

Preface

1. **Author has felt when he qualified as Chartered Accountant (CA) in Year 1985 that legal provisions' interpretations are big challenge for legal professionals, govts' officials and public at large in India and outside India.**
2. **Author has realized that something should be developed to resolve this challenge in India and outside India.**
3. **Author has started compiling Frequently Asked Questions (FAQs) on many subjects where his 100% answers are precisely based on Yes or No i.e. white or black nothing is grey**
4. **Author has compiled approximately 150 +(plus) research papers / books with 25 thousand +(plus) pages on many prevailing subjects / acts in India and outside India.**
5. **Author's 1st paper book is now being published under head FAQs on Enforcement Directorate (ED) where 571 FAQs are replied based on Yes or No i.e. white or black nothing is grey**
6. **This book is also containing**
 - (i) Foreign Exchange Management Act (FEMA) 1999 and rules / regulations
 - (ii) Prevention of Money Laundering Act (PMLA) 2002 and rules / regulations
 - (iii) Fugitive Economic Offenders Act (FEOA) 2018 and rules / regulations
7. **This book is published with Sai Kripa and dedicated to my father (late) Mr. M.R. Agarwal, Mother Mrs. R.D. Agarwal, wife Mrs. Snigdha Agarwal, daughter Ms. Soumya Agarwal, daughter Ms. Sanya Agarwal and dedicated team headed by Rajat Kumar**

● **I trust that you will be enriched by reading this book**

With best wishes,
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Author's Profile

Mr. Satish Agarwal (FCA) is heading M/s Satish S Agarwal & Co. Chartered Accountants since 1985 with a team of dynamic young professionals serving clients from various business sectors including public listed companies and government undertakings. Firm was also registered with PCAOB (USA) for undertaking audits and other work of US GAAP.

He is regularly advising on several matters to Institute of Chartered Accountant of India (ICAI) and also to Ministry of Commerce (MoC) for Foreign Trade Agreements (FTAs) and World Trade Organization (WTO) for securing India's best interests.

He is continuously advising on Foreign Investments (FIs) in India and also on Overseas Direct Investments (ODIs) outside India.

He is known for his expertise in incorporating companies in most of countries across the world.

He has written around 150 +(plus) Research papers / books containing 25 thousand +(plus) pages available "freely" on certain portals like:

https://taxguru.in/author/satishagarwal307_1957

Or

www.femainindia.com

Few out of abovementioned Research papers / books are as under:

1. *Book on Enforcement Directorate (ED) in India- (Book with 617 pages)*
2. *Director of Revenue Intelligence (DRI) in India*
3. *Central Bureau of Investigation (CBI) in India*
4. *National Investigation Agency (NIA) in India*
5. *Serious Fraud Investigation Office (SFIO) in India*
6. *Financial Intelligence Unit (FIU-IND) in India*
7. *Central Vigilance Commission (CVC) in India*
8. *Narcotics Control Bureau (NCB) in India*
9. *Research & Analysis Wing (R&AW) in India*
10. *Economic Offence Wing (EOW) in India*
11. *Intelligence Bureau (IB) in India*
12. *Director General of Income Tax Criminal Investigation (DGITCI) in India*
13. *National Company Law Tribunal (NCLT) in India*
14. *Security Exchange Board of India (SEBI) in India*
15. *Prevention of Corruption (PC) Act,1988 in India*

16. *Foreign Assets Investigation Unit (FAIU) in India*
17. *Book on International Financial Services Center (IFSC) in India (Book with 290 pages)*
18. *Replacement of Indian Penal Code (IPC) Criminal Procedure (CP) & Evidence Act (EA) in India*
19. *Undisclosed Foreign Income & Asset (UFIA)-Black Money Act, 2015*
20. *Statutory provisions for General Anti Avoidance Rule (GAAR) in India*
21. *Reserve Bank of India (RBI) Act, 1934*
22. *Foreign Exchange Management Act (FEMA) 1999 in India*
23. *Benami Transactions (Prohibition) Amendment Act, 2016 in India*
24. *Advance Pricing Agreements (APAs) in India*
25. *Annual Performance Report (APR) for Investments outside India*
26. *Foreign Trade Agreements (FTAs) executed by India*
27. *Statutory Obligations for Companies Operating in India*
28. *Significant Beneficial Owners (SBO) in India*
29. *Significant Economic Presence (SEP) in India*
30. *Place of Effective Management (POEM) in India*
31. *Liberalized Remittance Scheme (LRS) for residents of India*
32. *Foreign Liability and Asset (FLA) return in India*
33. *FATCA agreement with USA*
34. *Double Taxation Avoidance Agreement (DTAA) with USA*
35. *Foreign Tax Credit (FTC) in India*
36. *Corporate Frauds (CFs) in India*
37. *Export of Goods and Services under FEMA, 1999 in India*
38. *Imports of Goods and Services under FEMA, 1999 in India*
39. *External Commercial Borrowings (ECBs) in India*
40. *Overseas Direct Investments (ODIs) under FEMA, 1999 in India*
41. *Acquisition of Immovable Properties by Non-residents under FEMA, 1999 in India*
42. *Compounding of Contraventions under FEMA, 1999 in India*
43. *Foreign Branch Office (BO) + Liaison Office (LO) + Project Office (PO) under FEMA, 1999 in India*
44. *Annual Information Statement (AIS) in India*
45. *Investments by Non-Residents (NRIs) in India*
46. *Guidance for Doing Business in United States of America (USA)*
47. *Corporate Tax (CT) Law in UAE*
48. *Acquisition & Transfer for Immovable Properties by Non-Residents (NRs) in India*
49. *Foreign Company's Registration in India*
50. *Auditor Checks and Reporting for Indian Companies in India*
51. *Companies Auditor Report Order (CARO) 2020 in India*
52. *Tax Audit Report (TAR) + Accounting Standard (ASs) in India*
53. *World Trade Organisation (WTO) & Benefits for India*
54. *Deposits by Corporate in India*
55. *Expatriates + Foreign Citizens in India*
56. *Book on Foreign Investments (FIs) by Non-Residents of India (Non-RoI) (Book with 346 pages)*



121 FAQs on Imports of Goods and Services (IoGS) under FEMA, 1999

INDEX

S. NO	Particulars	Page No.
Chapter I - Introduction for IoGS		
1.	What is Legal status for IoGS?	8
2.	What are RBI's regulations for IoGS?	8
3.	What are RBI's directions for IoGS?	8
4.	What are RBI's instructions for IoGS?	8
5.	What are RBI's directions for regulation's changes?	8
6.	What is DGFT's role for IoGS?	9
7.	What are Bank's roles for FTPs' compliances?	9
8.	What are Bank's roles for UCPDC?	9
9.	What are Bank's roles for R&D Cess Act?	9
10.	What are Bank's roles for Income Tax + Companies Act?	9
11.	What are Bank's roles for approaching to RBI?	9
Chapter II - RBI's "General" Guidelines for IoGS		
12.	What are RBI's rules + regulations for IoGS?	10
13.	What is RBI's normal trade practice for IoGS?	10
14.	What is Bank's role for import's remittances?	10
15.	What is Bank's role for FTP's licences?	10
16.	What is Bank's role for opening LCs?	10

17.	What is Bank's role for preserving utilized licences?	10
18.	What is Importers' role for acquiring foreign exchanges?	10
19.	What are Importers' roles for furnishing evidences?	10
20.	What are Importers' duties for goods / services' values?	11
21.	What are Importers' duties for IDPMS' uploading?	11
22.	What are Importers' rights for using international credit cards?	11
23.	What are Importers' rights for non-residents' expenses?	11
24.	What are Importers' rights for crossed cheques / bank drafts?	11
25.	What are Importers' rights for non-residents' expenses in INR?	11
26.	What are Time limits for normal payments?	12
27.	What are Importer's rights for withholding payments?	12
28.	What are Bank's roles for delay payments?	12
29.	What are Bank's roles for delay payments' interest?	12
30.	What are Time Limits for deferred payments?	12
31.	What are ECBs for deferred payments?	12
32.	What are Time Limits for books' imports?	12 & 13
33.	What are Time Limits for extensions?	13
34.	What are RBI's guidelines for extensions?	13
35.	What are Banks' roles for extensions?	13 & 14
36.	What are RBI's guidelines for foreign currencies' imports?	14
37.	What are RBI's guidelines for foreign currencies by non-residents?	14
38.	What are RBI's guidelines for Indian currency by residents?	14
39.	What are Banks' roles for 3rd party payments?	15
40.	What are Banks' roles for issuing guarantees?	15

41.	What are Banks' roles for different guarantees?	15
42.	What are Banks' roles for service's import guarantees?	16
43.	What are Limits for non-PSUs services' guarantees?	16
44.	What are Limits for PSUs services' guarantees?	16
45.	What are Banks' roles for corporate guarantees?	16

