

**RESERVE BANK OF INDIA  
FOREIGN EXCHANGE DEPARTMENT  
Central Office  
Mumbai 400 001**

RBI/2004/154  
A.P.(DIR Series) Circular No. 87

April 17, 2004

To

All Authorised Dealers in Foreign Exchange

**Madam / Sir, Trade Credits for Imports into India – Review and Simplification**

As Authorised Dealers (ADs) are aware, effective September 27, 2002, ADs have been permitted to approve Short-Term Credit (STC) up to USD 20 million per import transaction for a period less than three years (vide A.P. (DIR Series) Circular No. 25 dated September 27, 2002). STC exceeding USD 20 million per import transaction requires prior approval of the Reserve Bank.

2. The present instructions have been reviewed in the light of experience gained and recent developments. Consequently, it is clarified that the extant guidelines covering such credits for imports of all items up to USD 20 million per import transaction with a maturity period up to one year remain unchanged. Credits up to USD 20 million per import transaction with a maturity period exceeding one year but less than three years would now be permitted only for import of capital goods. The reporting arrangements for such credits have been further simplified. The revised guidelines are set out below.

3. It is clarified that credit extended for imports directly by the overseas supplier, bank and financial institution for original maturity of less than three years is hereinafter referred to as 'trade credit' for imports. Depending on the source of finance, such trade credit will include suppliers' credit or buyers' credit. It may be noted that buyers' credit and suppliers' credit for three years and above come under the category of External Commercial Borrowings (ECB) which are governed by ECB guidelines issued vide A. P. (DIR Series) Circular No. 60 dated January 31, 2004 and modified from time to time.

4. It has been decided that ADs may henceforth approve trade credits for imports into India up to USD 20 million per import transaction for import of all items (permissible under the EXIM Policy) with a maturity period (from the date of shipment) up to one year. For import of capital goods, ADs may approve trade credits up to USD 20 million per import transaction with a maturity period of more than one year and less than three years. No roll-over/extension will be permitted by the AD beyond the permissible period.

5. As hitherto, ADs shall not approve trade credit exceeding USD 20 million per import transaction.

6. The all-in-cost ceilings will continue as under:

<b>Maturity period</b>	<b>All-in-cost ceilings over 6 months LIBOR*</b>
Up to one year	50 basis points
More than one year but less than three years	125 basis points

\* for the respective currency of credit or applicable benchmark.

The all-in-cost ceilings include arranger fee, upfront fee, management fee, handling / processing charges, out of pocket and legal expenses, if any. The all-in-cost ceilings will be reviewed from time to time.

7. As hitherto, ADs shall not issue guarantee, letter of undertaking or letter of comfort in favour of overseas lender on behalf of their importer constituent for trade credit without prior approval of the Reserve Bank.

8. As regards reporting arrangements, ADs are required to furnish details of approvals, drawal, utilisation, and repayment of trade credit granted by all its branches, in a consolidated statement, during the month, in form TC (format in Annex) from April 2004 onwards to the Director, Division of International Finance, Department of Economic Analysis and Policy, Reserve Bank of India, Central Office Building, 8<sup>th</sup> floor, Fort, Mumbai – 400 001 (and in MS-Excel file through email to [deapdif@rbi.org.in](mailto:deapdif@rbi.org.in)) so as to reach not later than 10<sup>th</sup> of the following month. Each trade credit may be given a unique identification number by the AD.

9. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 2000 are being issued separately.

10. These amendments to trade credit policy will come into force immediately. These instructions supersede earlier instructions on trade credit issued by the Reserve Bank and will be subject to review from time to time.

11. Authorised Dealers may bring the contents of this Circular to the notice of their constituents concerned.

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).

Yours faithfully,

**Grace Koshie**

**Chief General Manager**



Note 4: Data on rate of interest (col. No 10) & all-in-cost (col no 12) should be entered as follows: 3 per cent per annum is to be typed as '3.00' without any % sign.

Note 5: In the Col. No 13, no. of days/month/year under period of credit may be entered as follows: '90' for 90 days.

Note 6: In the case of unit of time period (Col. No 14), only unit of time period such as days (DD), months (MM), year (YY) to be entered.

Note 7: Codes for Category of Borrower (in Col. 4) may be entered as follows: PUB: Public Sector, BKG: Banking, PVT: Private

## Form – TC

Part II : Disbursement, Utilisation and Debt Servicing of Trade Credit during (month) / (year)											
Sr. No.	Loan Identification No.	Amount Approved (USD)	Disbursement (USD)	Utilisation (USD)	Repayments (USD)				Outstanding (4-6)	Date of	
					Principal	Interest	Other charges	Total (6+7+8)		Shipment	Final Repayment
1	2	3	4	5	6	7	8	9	10	11	12

**Note 1: Information in column nos.1, 3 to 10 should be numeric only. No alphabets should be entered in those columns.**

**Note 2: Date format in col. No 11, 12 is YYYY/MM/DD. For example, December 31, 2003 should be entered as 2003/12/31**

Certificate by the Authorised Dealer

1. All trade credits for imports approved by all our branches during the month----- have been included in this statement.
2. Related import documents (including EC copy of Bill of Entry) towards utilisation of such trade credits have been verified and found in order.
3. The drawal, utilisation and repayment of all trade credits approved by our branches have been scrutinised and it is certified that such drawal, utilisation and repayments of trade credits

Place:-----

Date: -----

Signature of Authorised Dealer  
[ Stamp]