

October 27 , 2008

To,

All Authorised Dealer Category - I 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 the A. P. (DIR Series) Circular No. 42 dated May 28, 2008 relating to the all-in-cost ceiling of Trade Credits for imports into India.

2. As the domestic importers are experiencing difficulties in raising trade credits within the existing all-in-cost ceiling in view of the tight liquidity conditions in the international credit markets, an enhancement of the all-in-cost ceiling for trade credits was announced in the Mid-term Review of Annual Policy Statement for the Year 2008-09 (para-147). Accordingly, the revised all-in-cost ceiling for Trade Credits will be as under:

Maturity Period	All-in cost ceiling over 6-month LIBOR*	
	Existing	Revised
Up to one year	75 basis points	200 basis points
More than one year up to three years	125 basis points	

* for the respective currency of credit or applicable benchmark

The all-in-cost ceiling will be reviewed from time to time depending on the conditions in the international financial markets.

3. The change in the all-in-cost ceiling will come into force immediately. All other aspects of Trade Credit policy 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,

(Salim Gangadharan)
Chief General Manager