Chapter III - RBI's "Operational" Guidelines for IoGS

● Banks' roles for Advance remittances ●

46.	What are Banks' roles for advance remittances?	17
47.	What are Limits for advance remittances?	17
48.	What are Banks' roles for remittances "without" guarantees?	17
49.	What are Banks' roles for framing internal guidelines?	17
50.	What are Banks' roles for PSUs remittances "without" guarantees?	17
51.	What are ORMs for advance remittances?	18
52.	What are Banks' roles for rough diamonds' remittances?	18
53.	What are Banks' duties for rough diamonds' remittances?	18 & 19
54.	What are Banks' roles for Aircrafts' remittances?	19
55.	What are Banks' duties for Aircrafts' remittances?	19 & 20
56.	What are Banks' roles for services' remittances?	20
57.	What are Banks' duties for services' remittances?	20 & 21
58.	What are Banks' roles for outstanding bills' interests?	21
59.	What are Banks' roles for bills' prepayments?	21
60.	What are Banks' roles for ORM mark in IDPMS / etc.?	21
61.	What are Banks' roles for lost-in-transit?	22
62.	What are Banks' roles for issuing replacements' guarantees?	22

63.	What are Banks' roles for BPOs' equipment imports?	22
64.	What are Banks' duties for BPOs' equipment imports?	22 & 23
65.	What are Banks' roles for ORMs' generations?	23
66.	What are Banks' duties for ORMs' generations?	23
67.	What are Exemptions for ORMs' generations?	23
68.	What are Banks' roles for diamonds imports' remittances?	23 & 24
69.	What are Banks' duties for diamonds imports' remittances?	24
70.	What are Banks' roles for receiving documents directly?	24
71.	What are Documentary evidences for physical imports?	24 & 25
72.	What are Banks' roles for imports on acceptance basis?	25
73.	What are Banks' roles for creating ORMs?	25
74.	What are Banks' roles for documents in Lieu of BoE?	26
75.	What are Conditions for documents in Lieu of BoE?	26
76.	What are Banks' rights for documents in Lieu of BoE?	26
77.	What are Banks' roles for intangibles' imports?	26
78.	What are Banks' roles for documents not submitted?	27
79.	What are Banks' roles for settling ORMs?	27
80.	What are Documents for settling ORMs?	27
81.	What are Importers' roles for settling ORMs?	27
82.	What are Banks' roles for time's extension?	28
83.	What are Banks' roles for write offs?	28
84.	What are Importers' roles for write offs?	28
85.	What are Conditions for write offs?	28 & 29
86.	What are RBI's roles for write offs?	29

87.	What are Banks' roles for continuing follow-ups?	29
88.	What are Banks' roles for document's verifications?	29
89.	What are Banks' roles for document's preservations?	29
90.	What are Banks' roles for evidences' follow-ups?	30
91.	What are Banks' roles for reporting to RBI's RO?	30
92.	What is Govt.'s roles for imports' 20:80 scheme?	30
93.	What are Banks' roles for golds' imports?	30
94.	What are Banks' roles for star holder exporters' imports?	31
95.	What are Banks' roles for gold coins' imports?	31
96.	What are Banks' roles for golds imports' loans?	31
97.	What are Banks' roles for precious metals' imports?	31 & 32
98.	What are Banks' roles for 180 days clean credits?	32
99.	What are Banks' roles for 360 days clean credits?	32
100.	What are Banks' roles for "more than" 360 days clean credits?	33
101.	What are Banks' duties for metals / diamonds' imports?	33
102.	What are Banks' roles for platinum + silvers' imports?	33
103.	What are Banks' roles for factoring services?	33

● **Merchanting Trade Transactions (MTTs)** ●

104.	What are Banks' roles for MTTs?	34
105.	What are Banks' duties for MTTs?	34 to 36
106.	What are Importers' roles for MTTs?	36
107.	What are RBI's roles for MTTs?	37
108.	What are Banks' roles for unrealized MTT's write-offs?	37
109.	What are Banks' duties for unrealized MTT's write-offs?	37

110.	<i>What are Banks' roles for MTT's payments to 3rd party?</i>	38
111.	<i>What are Banks' roles for MTT's agency commissions?</i>	38
112.	<i>What are Banks' duties for MTT's agency commissions?</i>	38
113.	<i>What are RBI's roles for MTT's regularizations?</i>	38
114.	<i>What are Banks' roles for MTT's reporting?</i>	38
115.	<i>What are Banks' roles for MTTs with Nepal/Bhutan?</i>	38
116.	<i>What are Banks' duties for MTTs with Nepal/Bhutan?</i>	39

● *Payments through Online Payment Gateway Service Providers (OPGSPs)* ●

117.	<i>What are Banks' roles for OPGSPs?</i>	40
118.	<i>What are Banks' duties for OPGSPs?</i>	40
119.	<i>What are Permissible debits for OPGSPs?</i>	40
120.	<i>What are Banks' roles for imports' settlements?</i>	40 & 41
121.	<i>What are Banks' duties for imports' settlements?</i>	41
●	<i>Master Direction on Import of Goods and Services on Jan 01, 2016</i>	42 to 79
●	<i>Master Circular on Import of Goods and Services on July 01, 2013</i>	80 to 101
●	<i>Master Circular on Import of Goods and Services on July 01, 2011</i>	102 to 145
<i>Profile of Publisher for 121 FAQs on IoGS under FEMA, 1999</i>		146



121 FAQs on Imports of Goods and Services under FEMA, 1999

(Source for compilation is Master direction no. 18 dated Jan 01, 2016 was 1st direction + also updated on Jan 06, 2022)

Chapter I - Introduction for IoGS

1. What is Legal status for IoGS?

- (i) IoGS are permitted under section 5 of FEMA, 1999.
- (ii) IoGS provisions are notified through notification no. G.S.R. 381(E) dated May 03, 2000 i.e. Foreign Exchange Management (Current Account Transaction) Rules, 2000.
- (iii) IoGS provisions are amended from time to time for incorporating changes in regulatory frameworks + also published through several amendment notifications "both".

2. What are RBI's regulations for IoGS?

- RBI's regulations are required to communicate through issue of directions to AD Category-I Banks (Banks) under section 11 of FEMA, 1999.

3. What are RBI's directions for IoGS?

- RBI's directions are required to prescribe modalities for foreign exchange businesses with Importers for implementing RBI's regulations.

4. What are RBI's Instructions for IoGS?

- (i) RBI's instructions are required to issue for IoGS through Master Direction (MD) with several circulars / notifications.
- (ii) Master Direction no. 18 dated Jan 01, 2016 was 1st direction issued for IoGS under FEMA + also "lastly" updated on Jan 06, 2022 "both".

5. What are RBI's directions for regulation's changes?

- RBI is required to issue directions to Banks through A.P. (DIR Series) for changes in regulations + also directions "both" for transactions with importers.



6. What is DGFT's role for IoGS?

- IoGS are required to regulate by Directorate General of Foreign Trade (DGFT) working under Ministry of Commerce and Industry, Government of India (Govt.) through Department of Commerce.

7. What are Bank's roles for FTPs' compliances?

- Banks are required to ensure that imports are in conformity with Foreign Trade Policy (FTP) + with Foreign Exchange Management (Current Account Transactions) Rules, 2000 + notified through Notification No. G.S.R.381 (E) dated May 3, 2000 + RBI's directions issued under FEMA 1999 + also amended from time to time "all".

8. What are Bank's roles for UCPDC?

- Banks are required to follow "normal" banking procedures + provisions for Uniform Customs and Practices of Documentary Credits (UCPDC) + also etc. "all" for opening Letters of Credit (LC) for importers.

9. What are Bank's roles for R&D Cess Act?

- Banks are required to ensure compliances with provisions for Research & Development (R&D) Cess Act, 1986 for imports of drawings + also designs "both".

10. What are Bank's roles for Income Tax + Companies Act?

- Banks are required to advise to importers for ensuring compliances with provisions of Income Tax Act (ITA) 1961 + also Companies Act (CA) 2013.

11. What are Bank's roles for approaching to RBI?

- Banks are required to approach RBI's Regional Office (RO) under Foreign Exchange Department situated in jurisdiction where Importers are residing / firms / companies are functioning when banks don't have powers.



Chapter II - RBI's "General" Guidelines for IoGS

12. What are RBI's rules + regulations for IoGS?

- Banks are required to follow RBI's rules + also regulations "both" when importers are making payments for imports of goods / services.

13. What is RBI's normal trade practices for IoGS?

- Banks are required to follow "normal" trade practices when "specific" rules + also regulations "both" are not existed i.e. RBI's Know Your Customer (KYC) regulations.

14. What are Bank's roles for import's remittances?

- Banks are required to ensure that 100% "requisite" details are available with importers + also remittances "both" for bona fide "trade" transactions in accordance with prevailing laws in India.

15. What are Bank's roles for FTP's licences?

- Banks are required to obtain FTP's licences when import of goods / services are under FTP's "negative" list.

