIR Series) Circular No.13

September 14, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Amendments to Directions

It has been decided to amend directions to authorised dealers as stated in the following paragraphs.

1. **Export of goods to the Russian Federation
on consignment basis against repayment
of State Credits**

Attention of authorised dealers is drawn to A.D.(G.P.Series) Circular Nos. 5, 9 and 3 dated 31st May, 24th July 1999 and 10th April 2000 respectively, regarding export of goods to the Russian Federation on consignment basis against repayment of State Credits. It has now been decided to permit export of instant coffee, on consignment basis to the Russian Federation against repayment of State Credits. The procedure for availing of this facility for this item would be the same as explained in the above referred circular No.5 dated 31st May 1999.

2. **Indian Direct Investment in Joint Ventures (JV)/
Wholly Owned Subsidiaries (WOS) outside India**

In partial modification of A.P. (DIR Series) Circular No.3 dated June 22, 2000, authorised dealers are advised that henceforth the copies of form **ODA** and **ODR** should be forwarded to the Chief General Manager, Exchange Control Department, (Overseas Investment Division), Reserve Bank of India, Central Office, 3rd Floor, Amar Building, Mumbai – 400 001 **immediately** after the investments are made under Regulations 6, 9 and 11 of the Notification No.FEMA 19/RB-2000 dated 3rd May 2000. Instructions relating to submission of form **ODR** contained in the annexure to the circular A.P.(DIR Series) No.3 dated June 22, 2000 may be modified accordingly. Necessary amendments to the instructions for filling up the form **ODA** in regard to the aforesaid change are being issued separately.

3. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully,

B.MAHESHWARAN

Chief General Manager

A.P.(DIR Series) Circular No.14 (September 26, 2000)

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI -400 001

A.P.(DIR Series) Circular No.14

September 26, 2000

To,

All Authorised Dealers in Foreign Exchange,

Dear Sirs,

Details of GDR/ADR issue launched

Attention of authorised dealers is invited to Reserve Bank Notification No.FEMA-20/2000-RB dated 3rd May 2000. In terms of paragraphs 4(2) and (3) of Schedule I to the above Notification, Indian companies issuing ADRs/GDRs shall furnish to Reserve Bank full details of such issue in the form specified in Annexure "C" within 30 days from the date of closing of the issue and a quarterly return in the form specified in Annexure "D" within fifteen days from the close of the calendar quarter, respectively. However, it is observed that some of the companies are not submitting Annexures "C" and "D" within the stipulated time.

2. Authorised dealers may advise their constituents who have issued ADRs/GDRs or who are going for ADR/GDR issues to submit Annexures "C" and "D" within the stipulated time.

3. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,
B.MAHESHWARAN
Chief General Manager

**Amendment to Foreign Exchange Management (Current Account Transactions)
Rules, 2000 – Release of foreign exchange for advertisement in print media
A.P.(DIR Series) Circular No.15 (October 6, 2000)**

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI-400 001.

A.P.(DIR Series) Circular No.15

October 6, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Amendment to Foreign Exchange Management
(Current Account Transactions) Rules, 2000 –
Release of foreign exchange for advertisement
in print media**

Attention of authorised dealers is drawn to paragraph 4 of Annexure I to A.D.(M.A. Series) Circular No. 11 dated May 16, 2000, advising to provide exchange facilities for transactions included in Schedule II to the Foreign Exchange Management (Current Account Transactions) Rules, 2000, provided the applicant has secured the approval from the Ministry/ Department of Government of India indicated against the transaction.

2. Government of India has since amended the Foreign Exchange Management (Current Account Transactions) Rules, 2000 vide its Notification No.G.S.R.663(E) dated 9th August 2000. Accordingly, in the Foreign Exchange Management (Current Account Transactions) Rules, 2000 in Schedule II at Serial No.2 the following may be substituted.

“Advertisement abroad by any State Government or its PSUs”	“Ministry of Finance, Department of Economic Affairs”
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3. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,
K. J. UDESHI
Chief General Manager

**Exchange Earners' Foreign Currency (EEFC) Account Scheme
A.P.(DIR Series) Circular No.16 (October 10, 2000)**

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

A.P.(DIR Series) Circular No.16

October 10, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Exchange Earners' Foreign Currency (EEFC) Account Scheme

Attention of authorised dealers is invited to paragraph 2 (ii) of the A.P.(DIR Series) Circular No. 6 dated 14th August, 2000 advising that 100% Export Oriented Units or a unit in (a) Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology Park may credit 35%, and any other person resident in India may credit 25% of the eligible inward remittances to the EEFC Account.

2. It has now been decided that **with immediate effect**, 100% Export Oriented Units or a unit in (a) Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology Park may credit 70%, and any other person resident in India may credit 50% of the eligible inward remittances as indicated in the Schedule to the Reserve Bank Notification No. FEMA10/2000-RB dated 3rd May, 2000. It is clarified that this is applicable only to the eligible inward remittances received on or after the date of this circular.

3. It is further advised that all the EEFC accounts should be held in the form of non-interest bearing Current Accounts only and no credit facility, whether funded or non-funded, should be made available against the EEFC balances. Existing credit facilities, if any, should be withdrawn on expiry of the period for which the credit was extended.

4. All other terms and conditions of the Scheme contained in the Schedule to the Reserve Bank Notification No.FEMA10/2000-RB dated 3rd May, 2000 and as amended vide Reserve Bank's Circular dated 14th August, 2000 , referred to above, **remain unchanged.**

5. Amendment to the Bank's Notification issued under Foreign Exchange Management Act, 1999 is being issued separately.

6. Authorised dealers may bring the contents of this circular to the notice of their concerned constituents.

7. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully

K. J. Udeshi

Chief General Manager

**Barter Trade with Myanmar under the
Indo-Myanmar Border Trade Agreement
A.P.(DIR Series) Circular No.17 (October 16, 2000)**

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001**

A.P.(DIR Series) Circular No.17

October 16, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Barter Trade with Myanmar under the
Indo-Myanmar Border Trade Agreement**

Please refer to A.D.(G.P. Series) Circular No.8 dated 17th May 1997 on guidelines for the border trade between Myanmar and India, under the Border Trade agreement dated 21st January 1994 signed between the Government of Myanmar and the Government of India.

It has been decided in consultation with the Government of India that under the border trade arrangement between the two countries, imports from Myanmar into India should precede exports from India to Myanmar. Accordingly, the revised guidelines for the border trade are as follows:-

- i) The barter trade shall be restricted to land route as per the Border Trade Agreement between the two countries. Such barter trade transactions shall take place only by way of head load or non-motorised transport system.
- ii) Imports from Myanmar to India shall precede export from India to Myanmar.
- iii) The border trade will be restricted to items agreed to as per the Border Trade Agreement between India and Myanmar as listed in Annexure I.
- iv) There will be no monetary transaction under the barter trade arrangement.
- v) The consignments of imports and exports should be invoiced in U.S. dollars.

- vi) The value of goods exported under barter trade should not exceed U.S.\$ 20,000 per transaction.
 - vii) Exports from India to Myanmar under barter trade of the value not exceeding U.S.\$ 1,000 per transaction are exempt from declaration on the prescribed form viz. GR form, in terms of Reserve Bank Notification No.FEMA.23/2000-RB dated 3rd May 2000. However, such transactions should be completed in one or two days. Customs authorities at the Indo-Myanmar border will report import/export transactions of the value not exceeding U.S.\$ 1,000 to the Exchange Control Department, Reserve Bank of India, Guwahati, on monthly basis.
 - viii) On import of goods the party should submit documentary evidence such as Bill of Entry to the designated bank, where the value exceeds U.S.\$ 5,000.
 - ix) The export of goods from India to Myanmar against import of goods from Myanmar to India should be completed within a period of six months from the date of import.
 - x) The exporters should get the GR forms countersigned by one of the designated banks viz. United Bank of India, Moreh Branch, Manipur and State Bank of India, Champai Branch, Mizoram before submitting them to the Custom authorities. A copy of the contract for import and export with Myanmar parties should also be submitted along with the GR forms.
 - xi) On completion of export, the exporter should submit duplicate copy of GR form along with all commercial documents viz. copy of invoice certified by Customs, etc. within 21 days from the date of export, to the concerned designated bank.
2. (i) The following branches of authorised dealers (i.e. banks) have been designated for the purpose of monitoring transactions under the barter trade arrangement.
- (a) United Bank of India (UBI), Moreh Branch, Manipur.

(b) State Bank of India (SBI), Champai Branch, Mizoram.

- (ii) The designated banks' branches should only handle proposals for barter trade and documents relating to imports and exports thereunder.
- (iii) The designated banks' branches should countersign GR forms original and duplicate, submitted to them by the exporters (before submitting to the Customs authorities) after satisfying themselves that the GR forms are supported by a Bill of Entry for import of goods from Myanmar to India. Both original and duplicate copies of the forms should be returned to the exporter. The GR forms may be superscribed as under:

“Exports under barter arrangement with Myanmar. The payments have been received in the form of goods/commodities of the equivalent value”.

- (iv) The designated banks should maintain a record of the transactions under the barter trade arrangement on the basis of GR forms countersigned by them, in a register as per proforma enclosed (Annexure II).
- (v) The designated banks should forward a monthly statement as per the above form to the Exchange Control Department, Reserve Bank of India, Guwahati, within 15 days from the close of the month.
- (vi) On completion of export against receipt of payment in the form of import of goods/commodities from Myanmar, the concerned designated bank should surrender the duplicate copy of GR form and evidence of import to the Exchange Control Department, Reserve Bank of India, Guwahati along with the monthly statement, duly certified as under:

“Value of goods exported adjusted against value of goods imported under barter trade arrangement as per Contract dated”. Before certifying the GR forms, the

designated banks should verify documentary evidence for import of goods/commodities of corresponding value and ensure that the commodities exchanged are as per Annexure 1.

(vii) The transactions relating to barter trade should not be reported in R

Returns.

