

### **RBI guidance on Advance Import Payment**

AD Category – I bank may allow advance remittance for import of goods without any ceiling subject to the following conditions:

- If the amount of advance remittance exceeds USD 200,000 or its equivalent, an unconditional, irrevocable standby Letter of Credit or a guarantee from an international bank of repute situated outside India or a guarantee of an AD Category – I bank in India, if such a guarantee is issued against the counter-guarantee of an international bank of repute situated outside India, is obtained
- In cases where the importer (other than a Public Sector Company or a Department/Undertaking of the Government of India/State Government/s) is unable to obtain bank guarantee from overseas suppliers and the AD Category – I bank is satisfied about the track record and bonafides of the importer, the requirement of the bank guarantee / standby Letter of Credit may not be insisted upon for advance remittances up to USD 5,000,000 (US Dollar five million). AD Category – I banks may frame their own internal guidelines to deal with such cases as per a suitable policy framed by the bank's Board of Directors
- A Public Sector Company or a Department/Undertaking of the Government of India / State Government/s which is not in a position to obtain a guarantee from an international bank of repute against an advance payment, is required to obtain a specific waiver for the bank guarantee from the Ministry of Finance, Government of India before making advance remittance exceeding USD 100, 000

All payments towards advance remittance for imports shall be subject to the specified conditions

### **RBI Notifications – Specific Cases – I : Advance Remittance for Import of Rough Diamonds**

(i) AD Category – I bank are permitted to allow advance remittance without any limit and without bank guarantee or standby Letter of Credit, by an importer (other than a Public Sector Company or a Department / Undertaking of the Government of India / State Government/s), for import of rough diamonds into India from the under noted mining companies, viz.

- a) De Beers UK Ltd,
- b) RIO TINTO, UK,
- c) BHP Billiton, Australia,
- d) ENDIAMA, E. P. Angola,
- e) ALROSA, Russia,
- f) GOKHARAN, Russia,
- g) Rio Tinto, Belgium,
- h) BHP Billiton, Belgium and
- i) Namibia Diamond Trading Company (PTY) Ltd. (NDTC).

(ii) While allowing the advance remittance, AD bank may ensure the following:

(a) The importer should be a recognized processor of rough diamonds as per the list to be approved by Gems and Jewellery Export Promotion Council (GJEPC) in this regard and should have a good track record of export realisation;

(b) AD Category – I bank should undertake the transaction based on their commercial judgment and after being satisfied about the bonafides of the transaction;

(c) Advance payments should be made strictly as per the terms of the sale contract and should be made directly to the account of the company concerned, that is, to the ultimate beneficiary and not through numbered accounts or otherwise. Further, due caution may be exercised to ensure that remittance is not permitted for import of conflict diamonds;

(d) KYC and due diligence exercise should be done by the AD Category – I bank for the Indian importer entity and the overseas company; and

(e) AD Category – I bank should follow up submission of the Bill of Entry / documents evidencing import of rough diamonds into the country by the importer, in terms of FEMA / Rules / Regulations / Directions issued in this regard.

(iii) In case of an importer entity in the Public Sector or a Department / Undertaking of the Government of India / State Government/s, AD Category – I bank may permit advance remittance subject to the above conditions and a specific waiver of bank guarantee from the Ministry of Finance, Government of India where the advance payments is equivalent to or exceeds USD 100,000.

(iv) AD Category – I banks are required to submit a report in the format annexed (Annex-2) of all such advance remittances made without a bank guarantee or Standby Letter of Credit, where the amount of advance payment is equivalent to or exceeds USD 5,000,000, to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Trade Division, Central Office, Amar Building, Sir. P. M. Road, Fort, Mumbai – 400 001, on a half yearly basis as at the end of September and March every year. The report should be submitted within 15 days from the close of the respective half year.

#### RBI Notifications – Specific Cases – II : Advance Remittance for Import of Aircrafts/Helicopters and other Aviation Related purchases

As a sector specific measure, airline companies which have been permitted by the Directorate General of Civil Aviation to operate as a schedule air transport service, can make advance remittance without bank guarantee, up to USD 50 million. Accordingly, AD Category – I banks may allow advance remittance, without obtaining a bank guarantee or an unconditional, irrevocable Standby Letter of Credit, up to USD 50 million, for direct import of each aircraft, helicopter and other aviation related purchases. The remittances for the above transactions shall be subject to the following conditions:

- i. The AD Category - I banks should undertake the transactions based on their commercial judgment and after being satisfied about the bonafide of the transactions. KYC and due

diligence exercise should be done by the AD Category-I banks for the Indian importer entity and the overseas manufacturer company as well.

- ii. Advance payments should be made strictly as per the terms of the sale contract and are made directly to the account of the manufacturer (supplier) concerned.
- iii. AD Category - I bank may frame their own internal guidelines to deal with such cases, with the approval of their Board of Directors.
- iv. In the case of a Public Sector Company or a Department / Undertaking of Central /State Governments, the AD Category - I bank shall ensure that the requirement of bank guarantee has been specifically waived by the Ministry of Finance, Government of India for advance remittances exceeding USD 100,000.
- v. Physical import of goods into India is made within six months (three years in case of capital goods) from the date of remittance and the importer gives an undertaking to furnish documentary evidence of import within fifteen days from the close of the relevant period. It is clarified that where advance is paid as milestone payments, the date of last remittance made in terms of the contract will be reckoned for the purpose of submission of documentary evidence of import.
- vi. Prior to making the remittance, the AD Category - I bank may ensure that the requisite approval of the Ministry of Civil Aviation / DGCA / other agencies in terms of the extant Foreign Trade Policy has been obtained by the company, for import.
- vii. In the event of non-import of aircraft and aviation sector related products, AD Category - I bank should ensure that the amount of advance remittance is immediately repatriated to India.

Prior approval of the Regional Office concerned of the Reserve Bank will be required in case of any deviation from the above stipulations.

#### RBI Notifications – Specific Cases – III : Advance Remittance for the import of services

AD Category – I bank may allow advance remittance for import of services without any ceiling subject to the following conditions:

(a) Where the amount of advance exceeds USD 500,000 or its equivalent, a guarantee from a bank of international repute situated outside India, or a guarantee from an AD Category – I bank in India, if such a guarantee is issued against the counter-guarantee of a bank of international repute situated outside India, should be obtained from the overseas beneficiary.

(b) In the case of a Public Sector Company or a Department/ Undertaking of the Government of India/ State Governments, approval from the Ministry of Finance, Government of India for advance remittance for import of services without bank guarantee for an amount exceeding USD 100,000 (USD One hundred thousand) or its equivalent would be required.

(c) AD Category – I banks should also follow-up to ensure that the beneficiary of the advance remittance fulfils his obligation under the contract or agreement with the remitter in India, failing which, the amount should be repatriated to India.

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