16. What are Bank's roles for opening LCs?

- Banks are required to open LCs for import of goods / services

17. What are Bank's roles for preserving utilized licences?

- Banks are required to preserve "utilized" licence's copies till these are verified by banks' Internal Auditors / Statutory Auditors / inspectors.

18. What are Importers' roles for acquiring foreign exchanges?

- Importers are required to use acquired foreign exchange as mentioned in their declaration filed to banks under section 10(5) of FEMA, 1999

19. What are Importers' roles for furnishing evidences?

- Importers are required to furnish evidences for imports of goods / services like:
 - (i) Postal Appraisal Form (PAF)
 - (ii) Customs Assessment Certificate (CAC)



20. What are Importers' duties for goods / services' values?

- Importers are required to ensure that goods / services' values are not lower than amount remitted for export of goods / services.

21. What are Importers' duties for IDPMS' uploading?

- Importers are required to ensure that 100% outstanding payments are uploaded in IDPMS on scheduled notified dates.

22. What are Importers' rights for using international credit cards?

- (i) Importers are permitted to make payments for imports of goods / services using "international" credit card issued in INR by "international" credit card / debit card issuing agencies / banks for making payments in foreign exchanges.
- (ii) Importers are required to ensure that 100% payments using "international" credit card / debit card are in FTP's conformity.

23. What are Importers' rights for non-residents' expenses?

- Importers are permitted to make payments for expenses in INR for non-residents visiting in India for importers' works like:
 - (i) Boarding expenses
 - (ii) Lodging expenses
 - (iii) Other expenses

24. What are Importers' rights for crossed cheques / bank drafts?

- Importers are permitted to make payments by "crossed" cheques / crossed bank drafts for golds / silvers' purchased in accordance with Foreign Trade (Development and Regulations) Act, 1992 / under other laws / rules / regulations for time being in force

25. What are Importers' rights for non-residents' expenses in INR?

- Importers are permitted to make payments in INR to their non-resident non "whole-time" directors visiting in India for importers' works + these directors are entitled for sitting fees + commissions + remunerations + travel expenses in accordance with company's Memorandum of Association (MoA) + Articles of Association (AoA) + also resolutions passed by companies in their AGMs / EGMs / Board of Directors (BoDs) "all".



26. What are Time Limits for normal payments?

- (i) Importers are required to make 100% payments within maximum 6 months commencing from shipments' date "before" July 31, 2020.
- (ii) Importers are required to make 100% payments within maximum 12 months commencing from shipments' date "after" July 31, 2020.

27. What are Importer's rights for withholding payments?

- Importers are permitted for "withholding" payments for "performance" guarantees + disruptions due to outbreak i.e. COVID-19 + also etc. "all"

28. What are Bank's roles for delay payments?

- Banks are permitted to make 100% payments within maximum 3 years when delays are due to disputes / financial difficulties + also etc. "both"

29. What are Bank's roles for delay payments' interest?

- Banks are not permitted to make payments for delay payments' "interest" exceeding 3 years.

30. What are Time Limits for deferred payments?

- Banks are permitted to make 100% payments within maximum 5 years when payments are required under deferred payment arrangements / supplier credits / buyer credits

31. What are ECBs for deferred payments?

- (i) Importers are required to treat External Commercial Borrowings (ECBs) + also trade credits "both" for deferred payment arrangements / supplier credits / buyer credits
- (ii) Importers are required to obey RBI's ECBs guidelines for deferred payment arrangements / supplier credits / buyer credits

32. What are Time Limits for books' imports?

- (i) Banks are permitted for remitting 100% outstandings against books' imports "without" restrictions for number of years + also interest payments for 100% outstanding's period "both".



(ii) Banks are for not permitted for imposing restrictions i.e. 1 / 3 / 5 years for remitting 100% outstandings for books' imports

(iii) Banks are not permitted for imposing restrictions for not to pay "interest" on outstanding exceeding 5 years for books' imports

33. What are Time Limits for extensions?

(i) Banks are permitted to grant extensions for time limits for import's payments not exceeding 6 months at 1 time.

(ii) Banks are permitted to grant extensions for time limits for import's payments not exceeding 36 months at 6 times.

(iii) Hence banks are permitted to grant extensions for import's payments not exceeding 36 months i.e. 6 months for 1st extension + 30 months for 5 "additional" extensions = 36 months

34. What are RBI's guidelines for extensions?

- RBI has issued "sector wise specific" guidelines for time's extension i.e. "separate" guidelines for rough + cut + also polished "all" diamonds.

35. What are Banks' roles for extensions?

- Banks are required to satisfy criteria's "before" granting extensions like:

(i) Banks are required to ensure that imports' transactions are not under investigations by certain agencies like:

(a) Enforcement Directorate (ED)

(b) Central Bureau of Investigation (CBI)

(c) Other Investigating Agencies (OIA)

(ii) (a) Banks are required to ensure that "total" outstandings are not exceeding USD 1 million / it's equivalent

Or

(b) Not exceeding "average" 10% of imports remittances made in preceding 2 financial years whichever are lower when extensions are exceeding for 1 year

(iii) Banks are required to mark extension's date in remarks' column



- (iv) Banks are not permitted to extend time limit beyond instructions or when periods are exceeding 3 years whichever are higher.
- (v) Banks are required to approach to RBI's RO for time's extension beyond instructions or when periods are exceeding 3 years whichever are higher.
- (vi) Banks are required to report in IDPMS for Bill of Entry (BoE) extension + also extended date "both".

36. What are RBI's guidelines for foreign currencies' imports?

- RBI is not permitted to allow for importing "foreign" currencies + also "foreign" currencies' cheques "both" in India.

37. What are RBI's guidelines for foreign currencies by non-residents?

- (i) Non-residents of India are permitted for bringing "foreign" currencies notes + also Travel Cheques (TCs) "both" on their arrival in India "after" submitting declaration to custom authorities at airport in Currency Declaration Form (CDF)
- (ii) Non-residents of India are not required to submit CDF when "foreign" currencies notes + also TCs "both" are not exceeding USD 10,000 / it's equivalent
- (iii) Non-residents of India are not required to submit CDF when "foreign" currencies notes "only" are not exceeding USD 5,000 / it's equivalent

38. What are RBI's guidelines for Indian currency by residents?

- (i) Residents of India are not permitted to bring INR exceeding 25,000 when they are returning back in India from "temporary" foreign visits.
- (ii) Residents of India are permitted to bring INR exceeding 25,000 when they are returning back in India from "temporary" foreign visits from Nepal / Bhutan.
- (iii) (a) Residents of India are not permitted to bring INR exceeding 25,000 when they are returning back in India from "temporary" foreign visits from Nepal / Bhutan in "denominations" exceeding INR 100.
- (b) Residents of India are not permitted to bring INR exceeding 25,000 when they are returning back in India from "temporary" foreign visits from Nepal / Bhutan in "denominations" in INR 500



39. What are Banks' roles for 3rd party payments?

- Banks are permitted to make payments to 3rd party for imports of goods / services "after" satisfaction of conditions like:
 - (i) Banks are required to ensure that importers are having firm irrevocable purchase orders / "tripartite" agreements.
 - (ii) Banks are not required to ensure that importers are having firm irrevocable purchase orders / "tripartite" agreements when "documentary" evidences are available for circumstances for 3rd party payments / 3rd party's name "already" mentioned in firm irrevocable purchase orders / invoices produced by importers.
 - (iii) Banks are required to satisfy for transactions' bona fide + also for Financial Action Task Force (FATF) statement "before" handling 3rd party transactions.
 - (iv) Banks are required to ensure that invoices are containing "narration" for payments to 3rd party "only".
 - (v) Banks are required to ensure that BoEs are mentioning shipper's name + also containing "narration" for payment to 3rd party "only".
 - (vi) Banks are required to ensure that importers have complied RBI's instructions for imports + also advance payments "both".

40. What are Banks' roles for issuing guarantees?

- Banks are permitted to give guarantees against debts / obligations / other liabilities incurred by importers for imports of goods / services on deferred payment arrangements + also in accordance with RBI's approval "both".

41. What are Banks' roles for different guarantees?

- Banks are permitted to give 2 types guarantees against debts / obligations / other liabilities incurred by importers for import of goods / services "after" satisfaction of RBI's conditions like:
 - (i) Letter of Undertakings (LoUs)
 - (ii) Letter of Comforts (LoCs)



42. What are Banks' roles for service's import guarantees?

- Banks are permitted to give guarantees in favour of non-resident service providers for service's imports "after" satisfaction of RBI's conditions

43. What are Limits for non-PSUs services' guarantees?

- Banks are not permitted to give guarantees for service's imports when amounts are exceeding USD 500,000 / its equivalent.

44. What are Limits for PSUs services' guarantees?

- Banks are not permitted to give guarantees for service's imports by Public sector undertaking (PSUs) / Central govt.'s undertakings / State govt.'s undertakings when amounts are exceeding USD 100,000 / its equivalent "without" approval from Ministry of Finance (MoF) Govt. of India.