3. Authorised dealers may bring the contents of this circular to the notice of their concerned constituents.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,

K.J. UDESHI
Chief General Manager

ANNEXURE – I**Commodities identified for exchange by residents
living along the border between India and Myanmar**

1. Mustard/Rape Seed
2. Pulses and Beans
3. Fresh Vegetable
4. Fruits
5. Garlic
6. Onions
7. Chillies
8. Spices (excluding nutmeg, mace, cloves, Cassia)
9. Bamboo
10. Minor forest products excluding Teak
11. Betel Nuts and leaves
12. Food items for local consumption
13. Tobacco
14. Tomato
15. Reed Broom
16. Sesame
17. Resin
18. Corriander Seeds
19. Soyabean
20. Roasted Sunflower Seeds
21. Katha
22. Ginger
23. Any other commodities as may be mutually agreed upon between the two sides.

India Millennium Deposits (IMDs)
A.P. (DIR Series) Circular No.18 (October 19 ,2000)

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001.

A.P. (DIR Series) Circular No.18

October 19, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

India Millennium Deposits (IMDs)

State Bank of India has been permitted to float a scheme called 'India Millennium Deposits'. The details of the scheme will be announced by State Bank of India.

2. Authorised dealers are permitted to grant loans in non-repatriable rupees, in India, to the holders of IMDs for personal purposes, and for carrying on business activities except for the purpose of relending or carrying on agricultural/plantation activities or for investment in real estate business. NRIs (and not OCBs) may be granted loans in non-repatriable rupees for acquisition of immovable property in terms of Foreign Exchange Management (Acquisition and transfer of immovable property in India) Regulations, 2000 subject to the following conditions:

- (i) The loans should be fully secured by the value of deposits and accrued interest.
- (ii) The regulations relating to margin, rate of interest, etc. as stipulated by the Reserve Bank from time to time are adhered to.
- (iii) The period of loan should not exceed the unexpired period of maturity of the deposits.
- (iv) The loan should be repaid out of remittance from abroad or maturity proceeds of the deposits or out of funds held in India by the deposit holder.

3. Authorised Dealers may also grant loans to the account holders for the purpose of making direct investment in India on non-repatriation basis, subject to compliance with the provisions of Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations 2000, Foreign Exchange Management (Investment in firm or proprietary concern in India) Regulations 2000 and subject to the conditions stipulated in paragraph 2 above.

The loan amount may be disbursed directly to the investee firm/company on behalf of the IMD holder.

4. Authorised dealers may grant loans/overdrafts to individuals/firms/companies resident in India against the collateral of IMDs, subject to usual norms and the following conditions

- (i) There should be no direct or indirect foreign exchange consideration for the non-resident depositor to pledge his deposits to enable the resident to obtain the loan.
- (ii) The period of loan should not exceed the unexpired maturity of IMDs.
- (iii) Regulations relating to margin, interest rates, purpose of loan as stipulated by the Reserve Bank from time to time are adhered to.
- (iv) The loan should be utilised for personal purposes/for carrying on business activities other than agricultural/plantation activities or real estate business. The loan should not be utilised for relending.
- (v) The loan should be granted only against a special mandate from the NRI IMD holder.

5. Authorised dealers shall not grant foreign currency loans against the security of IMDs.

6. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

7. The directions contained in this circular have been issued under Section 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,

K.J. UDESHI

Chief General Manager

Foreign Exchange Management Act , 1999 Foreign Travel
A.P. (DIR Series) Circular No.20 (November 16, 2000)

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI - 400 001

November 16, 2000

A.P. (DIR Series) Circular No.20
A.P.(F.L. Series) Circular No.2

To

All Authorised Persons in Foreign Exchange

Dear Sirs,

Foreign Exchange Management Act , 1999
Foreign Travel

Attention of the Full Fledged Money Changers (FFMCs) is invited to paragraph 1 of A.P. (DIR Series) Circular No.1/A.P.(F.L. Series) Circular No.1 dated June 1, 2000 advising them to release foreign exchange not exceeding U.S.\$5,000 or its equivalent , (paragraph 10 of FLM) per person, in one calendar year for one or more private visits and not exceeding U.S.\$25,000 or its equivalent (paragraph 11 of FLM) for business travel to countries other than Nepal and Bhutan.

2. It is advised that where a person is going abroad for business purposes it is **not mandatory** for authorised persons to endorse the amount of foreign exchange sold for the purpose, on the traveller's passport. Authorised persons may, however, **if requested by the traveller**, record under their stamp, date and signature details of foreign exchange sold for such travel. Wherever foreign exchange is sold for a **private visit it should invariably be endorsed** on the traveller's passport under the authorised person's stamp, date and signature.

3. Authorised persons may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully

K. J. UDESHI

Chief General Manager

**Exim Bank's credit line of US\$ 20 million to
Korea Development Bank, South Korea
A.P.(DIR Series) Circular No.21 (December 4, 2000)**

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001

A.P.(DIR Series) Circular No.21

December 4, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Exim Bank's credit line of US\$ 20 million to
Korea Development Bank, South Korea**

Export Import Bank of India (Exim Bank) has concluded an agreement with Korea Development Bank on May 31, 2000, making available to the latter uncommitted trade finance facility upto US\$ 20 million. This credit is available for financing 100 per cent value of export of eligible goods to South Korea. Goods eligible for export under the line of credit are indicated in the list annexed. Eligible goods also include raw materials, agricultural products, marine products, iron and steel products and software.

2. The broad terms and conditions of the uncommitted trade finance facility are as under:
 - (a) The facility has no last dates for utilisation and shall be available until further notice. Each party shall have the right to terminate the facility without prior notice at any time.
 - (b) The contract shall be expressed in US Dollars.
 - (c) No minimum amount for export of goods under the agreement has been stipulated.
3. Under the above arrangement the Korea Development Bank will open a letter of credit favouring an Indian exporter which would include a note that it is payable at sight to the beneficiary and that it is to be refinanced for a period of 6 months or 12 months as the case may be. The Korea Development Bank will authorise Exim Bank to accept a time draft drawn on Exim Bank and reimburse to claiming bank in India on behalf of beneficiary of the letter of credit, i.e., Indian exporter will get the proceeds on 'at sight basis'. The arrangement does not include confirmation of any letter of credit by the Exim Bank, nor does it include the

reimbursement confirmation of any letter of credit to any negotiating bank. However, upon request by the Korea Development Bank, Exim Bank may decide to confirm such letter of credit or the reimbursement of such letter of credit. The terms and conditions of such confirmation will be determined on a case by case basis by the Korea Development Bank and the Exim Bank.

4. The other terms and conditions not specified above, shall be dealt with in accordance with the Uniform Customs and Practices relating to Documentary Credits (UCP 500).

5. Shipments under the credit will have to be declared on GR/SDF/SOFTEX Forms as usual. All copies of the GR/SDF/SOFTEX Forms should bear a prominent superscription reading 'Export under Exim Bank Uncommitted trade finance facility dated May 31, 2000, extended to Korea Development Bank.' The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, an authorised dealer should certify the duplicate copy/ies of the relative GR/SDF/SOFTEX Form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

6. Ordinarily, no agency commission shall be payable in respect of exports financed under the above facility. However, Reserve Bank of India may consider on merits, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b. value in respect of goods specified in the Annexure, which require after sales service. In such cases, commission will have to be paid in South Korea by deduction from the invoice value of the relevant shipment and the reimbursable amount by the Exim Bank to the claiming bank will be the f.o.b. value minus the commission paid.

Approval for payment of commission should be obtained before the relevant shipment is effected.

7. Authorised dealers may bring the contents of this circular to the notice of their exporter constituents concerned.

8. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999), and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,

P.K. BISWAS

ANNEXURE

List of Eligible Goods for finance out of the Credit

PART A

1. Air compressors
2. Air conditioning, heating, cooling, fume extraction, dust collection, humidification and ventilation equipment for industrial use including blowers and exhaust fans.
3. Alcohol and brewery plant.
4. Aluminium plant and equipment
5. Asbestos cement machinery
6. Cement machinery
7. Cinematographic equipment for motion picture and television studios.
8. Chemical and pharmaceutical plant and machinery.
9. Cigarette making machinery.
10. Coffee processing machinery.
11. Coke oven plant and equipment
12. Coke oven refractories
13. Control and Process Instruments including X-Ray equipment for Industrial Applications.
14. Copper Ore concentration machinery
15. Dairy equipment and animal feed plant
16. Earth moving equipment like crawler tractors, shovels, excavators, loaders, dumpers etc.
17. Edible Oil Mill machinery and oil expellers.
18. Electric motors and pumps
19. Electronic Data Processing equipment
20. Fertilizer plant and equipment
21. Flour, rice and dal mill machinery

22. Food processing plant
23. Foundry equipment including mould making machinery, Sand and Shot blasting equipment
24. Freight containers
25. Garage equipment
26. Gas and air separation plants
27. Glass and Ceramic machinery
28. Heat Exchangers
29. Integrated Steel Plants (complete or in parts), mini steel plants (electric arc and reduction furnaces). Re-heating and heat treatment furnaces, Rolling Mills and other finishing lines for ferrous and non-ferrous metals.
30. Ice-making machinery
31. Industrial boilers
32. Industrial furnaces
33. Industrial switchboards, control panels, circuit breakers, air break switches
34. Jute machinery
35. Leather tanning and processing machinery
36. Machine tools
37. Machinery for manufacturing air conditioners, bicycles, corks, electrical goods, enamel-ware, hard board, metal containers, radios, razor blades, refractories and bricks, sewing machines, shoes, steel furniture, wire-ropes and cables etc.
38. Machinery for manufacturing any product figuring in Part B of this List, not specified separately in this Part.
39. Material handling equipment like fork lifts, electric lifts, cranes, hoists etc. and conveyor systems.
40. Metal working machinery
41. Mining machinery
42. Motor vehicles and chassis, including three-wheelers
43. Oil drilling rigs

