



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

**RBI/2011-12/403**  
**A.P. (DIR Series) Circular No.81**

**February 21, 2012**

To

All Category – I Authorised Dealer Banks

Madam / Sir,

**Export of Goods and Services -**  
**Receipt of advance payment for export of goods**  
**Involving shipment (manufacture and ship) beyond one year**

Attention of Authorised Dealer Category – I (AD Category I) banks is invited to the sub-regulation (2) of Regulation 16 of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000, notified vide [Notification No.FEMA.23/RB-2000, dated 3rd May 2000](#), as amended from time to time, in terms of which prior approval of the Reserve Bank is required to be obtained by an exporter for receipt of advance where the export agreement provides for shipment of goods extending beyond the period of one year from the date of receipt of advance payment.

2. With a view to liberalizing the procedure, it has been decided to permit AD Category- I banks to allow exporters to receive advance payment for export of goods which would take more than one year to manufacture and ship and where the 'export agreement' provides for shipment of goods extending beyond the period of one year from the date of receipt of advance payment subject to the following conditions:-

- i) the KYC and due diligence exercise has been done by the AD Category – I bank for the overseas buyer;
- ii) compliance with the Anti Money Laundering standards has been ensured;
- iii) the AD Category-I bank should ensure that export advance received by the exporter should be utilized to execute export and not for any other purpose i.e., the transaction is a bona-fide transaction;
- iv) progress payment, if any, should be received directly from the overseas buyer strictly in terms of the contract;

- v) the rate of interest, if any, payable on the advance payment shall not exceed London Inter-Bank Offered Rate (LIBOR) + 100 basis points;
  - vi) there should be no instance of refund exceeding 10% of the advance payment received in the last three years;
  - vii) the documents covering the shipment should be routed through the same authorised dealer bank; and
  - viii) in the event of the exporter's inability to make the shipment, partly or fully, no remittance towards refund of unutilized portion of advance payment or towards payment of interest should be made without the prior approval of the Reserve Bank.
3. Necessary amendments to the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000, wherever necessary, are being issued separately.
4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any law.

Yours faithfully,

**(Rashmi Fauzdar)**  
**Chief General Manager**