45. What are Banks' roles for corporate guarantees?

- Banks are permitted to issue "corporate" guarantees for operating lease through import financings from foreign lessors in accordance with FTP + Foreign exchange Management (Current Account Transactions) Rules, 2000 notified through Notification No. G. S. R. 381 (E) dated May 3, 2000 + also RBI's directions issued under FEMA Act, 1999 "all".



Chapter III -RBI's "Operational" Guidelines for IoGS

● Banks' roles for Advance remittances ●

46. What are Banks' roles for advance remittances?

- Banks are permitted to send "advance" remittances for Imports of goods / services not exceeding USD 200,000 / its equivalent.

47. What are Limits for advance remittances?

- Banks are permitted to send "advance" remittances for Imports of goods / services exceeding USD 200,000 / it's equivalent when supported with unconditional + also irrevocable Standby Letter of Credit (SLC) / guaranteed from reputed "international" banks located outside India / guaranteed from AD Category-I Banks located in India "both".

48. What are Banks' roles for remittances "without" guarantees?

- (i) Banks are permitted to send "advance" remittances for Imports of goods / services not exceeding USD 500,000 / it's equivalent when importers are unable to obtain bank guarantees from overseas' suppliers
But
- (ii) Banks are satisfied for track records + also bona fide "both" for importers

49. What are Banks' roles for framing internal guidelines?

- Banks are permitted to frame their own internal guidelines for dealing with "advance" remittances based on "suitable" policies framed by bank's BoDs

50. What are Banks' roles for PSUs remittances "without" guarantees?

- (i) Banks are permitted to send "advance" remittances exceeding USD 1,00,000 / it's equivalent for PSUs / etc. importers i.e. PSUs + departments / Undertaking of Central Government / State Government(s) when they are unable to obtain bank guarantees from reputed "international" banks
But
- (ii) Importers are required to obtain "specific" waivers for bank guarantees from MoF Govt. of India



51. What are ORMs for advance remittances?

- Banks are permitted to send "advance" remittances for imports of goods / services "after" creating Outward Remittance Messages (ORMs) for 100% "advance" remittances + also to follow RBI's guidelines for IDPMS "both".

52. What are Banks' roles for rough diamonds' remittances?

- Banks are permitted to send "advance" remittances "without" monetary limit for bank guarantees / stand-by-LC for "rough" diamond's imports subject to satisfaction of conditions

53. What are Banks' duties for rough diamonds' remittances?

- (i) Banks are required to ensure that overseas "mining" entities are approved by Gem & Jewellery Export Promotion Council (GJEPC) in India.
- (ii) Banks are required to ensure that Importers are "recognised" processors for "rough" diamonds + also having good track records "both".
- (iii) Banks are required to ensure based on their commercial judgments + also to satisfy for import transactions' bona fide "both".
- (iv) Banks are required to ensure that "advance" remittances are made strictly in accordance with sale contracts' conditions + also made directly to overseas supplier's / ultimate beneficiaries accounts.
- (v) Banks are required to ensure that "advance" remittances are not made through "numbered" accounts / otherwise
- (vi) Banks are required to ensure that they have created ORM for 100% remittances in IDPMS.
- (vii) Banks are required to take "proper" due cautions "before" remittances for "conflict" diamonds' imports / "Kimberly" Certifications
- (viii) Banks are required to obey RBI's KYC guidelines + also to carry "proper" due diligence in accordance with RBI's guidelines.
- (ix) Banks are required to follow-up for submitting BoE / documents evidencing "rough" diamonds' imports in accordance with conditions specified in FEMA, 1999 + FEMA's rules + FEMA's regulations + also RBI's directions "all"



- (x) Banks are required to obtain "waiver" letters from MoF, Govt. of India for imports by PSUs + govt.'s departments + Central govt.'s undertakings + also state govt.(s) undertakings "all" when "advance" remittances are exceeding USD 100,000 / it's equivalent + also bank guarantees from overseas suppliers are not received "both"
- (xi) Banks are required to download "BoE" issued by EDI ports from "BOE Master" in IDPMS based on EDI Ports' declarations filed by importers
- (xii) Banks are required to upload "BoE" data in IDPMS based on message format "Manual BoE reporting" on daily basis "after" receiving BoE from customers / custom offices.
- (xiii) Banks are required to enter "BoE" details + also to mark "off ORMs" based on message format for BoE settlements.
- (xiv) Banks are required to send "advance" remittances "after" receiving BoE + also ORMs' generations based on message format "both" for BoE settlements.

54. What are Banks' roles for Aircrafts' remittances?

- Banks are permitted to send "advance" remittances "without" bank guarantees / irrevocable stand-by-LC for imports of Aircrafts + Helicopters + Aviation + used / 2nd hand aircrafts / helicopters when amounts are not exceeding USD 50 million / it's equivalent where operators are permitted for operating by Directorate General of Civil Aviation (DGCA)

55. What are Banks' duties for Aircrafts' remittances?

- (i) Banks are required to undertake transactions based on commercial judgments + "after" satisfaction for transactions' bona fide + KYC guidelines + due diligence exercises against Indian importers + also overseas manufacturers "all".
- (ii) Banks are required to send "advance" remittances based on strictly sale contract's terms + also directly to overseas manufacturers' accounts "only".
- (iii) Banks are required to frame own internal guidelines for dealing with "advance" remittance cases "after" obtaining approval from BoDs.



- (iv) Banks are required to ensure that bank guarantees' requirements are waived by MoF, Govt. of India for "advance" remittances when amounts are exceeding USD 100,000 / it's equivalent + importers are PSUs + Govt. Department + also Undertaking of Central / State Government(s) "all".
- (v) Banks are required to ensure that "physical" imports for non-"capital" goods are made within 6 months + also for "capital" goods within 3 years from remittances' date.
- (vi) Banks are required to ensure that importers have given undertakings for furnishing "documentary" evidences within 15 days from closures' date.
- (vii) Banks are required to ensure that "principal" approvals are obtained by importers from Ministry of Civil Aviation for Scheduled Air Service Operations
- (viii) Banks are required to ensure that "principal" approvals are obtained by importers from DGCA / other agencies in accordance with FTP in India.
- (ix) Banks are required to ensure that amounts for "advance" remittances are immediately repatriated to India when imports for aircraft / aviation sector related items are cancelled.
- (x) Banks are required to ensure for obtaining approvals from RBI's RO for deviation(s) from abovementioned stipulations "if any".
- (xi) Banks are required to generate ORMs + BoE entries + also BoE settlements "all" with ORMs in accordance with RBI's guidelines for IDPMS.

56. What are Banks' roles for services' remittances?

- Banks are permitted to send "advance" remittances "without" monetary limits for bank guarantees / stand-by-LC for services' imports subject to satisfaction of conditions

57. What are Banks' duties for services' remittances?

- (i) Banks are required to obtain guarantees from reputed "international" banks located outside India / from banks located in India when "advance" remittances are exceeding USD 500,000 / it's equivalent



- (ii) Banks are required to take approval from MoF, Govt. of India for "advance" remittances for services' imports "without" bank guarantee when "advance" remittances are exceeding USD 100,000 / it's equivalent + importers are PSUs + Govt. Department + also Undertaking of Central / State Government(s) "all"
- (iii) Banks are required to follow-ups for ensuring that ultimate beneficiaries for "advance" remittances are fulfilling their obligations under contracts / agreements with importers otherwise overseas suppliers are required immediately to repatriate to India.
- (iv) Banks are required to ensure that ORMs generated + also marked off in IDPMS are in accordance with RBI's guidelines for IDPMS.

58. **What are Banks' roles for outstanding bills' interests?**

- Banks are permitted to allow payments for interests on outstanding "usance" bills / "overdue" interest on delayed payments for period not exceeding 3 years from shipments' date at interest rate prescribed by RBI for trade credits.

59. **What are Banks' roles for bills' prepayments?**

- (i) Banks are permitted for "usance" bills' prepayments + also remittances "after" deducting "proportionate" interest for "unexpired usance" bills' time at interest rate claimed / LIBOR of invoices whichever are applicable
- (ii) Banks are permitted for remittances when interest are not "separately" claimed / "expressly" indicated "after" deducting "proportionate" interest for "unexpired usance" bills' time at LIBOR of invoices.

60. **What are Banks' roles for ORM mark in IDPMS / etc.?**

- Banks are required to ensure that "proper" remarks / indicators are entered for ORM mark in IDPMS / etc. for changes in values in accordance with RBI's guidelines for IDPMS.