44. Oil refinery equipment
45. Packaging and weighing machinery
46. Pile foundation machinery
47. Plastic machinery
48. Power generation, transmission and distribution equipment including boilers, generators, transformers, switchgears, transmission line towers, conductors, cables, sub-station equipment and protective equipment.
49. Power line carrier communication equipment
50. Power station structures, hydraulic structures like penstocks, gates and gearings, sub-station structures.
51. Pressure vessels.
52. Printing and book-binding machinery
53. Pulp and Paper Mill machinery
54. Railway electrification equipment and structures and railway signalling equipment.
55. Railway rolling stock including locomotives, wagons, coaches and trolleys.
56. Rubber machinery
57. Road and construction equipment including road rollers, tar boilers, continuous batch plants, stone crushers, asphalt mixers, concrete mixers and vibrators.
58. Ships, boats, trawlers, steamers, launches, barges.
59. Solvent extraction machinery
60. Spraying equipment
61. Steam, diesel and petrol engines
62. Steel fabrication for bridges, factories etc.
63. Steel rails and railway track equipment including sleepers, fishplates, points and crossings.
64. Steel shuttering and scaffolding materials
65. Steel tanks
66. Sugar (including Khandsari) machinery

- 67. Tele-communication and signalling equipment
- 68. Textile machinery
- 69. Tractors and Trailers
- 70. Vending machines
- 71. Water supply equipment including pumping plant, large diameter fabricated steel pipes, C.I. spun pipes and storage tanks, water treatment and sewage treatment plant.
- 72. Weigh bridges
- 73. Welding machinery
- 74. Wood working machinery

PART B

- 75. Agricultural implements.
- 76. Auto parts
- 77. Bicycles, motorcycles, scooters, mopeds and parts
- 78. Construction materials including sanitaryware, tiles and precast cement products, false ceiling, flooring materials, pipes, decorative laminates, fittings, electricals and steel/aluminium doors and windows, provided they are exported as separate items and not as items forming part of civil construction/turnkey projects.
- 79. Agricultural chemicals and industrial chemicals.
- 80. Pressure cookers, watches and clocks, knitting/sewing machines, vacuum flasks, cutlery, plastic moulded luggage.
- 81. Domestic electric appliances
- 82. Drugs and pharmaceuticals
- 83. Electrical equipment including low tension insulators, batteries and accumulators, parts of electrical machinery and lamps fuses and electrodes for industrial application.
- 84. Electronic components.
- 85. Electronic goods including radios, TV, public address systems, record players, tape recorders.
- 86. Fibreglass, PVC and plastics based products including pipes and tubes, tyre cord.
- 87. Ferrous/non-ferrous castings, forgings, stampings, extrusions and rolled products.

88. Ferrous/non-ferrous pipes, tubes, sheets, strips, foils, rods, wires, wire ropes
89. Heating and cooling equipment including air conditioners, refrigerators, water coolers.
90. Industrial rubber products including tyres and tubes, cots and aprons, conveyor belts, rubber rollers, hose pipes.
91. Instruments for measurement, scientific survey and for surgical applications.
92. Industrial fasteners, bearings, valves, gears and gaskets.
93. X-ray and other electro-medical and other hospital equipments
94. Office equipments including typewriters, calculators, duplicators, teleprinters.
95. Metal and plastic furniture
96. Hand tools, cutting tools, grinding wheels, moulds dies.
97. Gas cylinders, fire fighting equipment, photographic equipment, helmets, including fibreglass helmets.
98. Any item not included above that might be agreed upon between Exim Bank and Korea Development Bank.

Remittance towards Schemes involving money circulation
A.P. (DIR Series) Circular No.22 (December 7, 2000)

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI-400 001

A.P. (DIR Series) Circular No.22

December 7, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Remittance towards Schemes
involving money circulation**

References have been received in Reserve Bank in the recent past from individuals/authorised dealers seeking approvals/clarifications for effecting remittances in foreign currency towards purchase of websites. Many such schemes offer earnings in US Dollars and/or in other foreign currency, on incremental basis, depending on the number of new clients/customers added to the chain, thereby making the operation of such schemes akin to money circulation. It is clarified that authorised dealers should not allow remittances to operators of such schemes and/or to any other overseas company carrying on such types of activities.

2. Authorised dealers may, however, allow remittance if they are satisfied that the website is being sold unconditionally and the remitter is purchasing it for developing it for his present/future business and not for the purpose of adding further members to the chain. For this purpose authorised dealers should satisfy themselves about the bonafides of the overseas company and/or the operators and the scheme, through proper documents.

3. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance of these directions is subject to the penalties prescribed under the said Act.

Yours faithfully,

P.K. BISWAS

Chief General Manager

Foreign Exchange Management Act, 1999 –Returns and Statements
A.P. (DIR Series) Circular No.23 (December 30, 2000)

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI-400 001

A.P. (DIR Series) Circular No.23

December 30, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Foreign Exchange Management Act, 1999 –
Returns and Statements

Attention of authorised dealers is invited to paragraph 3 of A.D.(M.A. Series) Circular No.11 dated May 16, 2000, advising them to be guided by the provisions of the Exchange Control Manual (1993 edition) regarding matters listed in Annexure V of the circular, pending issue of further instructions. Accordingly, submission of “Returns and Statements” is guided by the provisions contained in Chapter 16 of the Manual.

2. In terms of paragraph 15(x) of the “Guide to authorised dealers for compilation of R Returns”, a Supplementary statement of receipts, for purposes other than exports, involving amounts equivalent to Rs.1,00,000 and above is required to be submitted with the R Return. It has now been decided that the cut-off limit of Rs.1,00,000 be raised to US\$10,000. Accordingly, the **“Supplementary Statement of non-export Receipts”** to be enclosed with R Returns for the fortnight **ending January 15, 2001 onwards, may be submitted for receipts equivalent to US\$10,000 and above.**

3. Where the amount of inward remittance exceeds US\$10,000 or its equivalent, the purpose of remittance, i.e. whether it represents transfer of capital, savings, gift, profit, dividend etc. should be ascertained and reported in the supplementary statement. The **payment should not be delayed** for want of this information which may be obtained separately and furnished to the Reserve Bank later.

4. With a view to ensuring that credits to customers’ accounts for non-trade related inward remittances are given promptly, it has been decided that Internal Auditors/Inspectors of authorised dealers should certify that the credits to beneficiaries’ accounts in case of personal remittances from outside India have been given promptly by the branch; and in accordance with the prescribed rules and regulations.

5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully,
K.J. UDESHI
Chief General Manager

**Foreign Exchange Management Act, 1999 –
Investment in Indian Venture Capital Undertakings
by registered Foreign Venture Capital Investors
A.P. (DIR Series) Circular No.24 (January 6, 2001)**

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI – 400 001**

A.P. (DIR Series) Circular No.24

January 6, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Foreign Exchange Management Act, 1999 –
Investment in Indian Venture Capital Undertakings
by registered Foreign Venture Capital Investors**

Attention of authorised dealers is invited to “Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified under Notification No.FEMA 20/2000-RB dated 3rd May 2000. In terms of Regulation 5 of the Notification, certain persons resident/entities outside India may purchase shares/convertible debentures in Indian companies under various Foreign Direct Investment Schemes such as Automatic Route, Government Route, Foreign Institutional Investment etc. It has now been decided to permit registered Foreign Venture Capital Investors to invest in Indian Venture Capital Undertakings/Venture Capital Funds in accordance with regulations framed therefor. Accordingly, the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, have been amended vide Notification No.FEMA 32/2000-RB dated 26th December 2000 (copy enclosed) to include investments by Foreign Venture Capital investors.

2. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

3. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully,

K. J. UDESHI

Chief General Manager

**ACU – Funding of Nostro Account on
‘Tom’ basis in addition to ‘Spot’ basis
A.P. (DIR Series) Circular No.25 (February 17, 2001)**

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI-400 001

A.P. (DIR Series) Circular No.25

February 17, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**ACU – Funding of Nostro Account on
‘Tom’ basis in addition to ‘Spot’ basis**

In terms of Paragraph 12(ii) of Memorandum ACM, requests from authorised dealers for funding of their ACU dollar accounts with commercial banks in participating countries on ‘Spot’ basis are required to be made in form ACU-1, in duplicate, to the Department of External Investments & Operations (DEIO), Reserve Bank of India, Mumbai.

2. It has now been decided that requests from authorised dealers for funding their ACU dollar accounts with commercial banks in participating countries as well as for repatriation of the excess liquidity in the ACU dollar accounts of their correspondent banks maintained with them, would be accepted in ACU 1 and ACU 2 format respectively, by DEIO, RBI, Mumbai on ‘Tom’ basis also, in addition to ‘Spot’ basis, with effect from March 1, 2001. Authorised Dealers desirous of availing the facility of booking transactions on ‘Tom’ basis, should submit their applications to DEIO, RBI, Mumbai before 3.00 p.m. a day prior to Value Date.

3. Consequent to the change mentioned above, Form ACU 1 may be replaced by the enclosed Slip.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully,
K.J. UDESHI
Chief General Manager

ACU 1
(Paragraph 12(ii) of ACM)

(To be submitted in duplicate)

The Chief General Manager,
Reserve Bank of India,
Department of External Investments & Operations,
Central Office,
Mumbai – 400 001.

Dear Sir,

Asian Clearing Union

We hereby undertake to deliver for
the account of the Reserve Bank of India with FRBNY with U.S.\$
(.....) for *spot/tom delivery on
(in words) (value date)

Kindly arrange to credit the foreign currency amount to our account No.....
with..... through
(name of correspondent bank) (name of participant central bank and office).

* strike out whichever is not necessary.

