

Interest rates on Export Credit in Foreign Currency

IECD No. 14/04.02.01/2000-01

April 19, 2001

The Chairmen/Chief Executives of
all commercial banks

Dear Sir,

Interest rates on Export Credit in Foreign Currency

Please refer to paragraph 70 of the statement on Monetary and Credit Policy for the year 2001-2002 enclosed to the Governor's letter No.MPD/BC/206/07.01.279/2000-01 dated April 19, 2001 relating to export credit in foreign currency.

2. With the ceiling rate on FCNR (B) deposits being lowered to LIBOR/SWAP rates from LIBOR/SWAP rates plus 50 basis points, it has been decided to revise the ceiling rate on foreign currency loans for exports by banks to LIBOR plus 1.0 percentage point. Accordingly, banks may extend export credit in foreign currency to exporters at interest rates not exceeding one percent over LIBOR with immediate effect. The schedule of interest rates effective from 19 April 2001 is furnished in the Annexure.
3. Similar changes may be effected in interest rates in cases where EURO LIBOR/EURIBOR have been used as the benchmark.
4. The revision in the rates of interest would be applicable not only to fresh advances but also to the existing advances for the remaining period.
5. A copy of your internal instructions issued in this regard to your branches may be forwarded to us for our information and record at the earliest.
6. Please acknowledge receipt.

Yours faithfully,

(S.S.Gangopadhyay)
CGM-in-Charge

Encl : As above

Annexure

Schedule of Interest Rates on Export Credit in
foreign currency of scheduled commercial banks
effective from 19 April 2001

Interest rates
(per cent per annum)

<u>1. Pre-shipment Credit</u>	
Upto 180 days	Not exceeding 1% over LIBOR/EURO LIBOR/EURIBOR
(a) Beyond 180 days and upto 360 days	Rate for initial period of 180 days prevailing at the time of extension plus 2.0 percentage points
<u>2. Post-shipment Credit</u>	
(a) On demand bills for transit period (as specified by FEDAI)	Not exceeding 1% over LIBOR/EURO LIBOR/EURIBOR
(b) Usance bills (for total period comprising usance period of export bills, transit period as specified by FEDAI and grace period wherever applicable)	
Upto 6 months from the date of shipment.	
(a) Export bills (demand or usance) realised after due date but upto date of crystalisation	Not exceeding 1% over LIBOR/EURO LIBOR/EURIBOR
<u>3. Export Credit Not Otherwise Specified (ECNOS)</u>	Rate for 2(b) above plus 2.0 percentage points
(a) Pre-shipment credit	Free @
(b) Post-shipment credit	Free @

@ Banks are free to decide the rate of interest being rupee credit rate keeping in view the
PLR and spread guidelines.