61. What are Banks' roles for lost-in-transit?

- (i) Banks are required to ensure that remittances are received in India when goods are lost-in-transit / short-supplied / damaged / short-landed.
- (ii) Banks are required to obtain copies for exchange control of imports "licences" utilised for covering LC's opening against "original" goods.
- (iii) Banks are required to obtain "original" endorsement in "proportions" to lost-in-transit + also to have "fresh" remittances "both" for imports' replacement "without" referring to RBI "after" ensuring that insurance claims for lost-in-transit are settled in importers' favour.
- (iv) Banks are required to ensure that replacement's shipments are within licenses' "validity" periods + also made "proper" remarks / indicators entered for ORM marks off / bills' closure in IDPMS / etc. in accordance with RBI's guidelines for IDPMS.

62. What are Banks' roles for issuing replacements' guarantees?

- (i) Banks are permitted to issue "fresh" guarantees for importing goods against "defected" goods' replacements.
- (ii) Banks are required to ensure that "original" defected goods are replaced.

63. What are Banks' roles for BPOs' equipment imports?

- Banks are required to allow remittances for importing equipment by Business Process Outsourcing (BPO) companies working in India for installing at "overseas" sites for setting their International Call Centres (ICCs)

64. What are Banks' duties for BPOs' equipment imports?

- (i) Banks are required to ensure that BPO's companies have obtained "necessary" approvals from Ministry of Communications and Information Technology, Govt. of India + also "other" authorities concerned "both" for ICC's setting in India.
- (ii) Banks are required to ensure that commercial judgments + also transactions' bona fide are strictly in accordance with conditions specified in contracts between importers and exporters "both".



- (iii) Banks are required to send "direct" remittances to overseas suppliers' bank accounts.
- (iv) Banks are required to obtain certificates for imports' evidences from Chief Executive Officer (CEO) / Statutory Auditor of importer's companies that goods are "actually" imported + also installed at "overseas" sites "both".
- (v) Banks are required to ensure that IDPMS' compliances are fulfilled in accordance with RBI's guidelines for IDPMS.

65. What are Banks' roles for ORMs' generations?

- Banks are required to ensure for ORMs' generation + BoE entries + also BoE settlements "all" with ORMs in accordance with RBI's guidelines for IDPMS.

66. What are Banks' duties for ORMs' generations?

- Banks are required to ensure that imports' documents + also bills "both" be received "directly" from overseas' bankers for overseas' suppliers

67. What are Exemptions for ORMs' generations?

- Banks are permitted to make remittances without "directly" receiving imports' documents + also bills "both" from overseas' bankers for overseas' suppliers in "specific" circumstances like:
 - (i) When imports' bills are not exceeding USD 300,000 / it's equivalent.
 - (ii) When imports' bills are received by wholly-owned "Indian" subsidiaries from holding "foreign" company.
 - (iii) When imports' bills are received by Status Holder Exporters "defined" in FTP + 100% Export Oriented Units (EOUs) / Units in Special Economic Zones (SEZs) + also PSUs "all".
 - (iv) When import' bills are received by public limited companies + "deemed" public limited companies + also "private" limited companies "all".

68. What are Banks' roles for diamonds imports' remittances?

- Banks are permitted to allow remittances for imports by diamonds' importers when imports are not exceeding USD 300,000 / it's equivalent +



also, for items' imports i.e. rough diamonds + rough precious stones + also semi-precious stones "all".

69. What are Banks' duties for diamonds imports' remittances?

- (i) Banks are required to ensure that documents received "directly" from overseas' suppliers + also "documentary" evidences "both" for imports are submitted by importers at remittances' time.
- (ii) Banks are required to ensure that imports should be for "rough" diamonds + "rough" precious stones + also "semi-precious" stones "all" without monetary limit "after" satisfaction of conditions like:
 - (a) When imports are in accordance with FTP.
 - (b) When transactions are based on commercial judgments + also satisfied with bona fide "both".
 - (c) When banks have completed KYC exercises + due diligence exercises + 100% satisfied for importers' financial standings + status + also track records "before" extending facilities.

70. What are Banks' roles for receiving documents directly?

- (i) Banks are permitted to receive bills "directly" from overseas' suppliers "after" receiving requests from importers when banks are 100% satisfied for importers' financial standings + also track records "both".
- (ii) Banks are required to obtain reports for "each" overseas' suppliers from overseas' bankers / reputed overseas credit agencies.
- (iii) Banks are not required to obtain reports for "each" overseas' supplier from overseas' bankers / reputed overseas credit agencies when invoices' values are not exceeding USD 300,000 / it's equivalent + satisfied with transactions' bona fide + also importers' track records "all".

71. What are Documentary evidences for physical imports?

- Banks are required to ensure that 100% documents are submitted by importers for goods' "physical" imports like:



- (i) BoE number + port code + also shipment's date "all" for marking imports' evidences under IDPMS.
- (ii) CAC / PAF declared by importers to Customs Authorities when imports are made by post / courier by couriers' companies to Customs Authorities for goods "physical" imports through couriers.
- (iii) Exchange Control Copy (ECC) for Ex-Bond BoE / BoE issued by Customs Authorities for goods "physically" imported + also stored "both" in Free Trade Warehousing Zone (FTWZ) / SEZ Unit warehouses / Customs bonded warehouses / etc.

72. What are Banks' roles for imports on acceptance basis?

- (i) Banks are required to verify imports' evidences from IDPMS "before" remittances for imports on delivery against acceptance basis
- (ii) Banks are permitted to allow remittances when importers are failed to produce "documentary" evidences due to "genuine" consignments' non-arrival / delay delivery / delay in consignments' custom clearings / etc. where banks are satisfied with request's "genuineness"
- (iii) Banks are permitted to allow "advance" remittances maximum for 3 months from remittances' date for reasons mentioned under FAQ 72 (ii) for submitting imports' evidences.

73. What are Banks' roles for creating ORMs?

- Banks are required to create ORMs for 100% remittances + also to perform "subsequent" activities "both" in accordance with RBI's IDPMS guidelines like:
 - (i) Documents' submissions
 - (ii) Outward remittance data
 - (iii) Matching with ORMs
 - (iv) Transactions' closings
 - (v) etc.



74. What are Banks' roles for documents in Lieu of BoE?

- Banks are permitted to accept certificates from Chief Executive Officer (CEO) / Statutory Auditor in lieu of BoE's ECC for home consumptions + also goods were imported "after" satisfaction of conditions "both".

75. What are Conditions for documents in Lieu of BoE?

- (i) When foreign exchanges' amounts remitted are not exceeding USD 1,000,000 / it's equivalent.
- (ii) When importers' companies are listed on stock exchanges in India + also having net worth exceeding INR 100 crore as on last audited balance sheet's date "both".
- (iii) When importers are PSUs / undertakings / departments of Govt.

76. What are Banks' rights for documents in Lieu of BoE?

- (i) Banks are permitted to extend this facility to autonomous bodies i.e. scientific bodies + academic institutions "both" i.e. Indian Institute of Science / Indian Institute of Technology / etc.
- (ii) Banks are permitted to extend this facility when accounts are audited by Comptroller and Auditor General of India (CAG)
- (iii) Banks are permitted to obtain declarations from Statutory Auditor / CEO of institutions that their accounts are audited by CAG
- (iv) Banks are permitted to create ORM + also to download BoE Master in IDPMS
- (v) Banks are permitted to accept "duplicate" copies / "certified" custom duties "paid" copies + also to obtain RBI's waivers "both"

77. What are Banks' roles for intangibles' imports?

- (i) Banks are required to obtain certificates from Chartered Accountants (CAs) that software's / data's / drawings / designs are received by importers when imports are made in non "physical" form i.e. software's / data through internet + drawings + also designs through e-mail "all".
- (ii) Banks are required to ensure that importers have informed to Customs Authorities for non "physical" form's imports.



78. What are Banks' roles for documents not submitted?

- Banks are required to create ORM for 100% outward remittances for imports' payments when "prescribed" documents for evidences are not submitted by importers.

79. What are Banks' roles for settling ORMs?

- (i) Banks are required to download BoE issued by EDI ports from BOE Master in IDPMS
- (ii) Banks are required to submit "hard" copies for imports' evidences documents i.e. BoE + also ECC "both"
- (iii) Banks are required to enter BoE's details like:
 - (a) BoE number
 - (b) Port code
 - (c) ORM's date associated with "advance" payments for imports transactions in accordance with message format under BoE's settlements.
- (iv) Banks are required to generate ORM for imports' payments made by importers in accordance with message format under BoE's settlements.
- (v) Banks are permitted to settle "multiple" ORMs for "multiple" BoE

80. What are Documents for settling ORMs?

- Banks are required to settle ORM with imports' evidences + also to issue acknowledgement slips to importers containing followings particulars:
 - (i) Importer's full names + also addresses with code numbers "both"
 - (ii) BoE's numbers + BoE's dates + also imports' amounts "all"
 - (iii) Recap advices for BoE's numbers + BoE's amounts + also ORM "all" when not settled for importers.

81. What are Importers' roles for settling ORMs?

- Importers are required to preserve "printed" importers copies for BoEs as import's evidences + also acknowledgement slips "both" for future use.