Yours faithfully,

Manager

**Foreign Exchange Management Act, 1999-
Investment by FIIs/NRIs/OCBs/Foreign Venture Capital
Investors in companies engaged in the Print Media Sector
A.P. (DIR Series) Circular No.26 (February 22, 2001)**

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001

A.P.(DIR Series) Circular No.26

February 22, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Foreign Exchange Management Act, 1999-
Investment by FIIs/NRIs/OCBs/Foreign Venture Capital
Investors in companies engaged in the Print Media Sector**

Attention of authorised dealers is invited to “Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000” notified under Notification No.FEMA.20/2000-RB dated 3rd May 2000. In terms of sub-regulations (2), (3) and (5) of Regulation 5, Foreign Institutional Investors (FIIs)/Non-Resident Indians (NRIs)/Overseas Corporate Bodies (OCBs) and Foreign Venture Capital Investors (FVCIs) were permitted to purchase shares and convertible debentures of Indian Companies.

2. In consultation with the Government of India it has now been decided that the facility to FIIs/NRIs/OCBs and FVCIs to purchase shares or convertible debentures of an Indian Company **which is engaged in the print media sector** should be withdrawn. Accordingly, the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 have been amended vide Notification No.FEMA.35/2000-RB dated 16th February 2001 (copy enclosed). It is clarified that the restriction shall also apply to purchase of shares and convertible debentures by NRIs and OCBs on non-repatriation basis.

3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully,

K.J. UDESHI
Chief General Manager

**Foreign Exchange Management Act, 1999 –
Export of goods and services -Forwarder's Cargo Receipt
A.P.(DIR Series) Circular No.27 (March 2, 2001)**

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001**

A.P.(DIR Series) Circular No.27

March 2, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Foreign Exchange Management Act, 1999 –
Export of goods and services -Forwarder's Cargo Receipt**

Attention of authorised dealers is invited to paragraph B.5 of the annexure to A.P. (DIR Series) Circular No.12 dated September 9, 2000, in terms of which they may negotiate House Airways Bills (HAWBs) issued by consolidating Cargo Agents, only if the relative letter of credit specifically provides for negotiation of HAWB, in lieu of Airway Bills issued by the airline company. It has now been decided that authorised dealers may also accept Forwarder's Cargo Receipts (FCR) issued by IATA approved agents, in lieu of bill of lading, for negotiation/collection of shipping documents, in respect of export transactions backed by letters of credit, only if the relative letter of credit specifically provides for negotiation of this document, in lieu of bill of lading. Further, the relative sale contract with the overseas buyer should also provide that FCR may be accepted in lieu of bill of lading as a shipping document.

2. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

3. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully,

P.K. BISWAS

Chief General Manager

Foreign Exchange Management Act, 1999
A.P. (DIR Series) Circular No.28 (March 30, 2001)

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001

A.P. (DIR Series) Circular No.28

March 30, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Foreign Exchange Management Act, 1999

Authorised dealers are aware that the Reserve Bank has, by notifications, made certain Regulations to carry out the provisions of Foreign Exchange Management Act, 1999 (42 of 1999). The regulations notified i.e. Notifications FEMA Nos.1 to 25, were circulated vide A.D. (M.A. Series) Circular No. 11 dated 16th May 2000. The Reserve Bank has since issued further notifications bearing serial No. 26 to 39 (copies enclosed). The synopsis of these Regulations is furnished in the following paragraphs.

Notification No.FEMA 26 / 2000 – RB dated 14th August 2000 in partial modification of Notification No. FEMA 3/ 2000-RB dated 3rd May 2000

In terms of Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, authorised dealers were permitted to grant credit facilities against the balances held in EEFC accounts. It has been decided that credit facilities, both fund based and non-fund based, against the balances held in EEFC accounts should not be granted. In this regard attention of authorised dealers is invited to A.P. (DIR Series) Circular No. 6 dated August 14, 2000.

2. Notification No.FEMA 27/ 2000 – RB dated 14th August 2000 in partial modification of Notification No. FEMA 10/ 2000-RB dated 3rd May 2000

The procedure for opening/ holding and maintenance of Exchange Earners' Foreign Currency (EEFC) accounts is given in the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2000. Regulation (9) of the Regulations indicate the forms of deposits viz. current, saving or term deposits permissible under the EEFC Accounts Scheme and paragraph 1 (1) of Schedule to the Regulations indicate the limits up to which inward remittances could be credited to the EEFC accounts. The captioned Notification was issued amending the said Regulation (9) and prohibiting opening of EEFC accounts in the form of term deposits. The limits of

eligible credits to the EEFC accounts were revised to 35% for Export Oriented Units or units in (a) Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology Park and to 25% for other persons resident in India with effect from 14th August 2000. In this regard attention of authorised dealers is invited to A.P. (DIR Series) Circular No. 6 dated August 14, 2000.

3. Notification No.FEMA 28 / 2000 – RB dated 5th September 2000 in partial modification of Notification No. 25/ 2000-RB dated 3rd May 2000

The Foreign Exchange Management (Foreign exchange Derivative Contracts) Regulations, 2000 have been amended by the captioned notification to enable importers/exporters of crude oil and petroleum products to hedge their exposure to price risk. In this regard attention of authorised dealers is invited to A.P. (DIR Series) Circular No. 11 dated September 5, 2000.

4. Notification No.FEMA 29 / 2000 – RB dated 26th September 2000 in partial modification of Notification No. 16/RB-2000 dated 3rd May 2000

Authorised dealers are aware that borrowing and lending of Indian rupees between two residents does not attract any provisions of the Foreign Exchange Management Act, 1999. In cases where a rupee loan is granted against the guarantee provided by a non-resident, there is no transaction involving foreign exchange until the guarantee is invoked and the non-resident guarantor is required to meet the liability under the guarantee. The non-resident guarantor may discharge the liability by i) payment out of rupee balances held in India or ii) by remitting the funds to India or iii) by debit to his FCNR/NRE account maintained with an authorised dealer in India. In such cases the non-resident guarantor may enforce his claim against the resident borrower to recover the amount and on recovery he may seek repatriation of the amount if the liability is discharged either by inward remittance or by debit to FCNR/NRE account. However, in case the liability is discharged by payment out of rupee balances the amount recovered can be credited to the NRO or NRSR account of the non-resident guarantor.

The Reserve Bank vide its Notification No. FEMA.29/ RB-2000 dated 26th September 2000 has granted general permission to a resident, being a principal debtor to make payment to a person resident outside India, who has met the liability under a guarantee. Accordingly, in cases where the liability is met by the non-resident out of funds remitted to India or by debit to his FCNR/NRE account, the repayment may be made by credit to the FCNR/NRE/NRO/NRSR account of the guarantor provided, the amount remitted/credited shall not exceed the rupee equivalent of the amount paid by the non-resident guarantor against the invoked guarantee.

5. Notification No.FEMA 30 / 2000 – RB dated 17th November 2000 in partial modification of Notification No. FEMA 10 /2000-RB dated 3rd May 2000

The procedure for opening and maintenance of Exchange Earners' Foreign Currency (EEFC) accounts is given in the Foreign Exchange Management (Foreign Currency

Accounts by a Person Resident in India) Regulations, 2000. The captioned Notification seeks to amend the procedures for opening, holding and maintenance of the Exchange Earner's Foreign Currency (EEFC) Accounts. The amendments are:

EEFC accounts can be opened, held, or maintained only in the form of non-interest bearing current account, and limits of eligible credits to the EEFC accounts are revised to 70% for Export Oriented Units or units in (a) Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology Park and to 50% for other persons resident in India. Attention of authorised dealers is invited to A.P. (DIR Series) Circular No. 16 dated 10th October 2000.

6. Notification No.FEMA 31/ 2000 – RB dated 27th November 2000 in partial modification of Notification No. FEMA 4/2000-RB dated 3rd May 2000

Regulation (7) of the Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000 enables an authorised dealer to grant loans in India to a non - resident Indian for the borrower's personal or business requirements. Since the loan is to be utilised in India, the amendment is made to proviso (d) of Regulation (7) enabling credit of the loan amount to the Non-Resident Ordinary account of the borrower. It is clarified that the loan amount can not be credited to the NRE/FCNR/NRNR account of the non-resident borrower or remitted out of India.

7. Notification No. FEMA 32 / 2000 – RB dated 26th December 2000 in partial modification of Notification No. 20/ 2000-RB dated 3rd May 2000

The captioned Notification seeks to amend the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 enabling registered Foreign Venture Capital Investors (FVCIs) to invest in Indian venture capital Undertakings/ Venture Capital Funds. In this regard attention of authorised dealers is invited to A.P.(DIR Series) Circular No. 24 dated January 6, 2001.

8. Notification No. 33 not issued

9. Notification No. FEMA 34 / 2001– RB dated 22nd January 2001 in partial modification of Notification No. FEMA 10/2000- RB dated 3rd May 2000

The captioned amendment is made to facilitate foreign nationals resident in India to open and maintain foreign currency accounts with a bank outside India. The facility is available to such foreign nationals who are employees of a foreign company and are on deputation to the office/branch/subsidiary/joint venture in India of the foreign company. The salary payable to the employee for services rendered in India can be credited to the account provided that :-

the amount to be credited to such account shall not exceed 75% of the salary accrued to such person from the foreign company;

the remaining salary shall be paid in India in Indian rupees; and

the Income Tax under the Income Tax Act, 1961 shall be paid on the entire salary as accrued in India.

10. Notification No.FEMA 35 / 2001 – RB dated 16th February 2001 in partial modification of Notification No. FEMA 20/ 2000-RB dated 3rd May 2000

The Notification seeks to amend the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000. It has now been decided to prohibit foreign investment in an Indian company engaged in print media by Foreign Institutional Investors (FIIs), NRIs/OCBs and Foreign Venture Capital Investors. The restriction will apply to investment by NRIs/OCBs on non-repatriation basis also.

11. Notification No.FEMA 36 / 2001 – RB dated February 27, 2001 in partial modification of Notification No. FEMA 23/ 2000-RB dated 3rd May 2000

The amendments made to the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000 are as under:

In Regulation 4 – (i) Exemptions are granted to certain exports from the requirement of declaration on a prescribed Form. Similar concessions are granted to units in “Electronic Hardware Technology Parks, Electronic Software Technology Parks” and “Special Economic Zones”.

