

March 02, 2007

To

All Category – I Authorised Dealer Banks

Madam / Sir,

Advance Remittance for Import of Rough Diamonds

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to paragraph A.6 of the Annexure to A. P. (DIR Series) Circular No.106 dated June 19, 2003 and A.P. (DIR Series) Circular No.15 dated September 17, 2003, in terms of which AD Category - I banks have been permitted to make advance remittance up to USD 1,000,000/- (USD One Million) or its equivalent, without a bank guarantee / Standby letter of credit, subject to the conditions specified for import of goods into India.

2. The Expert Committee on Gems and Jewellery Sector, constituted by the Ministry of Finance, Government of India has recommended that a more liberal approach may be adopted on advance payment for import of rough diamonds. Based on the recommendations, the Gems and Jewellery Export Promotion Council (GJEPC) approached the Reserve Bank for allowing import of rough diamonds from five mining companies of rough diamonds, viz., i) RIO TINTO, UK; ii) BHP Billiton, Australia; iii) ENDIAMA, E. P. Angola; iv) ALROSA, Russia; and v) GOKHARAN, Russia, in addition to the Diamond Trading Company Pvt. Ltd., UK, in respect of which advance payments without bank guarantee, could be permitted.

3. With a view to liberalising the procedure further and facilitate import of rough diamonds, AD Category - I banks are, henceforth, 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 undernoted mining companies, viz.

- i) Diamond Trading Company Pvt. Ltd., UK,
- ii) RIO TINTO, UK,
- iii) BHP Billiton, Australia,
- iv) ENDIAMA, E. P. Angola,
- v) ALROSA, Russia, and
- vi) GOKHARAN, Russia.

4. While allowing the advance remittance, AD Category - I banks may ensure the following :

- (i) The importer should be a recognised processor of rough diamonds as per a list to be approved by GJEPC in this regard and should have a good track record of export realisation;
- (ii) AD Category - I banks should undertake the transaction based on their commercial judgment and after being satisfied about the bonafides of the transaction;
- (iii) 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;
- (iv) KYC and due diligence exercise should be done by the AD Category - I banks for the Indian importer entity and the overseas company; and
- (v) AD Category - I banks should follow up submission of the Bill of Entry / documents evidencing import of rough diamonds into the country by the importer, in terms of the Act / Rules / Regulations / Directions issued in this regard.

5. 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 banks 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/- (USD one hundred thousand only).

6. AD Category - I banks are required to submit a report 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/- (USD Five million only), to The Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Trade Division, Central Office, Amar Bhawan, Sir. P. M. Road, Fort, Mumbai – 400 001, on a half yearly basis, as at the end of September and March every year, in the format annexed. The deadline for submission of the report would be 15 calendar days after the close of each half year.

7. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

8. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

Annex

[A. P. (DIR Series) Circular No. 34 dated March 02, 2007]

Statement of Advance Remittance without bank guarantee or standby letter of credit where the amount of advance is equivalent to or more than USD 5 million for import of Rough Diamonds for the period ended

Name of the AD Category – I Bank :

AD Code (14 digit) :

Sl. No.	Name of the Company	Name of the Importer Entity and IEC No.	Amount of Advance Payment made without BG / Standby LC	Whether document for evidence of import submitted
1.	Diamond Trading Company Pvt. Ltd., UK			
2.	RIO TINTO, UK			
3.	BHP Billiton, Australia			
4.	ENDIAMA E. P. Angola			
5.	ALROSA, Russia			
6.	GOKHARAN, Russia			

Signature of the authorised official of the bank :

Date :

Stamp :