82. What are Banks' roles for time's extension?

- (i) Banks are required to give time's extension for BoE's submission beyond "prescribed" period in accordance with RBI's guidelines.
- (ii) Banks are required to report in IDPMS in accordance with message for BoE's extension + also extensions' dates "both" in extension date's column

83. What are Banks' roles for write offs?

- (i) Banks are required to consider BoEs / ORM's closure in IDPMS when write-offs are not exceeding 5% for invoice's values
- (ii) Banks are required to satisfy with "operational" reason(s) submitted by importers when amount declared in BoE is different from "actual" remittances.
- (iii) Banks are required to consider BoE's closure for imports' transactions when write-offs are on following reasons:
 - (a) Write-offs due to poor quality
 - (b) Write-offs due to short shipments
 - (c) Write-offs due to goods' destruction by ports / customs / health authorities in accordance with RBI's guidelines
- (iv) Banks are required to settle + also to close ORM / BoE with "appropriate" Adjustment Indicator (AI) in IDPMS
- (v) Banks are required to create + to upload in form of BoE data in accordance with BoEs' message "format" manual reporting in IDPMS when imports' evidence are accepted in lieu of BoE based on RBI's instructions + also RBI's guidelines "all"

84. What are Importers' roles for write offs?

- Importers are required to submit "satisfactory" documentations beside amount's quantum

85. What are Conditions for write offs?

- (i) When case is not pending in civil / criminal suit in India + also outside India "both"
- (ii) When importers are not in ED / CBI / OIAs "adverse" notices



(iii) When "internal" inspectors / "Statutory" Auditors / "external" Auditors have carried "random" samples check / percentage check for imports bills' write-offs

86. What are RBI's roles for write offs?

- RBI's ROs are permitted to give "necessary" approvals for extensions + write offs when banks have referred for extensions / write offs where extensions + also write offs "all" are not covered under RBI's guidelines

87. What are Banks' roles for continuing follow-ups?

- (i) Banks are required to continue follow-ups against "outward" remittances made for imports i.e. "unsettled" ORM in accordance with RBI's guidelines.
- (ii) Banks are required to continue follow-ups with importers for submitting "necessary" imports' documents when imports' evidences data are not available in IDPMS "after" ORM's "due" date.

88. What are Banks' roles for document's verifications?

- (i) Banks are required to carry verifications + IS audit + BoE's assurance settlement process in IDPMS through "Internal" inspectors + "Statutory" Auditors + also "external" Auditors "all"
- (ii) Banks are required to process data for BoE's settlement + also data's preservation in accordance with RBI's guidelines under Cyber Security Framework (CSF) in banks.
- (iii) Banks are required to carry document's verifications for evidencing imports "other than" available in IDPMS i.e. ECC of PAFs / CACs / etc. through "Internal" inspectors / "Statutory" Auditors / "external" Auditors

89. What are Banks' roles for document's preservations?

- (i) Banks are required to preserve documents "evidencing" imports for minimum 1 year from verification's date.
- (ii) Banks are required to preserve documents "evidencing" imports "after" obtaining clearances from investigating agencies when cases are under investigations by investigating agencies i.e. CBI / ED / OIAs.



90. What are Banks' roles for evidences' follow-ups?

- (i) Banks are required to follow-ups with importers for obtaining "necessary" "documentary" evidences for imports within maximum 3 months from remittances' date.
- (ii) Banks are required to follow-ups with importers for obtaining "necessary" "documentary" evidences for imports within "next" 3 months from 1st expiry "after" 3 months + also "minimum" 1 communication with importers through registered letter "both".

91. What are Banks' roles for reporting to RBI's RO?

- (i) Banks are required to report to concerned RBI's RO for 100% outstanding cases when import's remittances are pending without "physical" imports. These are commonly known imports are not completed
- (ii) Banks are required to submit "separate" BEF statement to concerned RBI's RO for half year ending i.e. June 30th + also Dec 31st "both"

92. What is Govt.'s roles for imports' 20:80 scheme?

- (i) Govt. of India has withdrawn imports' 20:80 scheme on Nov 28, 2014 for importing gold
- (ii) Importers are required to export against golds imported under 20:80 scheme "before" Nov 28, 2014

93. What are Banks' roles for golds' imports?

- (i) "Nominated" banks + also nominated agencies "both" notified by DGFT are permitted for "importing" golds on "consignment" basis for "qualified" jewellers notified by International Financial Services Centres Authority (IFSCA) under specific ITC (HS) Codes through India International Bullion Exchange IFSC Limited (IIBX).
- (ii) 100% gold's sales are required to be made for "upfront" payments by "Nominated" banks + also nominated agencies "both" to "qualified" jewellers
- (iii) Nominated banks are permitted to grant "gold" metal loans to "authorized" importers



94. What are Banks's roles for star holder exporters' imports?

- (i) Star holder exporters are permitted to imports golds in accordance with RBI's guidelines issued under FTP + also amended from time to time. "both"
- (ii) Star holder exporters are permitted to imports golds "coins" medallions

95. What are Banks' roles for gold coins' imports?

- (i) "Nominated" banks are permitted to imports golds "coins" medallions
- (ii) Nominated banks are not permitted to sale gold "coins" medallions "without" RBI's approvals.

96. What are Banks' roles for golds imports' loans?

- (i) Banks are permitted to allow "suppliers" credits + "buyers" credits + also "usance" period's LC "all" for importing golds like:
 - (a) Gold's jewelleries
 - (b) Precious metal's jewelleries
 - (c) Diamond's jewelleries
 - (d) Semi-precious stone's jewelleries
 - (e) Precious stone's jewelleries
- (ii) Banks are not permitted to allow "suppliers" credits + "buyers" credits + also "usance" period's LC "all" for exceeding 90 days from shipment's date.

97. What are Banks' roles for precious metals' imports?

- (i) Banks are permitted to allow "suppliers" credits + "buyers" credits + also "usance" period's LC "all" for importing "precious" metals like:
 - (a) Platinum metals
 - (b) Palladium metals
 - (c) Rhodium metals
 - (d) Silver metals
 - (e) Rough diamonds
 - (f) Cut diamonds
 - (g) Polished diamonds
 - (h) Precious stones
 - (i) Semi-precious stones



(ii) Banks are not permitted to allow "suppliers" credits + "buyers" credits + also "usance" period's LC "all" for exceeding 90 days from shipment's date.

98. What are Banks' roles for 180 days clean credits?

- Banks are permitted to allow "clean" credits i.e. credits given by "foreign" suppliers "without" LCs + LoUs + Fixed Deposits (FDs) from "Indian" financial institutions for not exceeding 180 days from shipments' date for importing "precious" metals like:
 - (i) Platinum metals
 - (ii) Palladium metals
 - (iii) Rhodium metals
 - (iv) Silver metals
 - (v) Rough diamonds
 - (vi) Cut diamonds
 - (vii) Polished diamonds
 - (viii) Precious stones
 - (ix) Semi-precious stones

99. What are Banks' roles for 360 days clean credits?

- Banks are permitted to allow "clean" credits i.e. credits given by "foreign" suppliers "without" LCs + LoUs + FDs from "Indian" financial institutions with 180 days "extensions". Hence permitted for not exceeding 360 days from shipments' date for importing "precious" metals like:
 - (i) Platinum metals
 - (ii) Palladium metals
 - (iii) Rhodium metals
 - (iv) Silver metals
 - (v) Rough diamonds
 - (vi) Cut diamonds
 - (vii) Polished diamonds
 - (viii) Precious stones
 - (ix) Semi-precious stones



100. What are Banks' roles for "more than" 360 days clean credits?

- Banks are required to refer to concerned RBI's RO for extensions beyond period exceeding 360 days

101. What are Banks' duties for metals / diamonds' imports?

- (i) Banks are required to ensure compliances for RBI's due diligences + RBI's KYC norms + Anti-Money Laundering (AML) guidelines for importing "precious" metals + "rough" diamonds + "cut" diamonds + also "polished" diamonds "all".
- (ii) Banks are required to monitor "closely" for large + abnormal "increases" in business's volumes + bona fide's transactions + also not intended for interest / currency arbitrages "all"

102. What are Banks' roles for platinum + silvers' imports?

- (i) "Nominated" banks + nominated agencies are permitted to imports platinum + also silver "all" based on "outright" purchases "after" satisfaction that imports' "ownerships" are required to pass at imports' time
- (ii) Prices for platinum's purchases + silver's purchases are required to fix at sell's time to actual users / ultimate consumers by nominated banks + nominated agencies "all".

103. What are Banks' roles for factoring services?

- (i) Banks are permitted to enter in arrangements with reputed "international" factoring services companies + also members of "International" Factors Chains "both"
- (ii) Banks are permitted to enter in these arrangements "without" RBI's approval.
- (iii) Banks are required to ensure compliances in accordance with RBI's guidelines under FTP for imports.