(ii) Reserve Bank has been authorised to waive the requirement of declaration on GR Forms and to permit export of defective goods for repairs subject to re-import.

In Regulation 6 – Sub-regulation 3(i) is substituted to provide for declaration to be made by units in Special Economic Zones for exports of computer software and audio/video/television software in Form Softex.

In regulation 9 – The existing Regulation is numbered as (1). Sub-Regulation (2) permits the units situated in Special Economic Zones to realise and repatriate to India the full export value of goods or software within a period of twelve months from the date of export. Reserve Bank has also been empowered to extend the said period beyond twelve months. The Bank has also been empowered to direct, if necessary, that a unit shall cease to be governed by provisions of sub-regulation (2) and in such a case the unit shall be governed by sub-regulation (1).

The format of the Form SOFTEX has been revised.

12. Notification No.FEMA 37 / 2001 – RB dated February 27, 2001 in partial modification of Notification No. FEMA 10 /2000- RB dated 3rd May 2000

The Notification seeks to amend the Foreign Exchange Management (Foreign Currency

Accounts by a Person Resident in India) Regulations, 2000. The units in Special Economic Zone (SEZ) are now permitted to credit 100% of its foreign exchange receipts to its EEFC account except foreign exchange acquired, by way of purchase against rupees from any person resident in India other than another unit in a Special Economic Zone.

13. Notification No. FEMA 38 / 2001 – RB dated February 27, 2001 in partial modification of Notification No. FEMA 6 /RB-2000 dated 3rd May 2000

The Notification seeks to amend the Foreign Exchange Management (Export and Import of Currency) Regulations, 2000. In terms of Regulation (3) of the said Regulations any person resident in India can take outside India, except to Nepal or Bhutan, currency notes of Government of India or Reserve Bank of India upto an amount not exceeding Rs.5000/-. The amendment empowers Reserve Bank to permit a person, on an application made to it and on being satisfied, to take or send out of India or bring into India currency notes of Government of India/Reserve Bank of India of value exceeding Rs.5000/- subject to such terms and conditions as the Bank may stipulate.

14. Notification No.FEMA 39 / 2001 – RB dated February 27, 2001 in partial modification of Notification No. FEMA 16/ RB-2000 dated 3rd May 2000

The amendment authorises a company in India to make payment in rupees to its non-whole time director, who is a person resident outside India and who is on a visit to India for the company's work. The payments can be towards sitting fees, commission or remuneration, travel expenses in accordance with the provisions of the concerned company's Memorandum of Association or Articles of Association or in terms of any other agreement entered into by it or in any resolution passed by its general meeting/Board of Directors. Such payments shall however, be subject to compliance of any other law, rules, regulations or directions applicable in this behalf.

15. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

16. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully,
K.J. UDESHI
Chief General Manager

Foreign Exchange Management Act, 1999
- Current Account Transactions
AP (DIR Series) Circular No.29 (March 31, 2001)

RESERVE BANK OF INDIA
CENTRAL OFFICE
EXCHANGE CONTROL DEPARTMENT
MUMBAI-400 001

AP (DIR Series) Circular No.29

March 31, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Foreign Exchange Management Act, 1999
- Current Account Transactions

Attention of authorised dealers is invited to the Government of India Notification No.GSR.381(E) dated 3rd May 2000 notifying the Foreign Exchange Management (Current Account Transactions) Rules, 2000 in terms of which drawal of exchange for certain current account transactions has been prohibited and restrictions have been placed on certain other transactions.

2. Government of India has now issued Notification No.S.O.301(E) dated March 30, 2001, (copy enclosed) amending their Notification GSR 381(E) dated 3rd May, 2000. The authorised dealers may carefully study the changes introduced by the amendment.

3. The synopsis of the changes brought about by the amendment are given below:

A. Schedule II

(a) Remittances by any State Government or its Public Sector Undertakings require prior approval from the Ministry of Finance (DEA) for advertisement abroad in print media for any purpose other than for promotion of tourism, foreign investment and for international bidding (exceeding US\$ 10,000){cf: item 2}

(b) The restrictions imposed under item 10 and 11 of the Schedule on remittances for securing Insurance for health from a company abroad and for membership of P&I Club respectively will be applicable even though remittance is made out of funds held in EEFC account,

B. Schedule III

(a) Gift remittance exceeding US\$5,000 per remitter/donor per annum and Donation exceeding US\$5,000 per remitter/donor per annum, respectively will require prior approval of the Reserve Bank. The restriction would be applicable even in cases where the remittance is being made out of funds held in EEFC account. Therefore, authorised dealers may ensure that no person is allowed to make remittance of Gift/Donation exceeding US\$5,000 in a year, without prior approval of the Reserve Bank. (cf: items 3 and 4)

(b) Restrictions imposed under item 11 and 16 of the Schedule on payment of commission for sale of immovable property and on remittance for use and/or purchase of trade mark /franchise in India would also be applicable to the remittances made out of funds held in EEFC account,

(c) The ceiling of US\$5,000 per year on remittances to close relatives residing abroad as contained in item 7 of Schedule III will not be applicable in case of foreign nationals (other than Pakistani nationals), who are resident but not permanently resident in India,

(d) The remittances exceeding US \$100,000 per project for any consultancy services procured from outside India will require prior approval of the Reserve Bank. This restriction will also apply to such remittances made out of funds held in EEFC accounts,(cf: item 15)

(e) All remittances exceeding US\$100,000 for reimbursement of pre-incorporation expenses will also require prior permission from the Reserve Bank (cf: item 17).

4. Authorised dealers may bring the contents of the circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully
K. J. UDESHI
Chief General Manager

**“Write off” of unrealised export bills –
Simplification of procedure
A.P.(DIR Series) Circular No. 30 (April 4 , 2001)**

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001.**

A.P.(DIR Series) Circular No. 30

April 4 , 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**“Write off” of unrealised export bills –
Simplification of procedure**

Attention of authorised dealers is invited to paragraph C.18 of AP(DIR Series) Circular No.12 dated September 9, 2000 in terms of which they have been permitted to allow `write off` of unrealised export dues, under certain conditions, upto an aggregate amount of 10 per cent of the total export proceeds realised by the exporter through the concerned authorised dealer during the previous calendar year.

2. With a view to simplify the procedure the matter has been reviewed and it has been decided that status holders exporters, (viz. Export Houses, Trading Houses, Star Trading Houses, Super Star Trading Houses) and manufacturer exporters exporting more than 50 per cent of their production, and recognised as such by DGFT, may be permitted to “write off” outstanding export bills upto an annual limit of 5 per cent of their average annual realisations (not turnover) during the preceding 3 calendar years. The limit of 5% will be cumulatively available in a year and will be subject to the following conditions:-

(i) The exporter should submit to the concerned authorised dealer a Chartered Accountant’s certificate indicating –

- (a) the export realisation in the preceding three calendar years and also the amount of “write off” already availed of during the year, if any.
- (b) the relevant GR/SDF Nos. to be written off, Bill No., invoice value, commodity exported, country of export,
- (c) the export benefits, if any, availed of by the exporter have been surrendered.

3. It is clarified that the followings do not qualify for the “write off” facility :-

- (a) Exports made to countries with externalisation problem i.e. where the overseas buyer has deposited the value of export in local currency but the amount has not been allowed to be repatriated by the central banking authorities of the country.

(b) GR/SDF forms which are under investigation by agencies like, Enforcement Directorate, Directorate of Revenue Intelligence, Central Bureau of Investigation, etc. as also the outstanding bills which are subject matter of civil/criminal suit.

4. After the "write off" has been permitted authorised dealer may submit the duplicate GR/SDF forms in question to the Reserve Bank along with R-Return, duly certified as under:-

" Write off of
 (Amount in words and figures) permitted in
 terms of AP(DIR Series) Circular No 30 dated April 4, 2001.

Date

Stamp & Signature of
 Authorised Dealer"

5. Authorised dealers may note to take into account the amount written off under this facility while arriving at the eligible amount under paragraph C.18 of AP (DIR Series) Circular No. 12 of September 9, 2000.

6. Authorised dealers may forward a statement in form EBW, in the enclosed format, to the Regional Office of Reserve Bank under whose jurisdiction they are functioning, indicating details of write offs allowed under this circular.

7. Authorised dealers may bring the contents of the circular to the notice of their constituents concerned.

8. The directions in this circular has been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully,
K.J. UDESHI
Chief General Manager

**Exim Bank's Line of Credit of US\$ 5 million to
East African Development Bank, Uganda
A.P.(DIR Series) Circular No. 31(April 20, 2001)**

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001**

A.P.(DIR Series) Circular No. 31

April 20, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Exim Bank's Line of Credit of US\$ 5 million to
East African Development Bank, Uganda**

Export Import Bank of India (Exim Bank) has concluded an agreement with the East African Development Bank(EADB) on August 22, 2000, making available to the latter, a line of credit upto an aggregate sum of US\$ 5 million (U.S. Dollar Five Million only). The credit has become effective from October 4, 2000, and is available for financing Indian export of eligible goods (listed in the enclosed Annexure) and related services to EADB member countries, viz., Kenya, Tanzania and Uganda. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into EADB member countries shall be subject to the laws and regulations in force in the concerned countries.

