

May 28, 2008

To

All Category-I Authorised Dealer Banks

Madam/Sir,

**Trade Credits for Imports into India – Review of all-in-cost ceiling**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to paragraph 6 of the A. P. (DIR Series) Circular No. 87 dated April 17, 2004 relating to the all-in-cost ceiling of Trade Credits for imports into India.

2. At present, the all-in-cost ceiling in respect of Trade Credits up to one year is 50 basis points over 6 months LIBOR for the respective currency of credit or applicable benchmark. On a review, it has been decided to enhance the all-in-cost ceiling for trade credits as under:

Maturity Period	All-in cost ceiling over 6-month LIBOR*	
	Existing	Revised
Up to one year	50 basis points	75 basis points
More than one year up to three years	125 basis points	125 basis points

\* for the respective currency of credit or applicable benchmark

3. This amendment to Trade Credit Policy will come into force immediately. All other aspects of Trade Credit remain unchanged.

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

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

6. 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 is without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

**(D. Mishra)**  
Chief General Manager