● **Merchanting Trade Transactions (MTTs)** ●

104. What are Banks' roles for MTTs?

- Banks are permitted to handle MTTs "after" satisfaction of conditions in accordance with RBI's guidelines.

105. What are Banks' duties for MTTs?

- (i) Banks are required to classify MTTs + also to acquire goods from outside Domestic Tariff Area (DTA) "both".
- (ii) Banks are required to satisfy with "documentary" evidences + transactions' bona fides when goods are imported for "specific" processing's value additions + also transformations "all".
- (iii) Banks are required to allow exports / imports under FTP's guidelines on shipments' date.
- (iv) Banks are required to ensure compliances for 100% RBI's rules + RBI's regulations + RBI's directions for exports except Export Declaration Form (EDF) + for imports except BoE are compiled i.e. exports leg + also imports leg respectively "all".
- (v) Banks are required to ensure that transactions' bona fides + KYC guidelines + also AML guidelines "all" are "seriously" obeyed in transactions' handlings.
- (vi) Banks are required to verify 100% documents like:
 - (a) Invoices
 - (b) Packing lists
 - (c) Transport's documents
 - (d) Insurance's documents
- (vii) Banks are required to satisfy for trade's genuineness + also to rely on "online" verifications for Bill of Lading (BoL) / Airway Bill on website of International Maritime Bureau (IMB) / Airline's "web check" facilities
- (viii) Banks are required to ensure that "requisite" details are available / retrievable at time of transactions' Inspections / Audits / investigations.



- (ix) Banks are required to ensure that 100% MTTs are completed within 9 months + also foreign exchanges' outlay are not permitted "after" 4 months from 100% MTTs completions' date.
- (x) Banks are permitted to provide credits for MTTs through "short term" credits i.e. supplier's credits / buyer's credits with backing through 100% "advance" payments for exports leg + also exports leg's discounting by banks for imports' transactions.
- (xi) Banks are not permitted to issue LoU / LC for supplier's / buyer's credits
- (xii) Banks are required to ensure that exports leg's receipts are parked in Exchange Earners Foreign Currency (EEFC) / in interest "bearing" INR accounts in India till imports leg liabilities arises "before" payments for imports leg.
- (xiii) Banks are required to ensure for earmarking / lien-marking for imports leg's payments + for imports leg's liabilities when arises + also to extinguish from these funds "without" delay.
- (xiv) Banks are required to ensure that receipts are kept in interest "bearing" INR accounts in India.
- (xv) Banks are required to release credits in Importers' accounts in accordance with RBI's guidelines.
- (xvi) Banks are not permitted for funds based / non-funds based facilities against balances in accounts in India.
- (xvii) Banks are permitted for payments against imports leg from EEFC accounts of Merchant Traders (MTs) in India.
- (xviii) Banks are permitted to allow "advance" payments for imports leg based on demands made by overseas' suppliers when "inward" remittances from overseas' buyers are not received before "outward" remittances to overseas' suppliers.
- (xix) Banks are required to handle transactions based on commercial judgements + also to ensure for "advance" payments made against imports legs "both".
- (xx) Banks are not permitted to make "advance" payments "without" bank guarantees / unconditional / irrevocable standby LC from reputed



“international” banks when amounts are exceeding USD 500,000 / it’s equivalent per transaction.

- (xxi) Banks are required to ensure “prudential” limits for “advance” payments “before” allowing “advance” payments by Importers.
- (xxii) Banks are permitted to issue LCs to suppliers for imports legs against “confirmed” exports orders + keeping in view “final” foreign exchange outlay for 4 months + MTTs’ completions within 9 months “after” satisfaction of conditions in accordance with RBI’s guidelines for guarantees + also Co-acceptances “all”.
- (xxiii) Banks are required to match 1-to-1 for “each” MTT + to report defaults “if any” in exports legs / imports legs by Merchanting Traders to concerned RBI’s RO on half yearly basis within 15 days from half yearly’s closing i.e. up to July 15th + also Jan 15th “all”
- (xxiv) Banks are required to ensure that Merchanting traders are “genuinely” trading of goods + not working as “financial” intermediaries + also having “confirmed” orders “all” for exports from overseas’ buyers against imports leg.
- (xxv) Banks are required to satisfy for Merchanting traders’ capabilities for “performing” obligations under exports’ orders + Merchanting trades to generate “profits” only “after” deducting imports’ payments + also other related expenses “all”.

106. What are Importers’ roles for MTTs?

- (i) Importers are required to route 100% MTTs through “same” bank
- (ii) Importers are required to provide non “negotiable” copies to banks when “original” documents are not available
- (iii) Importers are required to compute MTTs’ “commencement” dates from shipments’ dates / “exports” leg receipts / “imports” leg payments whichever are earlier.
- (iv) Importers are required to compute MTTs’ “completion” dates from shipments’ dates / “exports” leg receipts / “imports” leg payments whichever are later.



107. What are RBI's roles for MTTs?

- RBI is required to put MTTs' names in caution lists prepared for "annual" exports earnings' reports when MTTs' outstanding are exceeding 5% of "annual" export earnings.

108. What are Banks' roles for unrealized MTT's write-offs?

- Banks are permitted to write-off "unrealized" amounts for exports leg "without" monetary limits based on request made by MTTs "after" satisfaction of conditions.

109. What are Banks' duties for unrealized MTT's write-offs?

- (i) Banks are required to ensure that MTTs buyers are declared insolvent + also obtained certificates from official liquidators "specifying" that no possibilities for recovery of exports proceeds "both".
- (ii) Banks are required to ensure that exported goods are auctioned / destroyed by Ports / Customs / Health authorities in "importing" countries + also received certificates for same "both".
- (iii) Banks are required to ensure that "unrealized" amounts for exports legs are representing "balance" outstanding amounts as settled through interventions by "Indian" Embassies / "Foreign" Chambers of Commerce / "similar" Organizations.
- (iv) Banks are required to ensure that MTTs have obeyed 100% "other" provisions except delays in timelines for outlay / MTTs completion's dates.
- (v) Banks are required to satisfy for transactions' bona fides + KYC + also AML concerns "all".
- (vi) Banks are required to ensure that transactions are not in investigations under FEMA, 1999 by investigating agencies.
- (vii) Banks are required to ensure that counterparties to MTTs are not from countries / jurisdictions listed in FATF Public Statement as High Risk + also non-co-operative Jurisdictions "both" when FATF has "already" asked for counter measures.



110. What are Banks' roles for MTT's payments to 3rd party?

- Banks are not permitted for 3rd party payments for MTTs' imports leg

111. What are Banks' roles for MTT's agency commissions?

- Banks are not permitted for making payments for MTTs' agency commissions.

112. What are Banks' duties for MTT's agency commissions?

- Banks are permitted for making payments for "reasonable" agency commissions amounts through outward remittances "after" satisfaction of conditions like:

- When MTTs are 100% completed
- When agency commission's payments are not leading to losses in MTTs.
- When MTs are making "specific" requests for making payments for agency commissions.

113. What are RBI's roles for MTT's regularizations?

- RBI's ROs are permitted to regularize MTTs matters based on banks' requests when MTs have deviated from RBI's guidelines where banks are not permitted to close MTTs "without" RBI's RO approvals

114. What are Banks' roles for MTT's reporting?

- Banks are required to report to concerned RBI's RO under FETERS based on gross for following codes:

S.No	Trades	Code under FETERS	Descriptions
(i)	Exports	P0108	Goods "sold" under merchanting / receipt for MTs' exports leg
(ii)	Imports	S0108	Goods "purchased" under merchanting / receipt for MTs' imports leg

115. What are Banks' roles for MTTs with Nepal/Bhutan?

- Banks are permitted for MTTs with Nepal / Bhutan subject to satisfaction of conditions.



116. What are Banks' duties for MTTs with Nepal/Bhutan?

- (i) Banks are required to ensure that MTTs with Nepal/Bhutan are under Custom Transit Declarations (CTDs) in accordance with RBI's guidelines when goods are imported from 3rd country by Nepal/Bhutan's importers
- (ii) Banks are required to ensure that goods' transit "treaties" between India and Nepal / Bhutan are existed + also goods in accordance with Indo-Nepal treaty + also Indo-Bhutan treaty "both" for goods' transit
- (iii) Banks are required to ensure that goods are consigned to Nepal/Bhutan's importers from 3rd country for considering MTTs



● **Payments through Online Payment Gateway Service Providers (OPGSPs) ●**

117. What are Banks' roles for OPGSPs?

- Banks are permitted to offer payment's facility for imports of goods / services / software's when values are not exceeding USD 2,000 / it's equivalent through entering in standing arrangements with OPGSPs "after" satisfaction of conditions

118. What are Banks' duties for OPGSPs?

- (i) Banks are required to remit to overseas exporter's accounts for balances available in importers "collection" accounts based on funds received from importers + also to send within maximum 2 days from credits' dates in collection accounts in India.
- (ii) Banks are required to obtain invoices' copies + airway bills from OPGSP "containing" names + beneficiaries' addresses as imports' evidences + also to report transactions in R-Return under foreign currency payments head "all".
- (iii) Banks are required to allow credits in OPGSP's Importers "Collection" accounts for "online" purchases from overseas exporters electronically through credit cards / debit cards / net banking + also to charge back from overseas exporters "both".