2. The broad terms and conditions of the credit are as under:

- (a) Every contract under the credit will require prior approval of Exim Bank.
- (b) The credit shall be available for financing an amount upto 90 percent of the f.o.b./ c.i.f / c&f contract price of the eligible contract.
- (c) The contract price shall be specified in U.S. Dollar and shall not be less than U.S. Dollar 50,000/- (U.S. Dollar Fifty Thousand only) or such amount as may, from time to time, be agreed upon between Exim Bank and the borrower.
- (d) The contract signed under the credit should also provide for the following:-

- (i) The buyer shall make an advance payment of 10 percent of the f.o.b./c&f/c.i.f. of the contract value to the seller within 10 business days after the date of the approval of the contract by Exim Bank.
- (ii) The buyer shall make payment to the seller of the balance 90 percent of f.o.b./c&f/c.i.f. of the contract price, pro-rata against shipments, to be covered under an irrevocable letter of credit in favour of the seller.
- (iii) The eligible goods shall be inspected before shipment on behalf of the buyer and the documents to be furnished by the seller to the negotiating bank under the letter of credit arrangement shall include an inspection certificate.

3. The letter of credit shall be advised through such offices of the negotiating bank in India as may be designated from time to time by Exim Bank in consultation with EADB. The letter of credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1994 edition) published by the International Chamber of Commerce (Publication No.500) and shall be irrevocable and if required by a seller, be also divisible and transferable.

4. Upon presentation of documents by the beneficiary to the negotiating bank, the negotiating bank shall pay to the beneficiary an amount being not more than 90 percent of f.o.b./c&f/c.i.f. contract value, apportionable to the relative shipment, in equivalent Indian Rupee at the spot rate of exchange of the negotiating bank, plus the amount of insurance as applicable in Indian Rupee, provided the documents presented are in order and are in conformity with the relevant letter of credit.

5. Where negotiation has been effected without reserve, Exim Bank shall, upon receipt of the negotiating bank's advice, reimburse the negotiating bank in U.S. Dollar with the amount of the eligible value so paid by the negotiating bank to the beneficiary in equivalent Indian Rupee, to the extent apportionable to the relative shipment by transfer to the credit of the negotiating bank in such account with such bank in New York, USA, as may be specified in the negotiating bank's advice to Exim Bank. If the negotiation has been made under reserve, Exim Bank shall make payment to the negotiating bank only after Exim Bank receives an advice from the negotiating bank that the issuing bank which has opened / issued letters of credit, has lifted the reserve and has accepted the documents, or an advice from the issuing bank through the borrower or the negotiating bank to that effect.

6. Exim Bank shall in no way be liable or responsible for any act or omission of the negotiating bank in handling the letter(s) of credit or negotiation of documents thereunder or for payment to a beneficiary thereof or otherwise for any interest on the amount to be reimbursed to the negotiating bank.

7. Bank charges, expenses, commission or stamp duty payable in India shall be to the account of the seller/beneficiary and those payable in EADB member countries shall be to the account of the buyer.

8. The terminal dates for opening letters of credit and utilisation of credit are October 3, 2001, and April 3, 2002, respectively.

9. Shipments under the credit will have to be declared on GR/SDF Forms as usual. All copies of GR/SDF Forms should bear a prominent superscription reading 'Export under Exim Bank line of credit dated August 22, 2000, extended to East African Development Bank (EADB).' The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, authorised dealer should certify the duplicate copy/ies of the relative GR/SDF Form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

10. No agency commission shall be payable in respect of exports financed under the above line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b./c.i.f./c&f value in respect of goods specified in the Annexure and which require after sales service. In such cases, commission will have to be paid in EADB member countries, viz., Kenya, Tanzania and Uganda, only by deduction from the invoice of the relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 per cent of the f.o.b./c.i.f./c & f value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

11. Authorised dealers may bring the contents of this circular to the notice of their exporter constituents.

12. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999), and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,
K.J. UDESHI
Chief General Manager

ANNEXURE

List of Eligible Goods for finance out of the Credit

PART A

1. Air compressors
2. Air conditioning, heating, cooling, fume extraction, dust collection, humidification and ventilation equipment for industrial use including blowers and exhaust fans.
3. Alcohol and brewery plant.
4. Aluminium plant and equipment
5. Asbestos cement machinery
6. Cement machinery
7. Cinematographic equipment for motion picture and television studios.

8. Chemical and pharmaceutical plant and machinery.
9. Cigarette making machinery.
10. Coffee processing machinery.
11. Coke oven plant and equipment
12. Coke oven refractories
13. Control and Process Instruments including X-Ray equipment for Industrial Applications.
14. Copper Ore concentration machinery
15. Dairy equipment and animal feed plant
16. Earth moving equipment like crawler tractors, shovels, excavators, loaders, dumpers etc.
17. Edible Oil Mill machinery and oil expellers.
18. Electric motors and pumps
19. Electronic Data Processing equipment
20. Fertilizer plant and equipment
21. Flour, rice and dal mill machinery
22. Food processing plant
23. Foundry equipment including mould making machinery, Sand and Shot blasting equipment
24. Freight containers
25. Garage equipment
26. Gas and air separation plants
27. Glass and Ceramic machinery
28. Heat Exchangers
29. Integrated Steel Plants (complete or in parts), mini steel plants (electric arc and reduction furnaces). Re-heating and heat treatment furnaces, Rolling Mills and other finishing lines for ferrous and non-ferrous metals.
30. Ice-making machinery
31. Industrial boilers
32. Industrial furnaces
33. Industrial switchboards, Control panels, circuit breakers, air break switches
34. Jute machinery
35. Leather tanning and processing machinery
36. Machine tools

37. Machinery for manufacturing air conditioners, bicycles, corks, electrical goods, enamel-ware, hard board, metal containers, radios, razor blades, refractories and bricks, sewing machines, shoes, steel furniture, wire-ropes and cables etc.
38. Machinery for manufacturing any product figuring in Part B of this List, not specified separately in this Part.
39. Material handling equipment like fork lifts, electric lifts, cranes, hoists etc. and conveyor systems.
40. Metal working machinery
41. Mining machinery
42. Motor vehicles and chassis, including three-wheelers
43. Oil drilling rigs
44. Oil refinery equipment
45. Packaging and weighing machinery
46. Pile foundation machinery
47. Plastic machinery
48. Power generation, transmission and distribution equipment including boilers, generators, transformers, switchgears, transmission line towers, conductors, cables, sub-station equipment and protective equipment.
49. Power line carrier communication equipment
50. Power station structures, hydraulic structures like penstocks, gates and gearings, sub-station structures.
51. Pressure vessels.
52. Printing and book-binding machinery
53. Pulp and Paper Mill machinery
54. Railway electrification equipment and structures and railway signalling equipment.
55. Railway rolling stock including locomotives, wagons, coaches and trolleys.
56. Rubber machinery
57. Road and construction equipment including road rollers, tar boilers, continuous batch plants, stone crushers, asphalt mixers, concrete mixers and vibrators.
58. Ships, boats, trawlers, steamers, launches, barges.
59. Solvent extraction machinery
60. Spraying equipment
61. Steam, diesel and petrol engines
62. Steel fabrication for bridges, factories etc.
63. Steel rails and railway track equipment including sleepers, fishplates, points and crossings.
64. Steel shuttering and scaffolding materials

65. Steel tanks
66. Sugar (including Khandsari) machinery
67. Tele-communication and signalling equipment
68. Textile machinery
69. Tractors and Trailers
70. Vending machines
71. Water supply equipment including pumping plant, large diameter fabricated steel pipes, C.I. spun pipes and storage tanks, water treatment and sewage treatment plant.
72. Weigh bridges
73. Welding machinery
74. Wood working machinery

PART 'B' - OTHER GOODS

- 1 Agricultural implements.
- 2 Auto parts
- 3 Bicycles, motorcycles, scooters, mopeds and parts
- 4 Construction materials including sanitaryware, tiles and precast cement products, false ceiling, flooring materials, pipes, decorative laminates, fittings, electricals and steel/aluminium doors and windows, provided they are exported as separate items and not as items forming part of civil construction/turnkey projects.
- 5 Agrigultural chemicals and industrial chemicals.
- 6 Pressure cookers, watches and clocks, knitting/sewing machines, vacuum flasks, cutlery, plastic moulded luggage.
7. Domestic electric appliances.
8. Drugs and pharmaceuticals.
9. Electrical equipment including low tension insulators, batteries and accumulators, parts of electrical machinery and lamps fuses and electrodes for industrial application.
10. Electronic components.
11. Electronic goods including radios, TV, public address systems, record players, tape recorders.
12. Fibreglass, PVC and plastics based products including pipes and tubes, tyre cord.
13. Ferrous/non-ferrous castings, forgings, stampings, extrusions and rolled products.
14. Ferrous/non-ferrous pipes, tubes, sheets, strips, foils, rods, wires, wire ropes

15. Heating and cooling equipment including air conditioners, refrigerators, water coolers.
16. Industrial rubber products including tyres and tubes, cots and aprons, conveyor belts, rubber rollers, hose pipes.
17. Instruments for measurement, scientific survey and for surgical applications.
18. Industrial fasteners, bearings, valves, gears and gaskets.
19. X-ray and other electro-medical and other hospital equipments
20. Office equipments including typewriters, calculators, duplicators, teleprinters.
21. Metal and plastic furniture
22. Hand tools, cutting tools, grinding wheels, moulds dies.
23. Gas cylinders, fire fighting equipment, photographic equipment, helmets, including fibreglass helmets.
24. Any item not included in Part B above that might be agreed upon between Exim Bank and Borrower

**Indian Direct Investment outside India
A.P. (DIR Series) Circular No.32 (April 28,2001)**

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001**

A.P. (DIR Series) Circular No.32

April 28,2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Indian Direct Investment outside India

Attention of the authorised dealers is invited to Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000, notified by the Reserve Bank vide Notification No. FEMA 19/RB-2000 dated 3rd May, 2000 dealing with Indian Investments outside India.

2. With a view to further liberalising overseas direct investment by Indian parties, the Reserve Bank has vide its Notification No.FEMA 40/2001-RB dated March 2, 2001 (copy enclosed) amended the said Regulations. The salient features of the amendments are given in the following paragraphs

a) Investments by Corporates – Joint Ventures (JV)/

Wholly Owned Subsidiaries (WOS) -Limits and Eligibility

- i) Under the Automatic Route as per Regulation 6 of the Notification dated 3rd May, 2000, Indian parties may now invest in Joint Ventures (JV)/Wholly Owned Subsidiaries (WOS) outside India, an amount not exceeding US \$ 50 mn. or its equivalent **in a financial year**, (additional amount of US \$ 25 mn. for investments in Myanmar and SAARC countries, other than Nepal, Bhutan and Pakistan) as against existing limit of US \$ 50 mn. in a block of three years.
- ii) The profitability condition prescribed vide clause (iv) of Regulation 6 (2) under the Notification dated 3rd May 2000 has been dispensed with.
- iii) In respect of direct investment in Nepal and Bhutan in Indian Rupees, the total financial commitment by Indian parties can now be upto **Rs.350 crores in a financial year** as against the existing limit of Rs.120 crores in a block of three financial years.

b) ADR/GDR Issues-Utilisation

- i) Indian parties may henceforth utilise **upto 100 percent of proceeds of ADRs/GDRs for overseas investments** instead of the existing ceiling of 50 per cent allowed vide Regulations 6(3)(iii) and 6(6) of the Notification No.FEMA 19/RB-2000 dated 3rd May, 2000.
- ii) Indian parties engaged in any activity who have already made an ADR/GDR issue, may now acquire shares of foreign companies engaged in the same core activity, upto an amount of US \$ 100 mn., or an amount equivalent to 10 times of their export earnings in the preceding financial year, whichever is higher, by way of swap of fresh issues of ADRs/GDRs under Regulation 8 as amended vide Notification No.FEMA 40/2001-RB dated March 2, 2001 subject to compliance with conditions stipulated therein.

c) **Block Allocation of Foreign Exchange by Reserve Bank**

In terms of Regulation 9A of the Notification No.FEMA 40/2001-RB dated March 2, 2001, Reserve Bank may make a **block allocation of foreign exchange** to Indian parties with proven track record, who have exhausted the limits available to them under sub-regulation (2) of Regulation 6 of Notification No.FEMA 19/RB-2000 dated 3rd May, 2000, on an application submitted to it in form **ODI**, along with necessary documents/particulars.

d) **Investments by Firms**

Firms in India registered under the Indian Partnership Act, 1932, have also been permitted to make direct investments outside India in terms of Regulations 17A and 17B introduced through the Notification No.FEMA 40/2001-RB dated March 2, 2001. Investment proposals of the firms, in terms of Regulation 17A, will be considered by Reserve Bank, on application in form **ODI** (to the extent applicable), keeping in view factors, among others, prima facie viability of the overseas venture, benefits which will accrue to India through such investments, financial position and business track record of the Indian firm, the foreign collaborator and the expertise and experience of the Indian party in the same or related line of activity.

e) **Acquisition of foreign securities by resident individuals**

The limit of US \$ 10,000 or its equivalent in a block of five calendar years stipulated under Regulation 19(2) of the Notification under reference for purchase of equity shares offered by the foreign parent company to the employees/directors of its Indian office, branch, joint venture or subsidiary has been raised from US \$ 10,000 in a block of five calendar years to **US \$ 20,000 or its equivalent in any calendar year.**

3. In the light of the above amendments to the Regulations, the **procedural changes indicated in the Annexure** have been made in the procedure advised vide A.P.(DIR Series) Circular Nos.3 and 13 dated 22nd June, and 14th September, 2000, respectively.

4. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999(42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully,

K.J. UDESHI

Chief General Manager

Annexure

i) Authorised dealers may allow remittances under the automatic route, keeping in view the aforesaid revised guidelines and forward the form **ODA** along with the report of remittance in form **ODR** (in duplicate) to the Reserve Bank of India, Exchange Control Department, Central Office, Overseas Investment Division, Mumbai 400 001 immediately after the investments are made. Remittances may also be allowed for overseas investment by Indian parties on the basis of letter of approval issued by Reserve Bank, upto the amount of block allocation of foreign exchange, subject to terms and conditions stipulated therein. While allowing remittances in respect of individual overseas concerns under the scheme of block allocation, authorised dealers may obtain necessary information in form **ODA** and forward the same to the Reserve Bank along with the report of remittance in form **ODR** as is being done in case of investments under the existing automatic route.

ii) Indian parties making investments under Regulation 8 of Notification No.FEMA 19/2000-RB dated 3rd May, 2000 will continue to report their investments involving ADR/GDR stock swap in the existing form **ODG**, through their designated authorised dealer branches.

iii) Authorised dealers may allow remittance for overseas investments by registered partnership firms in accordance with the approval granted by the Reserve Bank under Regulation 17A and report the same to Reserve Bank of India, Exchange Control Department, Overseas Investment Division, Central Office, Mumbai 400 001 in form **ODR** with a superscription “Remittance by partnership firm under Regulation 17A”.

iv) In respect of investments by a registered partnership firm under Regulation 17B, authorised dealers may, after being satisfied that the firm is a member of their respective All India professional organisation/body [e.g. Institute of Chartered Accountants of India (ICAI) for Chartered Accountants; National Association of Software and Service Companies (NASSCOM)/Electronics Export and Computer Software Promotion Council

(ESC) for software firms; Indian Medical Council (IMC) for medical firms and Bar Council of India or respective State Bar Councils for legal firms, etc.] allow remittances upto US \$ 1 (one) mn. in one financial year. For this purpose, authorised dealers may obtain an application in form **ODA** (to be filled up to the extent applicable) from the partnership firm along with the documents indicated at clauses 1(b) and (c) of the proviso to Regulation 17B and a certificate from a Chartered Accountant showing the details of all investments made during the financial year. Authorised dealers, after effecting the remittance towards such investments, may forward the form **ODA** along with the particulars of remittance in form **ODR**, with superscription “Remittance by partnership firm under Regulation 17B”, to Reserve Bank of India, Exchange Control Department, Overseas Investment Division, Central Office, Mumbai 400 001.

v) As in the case of additional investment in an existing overseas concern by an Indian company, remittance towards subsequent investments by a firm may be allowed by the authorised dealer only after the Reserve Bank has allotted necessary Identification Number to the overseas project. The Identification Number will be allotted after receipt of report on remittance in respect of the original investment in form **ODR** from the authorised dealer.

vi) It may also be ensured that the investing Indian firms route their reports in respect of all their overseas investments, through the same designated branch of the authorised dealer.

vii) After making the investment, the investing firms are required to submit an Annual Performance Report in form **APR** in respect of their overseas ventures as prescribed under Regulation 15 of Notification FEMA 19/RB-2000 dated 3rd May, 2000. They may be specifically advised, in writing, about such requirement by the authorised dealer.

viii) Attention of authorised dealers is also drawn to paragraph 2 of A.P.(DIR Series) Circular No.13 dated September 14, 2000 advising that two copies each of forms **ODA** and **ODR** should be forwarded to the Reserve Bank immediately after investments are made under Regulations 6,9 and 11 of Notification FEMA 19/RB-2000 dated 3rd May 2000. It is clarified that form **ODA** is required to be sent along with form **ODR only in cases of investment made under the Automatic Route** in terms of Regulation 6 or under the scheme of block allocation of foreign exchange in terms of paragraph 2 (c) above. As such, where investments are made under the specific approval accorded by the Reserve Bank, **form ODA need not be obtained from the investor**; only report of investment may be forwarded to the Reserve Bank **in form ODR**.

**Export of goods and services against repayment of
State credit granted by erstwhile Soviet Union
A.P.(DIR Series) Circular No.33 (May 10, 2001)**

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001**

A.P.(DIR Series) Circular No.33

May 10, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs

**Export of goods and services against repayment of
State credit granted by erstwhile Soviet Union**

Attention of authorised dealers is drawn to Annexure I to A.D.(G.P.Series) circular No.4 dated May 19, 1999, indicating names of nominated banks in India for handling matters relating to exports to Russia against repayment of State credit.

2. It has now been decided to include Centurion Bank Ltd. in the list of nominated banks.
3. Authorised dealers may please bring the contents of this circular to the notice of their constituents concerned.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the said Act.

Yours faithfully

P.K. BISWAS
Chief General Manager

**Indo-Myanmar Credit Agreement
dated November 17, 2000 for US\$ 15 million
A.P.(DIR Series) Circular No.34(May 26, 2001)**

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001**

A.P.(DIR Series) Circular No.34

May 26, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs

**Indo-Myanmar Credit Agreement
dated November 17, 2000 for US\$ 15 million**

The Government of India have extended a line of credit of US\$ 15 million (US Dollar Fifteen Million only) to the Government of the Union of Myanmar under a credit agreement entered into between the two Governments on November 17, 2000. The credit will be available to the Government of the Union of Myanmar for import from India of capital goods of Indian manufacture, consultancy services and consumer durables as specified in the Annexure. The contents of the Annexure may be modified by way of additions, deletions, or substitutions from time to time as may be mutually agreed to between the two Governments. The credit will not cover third country imports. The export of goods from India and their import into Myanmar shall take place through normal commercial channels and will be subject to the laws and regulations in force in both the countries.

2. The broad terms and conditions of the line of credit are as under:

- a) All export contracts under the line of credit will be subject to the approval of the Government of India and the Government of Myanmar and shall contain a clause to that effect. The contracts should be forwarded to the Ministry of Finance, Department of Economic Affairs, Government of India, New Delhi, for approval. The Government of Myanmar and the State Bank of India, New Delhi, will be informed in respect of each approved contract by the Ministry of Finance, Government of India.
- b) The credit of US\$ 15 million will be available on f.o.b. (free on board) basis and will cover 100 per cent value of the eligible goods to be exported from India. The

contracts should be expressed in U.S. Dollars. Letters of credit should specify that 100 per cent value shall be financed from the credit.

- c) All disbursements under the credit should be made under letters of credit opened by banks in Myanmar only. All letters of credit shall be advised by banks in Myanmar to the State Bank of India, New Delhi, for onward transmission to the exporters either direct or through another bank in India, if any, nominated by the exporter/s. Normal commercial practices followed in respect of advising payments under letters of credit will be applicable. Further, all letters of credit should be supported by a copy of the contract and should contain the following reimbursement clause:

“Reimbursement for 100 per cent of the f.o.b. value of the contract shall be provided by the State Bank of India, New Delhi, from U.S. \$ 15 million credit extended by the Government of India to the Government of Myanmar. The letter of credit is negotiable after the State Bank of India has issued an advice that it is operative.”

3. The contracts to be financed under the credit agreement for items specified in paragraph 1 of the Annexure should be signed and relative letters of credit established by November 30, 2001. The terminal date for drawal of the full amount under the credit has been fixed as November 30, 2002. In the case of items specified in paragraph 2 of the Annexure, contracts should be signed, letters of credit opened and the full amount be drawn on or before November 30, 2001. If the full amount of the loan is not drawn by the above dates, the balance will be cancelled and the final instalment of the repayment to be made by the Government of the Union of Myanmar shall be reduced accordingly, except as may otherwise be agreed to by the Government of India.

4. Shipments of goods covered by the credit agreement should be declared on GR/SDF Forms, with a prominent superscription reading ‘Exports to Myanmar under credit agreement dated November 17, 2000 between the Government of India and the Government of the Union of Myanmar.’ The number and date of this circular should also be recorded on the GR/SDF Forms in the space provided therefor. On receipt of the full payment of the bills in the manner indicated above, authorised dealers should certify duplicate copies of the relative GR/SDF Forms and forward them to the concerned Regional Office of Reserve Bank of India in the prescribed manner.

5. Ordinarily, no agency commission shall be payable in respect of exports financed under the line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b. value in respect of goods which require after sales service. In such cases, commission will have to be paid in Myanmar by deduction from the invoice value of the relevant shipment and the reimbursable amount will be 100 per cent of the f.o.b. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

6. Authorised dealers may bring the contents of this circular to the notice of their constituents engaged in exports to Myanmar.

7. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully
P.K. BISWAS
Chief General Manager

ANNEXURE

Nature of goods referred to in Indo-Myanmar Credit Agreement of 2000

- (1) Capital goods (along with original spare parts and accessories purchased with the capital goods and included in the original contract).
- (2) Items eligible for coverage under this credit also include consumer durables and consultancy services.

**Foreign Exchange Management Act, 1999 –
Export of Goods and Services
A.P. (DIR Series) Circular No. 35 (June 11, 2001)**

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI – 400 001**

A.P. (DIR Series) Circular No. 35

June 11, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs

**Foreign Exchange Management Act, 1999 –
Export of Goods and Services**

Attention of authorised dealers is invited to paragraph C.10 of the Annexure to A.P. (DIR Series) Circular No.12 dated September 9, 2000, in terms of which authorised dealers have been advised to watch closely realisation of export bills and in cases where bills remain outstanding beyond the due date for payment or 6 months from the date of export, the matter should be promptly taken up with the concerned exporter. If the exporter still fails to arrange repatriation of the export proceeds, within six months or seeks extension beyond six months, the matter should be reported to the Reserve Bank in the prescribed manner.

2. In terms of the amendments made in the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000, vide Notification No.FEMA 36/2001-RB dated February 27, 2001, enclosed to A.P.(DIR Series) circular No.28 dated March 30, 2001, units in Special Economic Zones (SEZs) have been permitted to realise and repatriate the full export value of goods or software to India within twelve months from the date of export. However, as regards follow up of outstanding export proceeds, authorised dealers should send a statement in Form XOS containing the details of **all export bills outstanding beyond six months from the date of shipment irrespective of the location of the exporter/unit**. In case of units located in Special Economic Zones (SEZs), authorised dealers should indicate “SEZ” in the remarks column of XOS statement.

3. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully

P.K. BISWAS

Chief General Manager

**Indo-Sri Lanka Credit Agreement dated
January 29, 2001, for US\$ 100 million
A.P.(DIR.Series) Circular No.36 (June 28, 2001)**

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI - 400 001**

A.P.(DIR.Series) Circular No.36

June 28, 2001

To

All Authorised Dealers in Foreign Exchange

Dear Sirs

**Indo-Sri Lanka Credit Agreement dated
January 29, 2001, for US\$ 100 million**

The Government of India have extended a line of credit of US\$100 million (U.S.Dollar One hundred million only) to the Government of the Republic of Sri Lanka under a credit agreement entered into between the two Governments on January 29, 2001. The credit of US\$ 100 million will be disbursed over a period of three years. After utilisation of the first tranche of US \$ 45 million, a further tranche of US \$ 30 million will be made available during the second year on the same terms and conditions and will be incorporated in a separate agreement. Similarly, third tranche of US \$ 25 million would be made available during the third year on the same terms and conditions by way of another separate agreement. The credit of US \$ 45 million disbursed in the first year, will be available to the Government of the Republic of Sri Lanka for importing from India capital goods of Indian manufacture including original spare parts and accessories purchased together with the capital goods and included in the original contract as also consultancy services, consumer durables and food items – sugar, wheat flour, rice, red split lentils, wheat grains – as mentioned in the Annexure. The contents of the Annexure may be modified by way of additions, deletions or substitutions from time to time as may be mutually agreed to between the two Governments. The credit will not cover third country imports. The export of goods and services from India and their import into Sri Lanka under the line of credit shall take place through normal commercial channels and will be subject to the laws and regulations in force in both the countries.

2. The broad terms and conditions of the line of credit are as under:

- (a) All contracts will be subject to the approval of the Government of India and the Government of Sri Lanka or any agency authorised for this purpose by the Government of Sri Lanka and shall contain a clause to that effect. All contracts shall be sent to the State Bank of India, New Delhi, who will obtain the necessary approvals from the Ministry of Finance, Department of Economic Affairs, Government of India. After each contract has been approved, intimation thereof

will be sent to the Government of the Republic of Sri Lanka or their designated agency.

- (b) The credit will be available for 90 per cent of the f.o.b. value of the eligible goods, services and food items to be exported from India as mentioned in the Annexure. The 10 per cent of the f.o.b. value shall be paid by the importer in U.S. Dollars at the time of opening of the letter of credit. Accordingly, letters of credit should specify that 10 per cent f.o.b. value shall be met out of the remittances from Sri Lanka while the balance 90 per cent shall be financed from the credit. The value of the contract should be expressed in U.S. Dollars.
- (c) All disbursements under the credit shall be made under letters of credit opened by banks in Sri Lanka. All letters of credit will be advised by banks in Sri Lanka to the State Bank of India, New Delhi, for onward transmission to the exporter/s either direct or through another bank in India, if any, nominated by the exporters. Normal commercial practices followed in respect of advising payments under letters of credit will be adopted to ensure that the remaining 10 per cent of the amount of the letter of credit is received in U.S. Dollars. All claims to the State Bank of India for payment of 90 per cent of the f.o.b. value will need to be supported by a certificate of the negotiating bank that the 10 per cent amount directly payable has been received. The letters of credit should be supported by a copy of the contract and should contain the following reimbursement clause:

“ Reimbursement for 90 per cent of the f.o.b. value of the contract shall be provided by the State Bank of India, New Delhi out of US\$ 45 million credit extended by the Government of India to the Government of the Republic of Sri Lanka. The letter of credit is negotiable after State Bank of India has issued an advice that it is operative. The letter of credit will be made operative by the State Bank of India after verifying that the reimbursement from the credit is sought for 90 per cent of the f.o.b. value only and it will be the responsibility of the negotiating bank to ensure that the remaining 10 per cent of the amount of the letter of credit is received in U.S. Dollars. All claims to the State Bank of India for payment of 90 per cent of the f.o.b. value will need to be supported by a certificate of the negotiating bank to the effect that the 10 per cent directly payable has been received.”

3. Contracts concerning capital goods including original spare parts and accessories purchased together with the capital goods forming part of the original contract to be financed under the first tranche of credit should be signed and relative letters of credit established on or before December 31, 2001, and the full amount be drawn under the credit on or before December 31, 2002. In regard to consultancy services, consumer durables and food items, contracts, to be financed under the credit agreement, should be signed, relative letters of credit established and the full amount drawn on or before December 31, 2001. If the full amount is not drawn by the aforesaid dates, the balance will be cancelled and the final instalment of the repayment to be made by the Government of Sri Lanka shall be reduced accordingly, except as may otherwise be agreed to by the Government of India.

4. Shipments under the credit agreement should be declared on GR/SDF/SOFTEX Form with prominent superscription reading “Exports to Sri Lanka under Credit Agreement dated January 29, 2001, between the Government of India and the

Government of the Republic of Sri Lanka.” The number and date of this circular should be recorded on the GR/SDF/SOFTEX Form in the space provided therefor. On receipt of the full payment of bills in the manner indicated above, authorised dealers should certify duplicate copies of the relative GR/SDF/SOFTEX Form and forward the same to the concerned office/s of Reserve Bank in the usual manner.

5. Ordinarily, no agency commission shall be payable in respect of exports financed under the line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b. value in respect of capital goods which require after sales service. In such cases, commission will have to be paid in Sri Lanka by deduction from the invoice value of the relevant shipment and the reimbursable amount will be 90 per cent of the f.o.b. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

6. Authorised Dealers may bring the contents of this circular to the notice of their constituents engaged in exports to Sri Lanka.

7. The directions contained in this circular have been issued under Section 10 (4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999). Any contravention or non-observance of these directions is subject to the penalties prescribed under the Act.

Yours faithfully

P.K. BISWAS

Chief General Manager

**Nature of goods referred to in India–Sri Lanka
Credit Agreement of 2001**

1. Capital goods (along with original spare parts and accessories purchased with the capital goods and included in the original contract).
2. Items eligible for coverage under this credit also include consumer durables, consultancy services and food items – sugar, wheat flour, rice, red split lentils, wheat grains.