119. What are Permissible debits for OPGSPs?

- (i) Permitted for debiting against payments to "foreign" exporters in permissible foreign currencies
- (ii) Permitted for debiting against payments to "Indian" importers for returns + also refunds "both"
- (iii) Permitted for debiting against payments for commission based on rates / frequencies defined under contract for OPGSP's current accounts.
- (iv) Permitted for debiting against bank charges

120. What are Banks' roles for imports' settlements?

- (i) Banks are required to facilitate imports' settlements when invoices are made in Freely Convertible Foreign Currencies (FCFCs).



(ii) Banks are required to settle imports' payments in beneficiaries' currencies when "direct" exchange rates are not available.

121. What are Banks' duties for imports' settlements?

- Banks are required to settle imports' transactions except those are put through ACU mechanism "after" satisfaction of conditions like:
 - (i) When importers are banks' customers
 - (ii) When signed contracts / invoices are in FCFCs.
 - (iii) When beneficiaries are required to receive payments in beneficiaries' currencies instead "original" invoices' FCFCs / contracts / LCs as full and final settlements.
 - (iv) When banks are satisfied with transactions' bona fides.
 - (v) When counterparties to importers are not from countries / jurisdictions listed in FATF Public Statement on High Risk + also non-co-operative Jurisdictions "both" where FATF has "already" issued instructions for counter measures.



RBI/FED/2016-17/12
FED Master Direction No. 17/2016-17

January 1, 2016
(Updated as on January 06, 2022)
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(Updated as on October 28, 2020)
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(Updated as on April 01, 2019)
(Updated as on February 02, 2018)
(Updated as on January 12, 2017)
(Updated as on October 20, 2016)
(Updated as on March 31, 2016)
(Updated as on February 4, 2016)

To

All Authorised Dealer Category – I banks and Authorised Banks

Madam / Dear Sir,

Master Direction – Import of Goods and Services

Import of Goods and Services into India is being allowed in terms of Section 5 of the Foreign Exchange Management Act 1999 (42 of 1999), read with Notification No. G.S.R. 381(E) dated May 3, 2000 viz. Foreign Exchange Management (Current Account Transaction) Rules, 2000. These Regulations are amended from time to time to incorporate the changes in the regulatory framework and published through amendment notifications.

2. Within the contours of the Regulations, Reserve Bank of India also issues directions to Authorised Persons under Section 11 of the Foreign Exchange Management Act (FEMA), 1999. These directions lay down the modalities as to how the foreign exchange business has to be conducted by the Authorised Persons with their customers/constituents with a view to implementing the regulations framed.
3. Instructions issued on import of goods and services into India have been compiled in this Master Direction. The list of underlying circulars/ notifications which form the basis of this Master Direction is furnished in the Appendix. Reporting instructions can be found in Master Direction on reporting ([Master Direction No. 18 dated January 01, 2016](#)).

4. It may be noted that, whenever necessary, Reserve Bank shall issue directions to Authorised Persons through A.P. (DIR Series) Circulars in regard to any change in the Regulations or the manner in which relative transactions are to be conducted by the Authorised Persons with their customers/ constituents. The Master Direction issued herewith shall be amended suitably simultaneously.

Yours faithfully,

(R S Amar)
Chief General Manager

INDEX	
Section I - Introduction	
Section II - General Guidelines for imports	
B.1.	General Guidelines
B.2.	Remittances for Import Payments
B.3.	Import Licenses
B.4.	Obligation of Purchaser of Foreign Exchange
B.5.	Time Limit for Settlement of Import Payments
B.6.	Import of Foreign exchange / Indian Rupees
B.7.	Third Party Payment for Import Transactions
B.8.	Issue of Guarantees by an Authorised Dealer
Section III - Operational Guidelines for Imports	
C.1.	Advance Remittance
C.2.	Interest on Import Bills
C.3.	Remittances against Replacement Imports
C.4.	Guarantee for Replacement Import
C.5.	Import of Equipment by Business Process Outsourcing (BPO) Companies for their overseas sites
C.6.	Receipt of Import Bills/Documents by the Importer Directly from Overseas Suppliers
C.7.	Evidence of Import
C.8.	¹ Import Data Processing and Monitoring System
C.9.	Verification and Preservation
C.10.	Follow up for Import Evidence
C.11.	Import of Gold
C.12.	Import of Other Precious Metals
C.13.	Import Factoring
C.14.	Merchanting Trade
C.15.	Import Payments through Online Payment Gateway Service Providers
² C. 16	Settlement of Import transactions in currencies not having a direct exchange rate
	Consolidated List of Circulars in the Master Direction

Master Direction 17 – Import of Goods and Services

Section I - Introduction

- (i) Import trade is regulated by the Directorate General of Foreign Trade (DGFT) under the Ministry of Commerce & Industry, Department of Commerce, Government of India. Authorised Dealer Category – I (AD Category – I) banks should ensure that the imports into India are in conformity with the Foreign Trade Policy in force and Foreign Exchange Management (Current Account Transactions) Rules, 2000 framed by the Government of India vide Notification No. G.S.R.381 (E) dated May 3, 2000 and the Directions issued by Reserve Bank under Foreign Exchange Management Act, 1999 from time to time.
- (ii) AD Category – I banks should follow normal banking procedures and adhere to the provisions of Uniform Customs and Practices for Documentary Credits (UCPDC), etc. while opening letters of credit for import into India on behalf of their constituents.
- (iii) Compliance with the provisions of Research & Development Cess Act, 1986 may be ensured for import of drawings and designs.
- (iv) AD Category – I banks may also advise importers to ensure compliance with the provisions of Income Tax Act, wherever applicable.
- (v) Any reference to the Reserve Bank should first be made to the Regional Office of the Foreign Exchange Department situated in the jurisdiction where the applicant person resides, or the firm / company functions, unless otherwise indicated. If, for any particular reason, they desire to deal with a different office of the Foreign Exchange Department, they may approach the Regional Office of its jurisdiction for necessary approval.

Section II - General Guidelines for Imports

B.1. General Guidelines

Rules and regulations to be followed by the AD Category – I banks from the foreign exchange angle while undertaking import payment transactions on behalf of their clients are set out in the following paragraphs. Where specific regulations do not

exist, AD Category – I banks may be governed by normal trade practices. AD Category – I banks may particularly note to adhere to "Know Your Customer" (KYC) guidelines issued by Reserve Bank (Department of Banking Regulation) in all their dealings.

B.2. Remittances for Import Payments

AD Category I Banks may allow remittance for making payments for imports into India, after ensuring that all the requisite details are made available by the importer and the remittance is for bona fide trade transactions as per applicable laws in force.

B.3. Import Licences

Except for goods included in the negative list which require licence under the Foreign Trade Policy in force, AD Category - I banks may freely open letters of credit and allow remittances for import. While opening letters of credit, the 'For Exchange Control purposes' copy of the licence should be called for and adherence to special conditions, if any, attached to such licences should be ensured. After effecting remittances under the licence, AD Category - I banks may preserve the copies of utilised licence /s till they are verified by the internal auditors or inspectors.

B.4. Obligation of Purchaser of Foreign Exchange

(i) In terms of Section 10(6) of the Foreign Exchange Management Act, 1999 (FEMA), any person acquiring foreign exchange is permitted to use it either for the purpose mentioned in the declaration made by him to an Authorised Dealer Category – I bank under Section 10(5) of the Act or for any other purpose for which acquisition of foreign exchange is permissible under the said Act or Rules or Regulations framed there under.

(ii) Where foreign exchange acquired has been utilised for import of goods into India, the AD Category – I bank should ensure that the importer furnishes evidence of import viz., ³as in IDPMS as explained in para C.7, Postal Appraisal Form or Customs Assessment Certificate, etc., and satisfy himself that goods equivalent to

the value of remittance have been imported. ⁴AD bank should ensure that all import remittances outstanding on the notified date of IDPMS are uploaded in IDPMS.

⁵(iii) Notwithstanding anything contained in the Manner of Payment in foreign Exchange (FEMA 14R/2016-RB dated May 02, 2016), a person resident in India may make payment for import of goods in foreign exchange through an international card held by him/in rupees from international credit card/ debit card through the credit/debit card servicing bank in India against the charge slip signed by the importer or as prescribed by Reserve Bank from time to time ,provided that the transaction is in conformity with the extant provisions and the import is in conformity with the Foreign Trade Policy in force.

(iv) Any person resident in India may also make payment as under:

- (a) In rupees towards meeting expenses on account of boarding, lodging and services related thereto or travel to and from and within India of a person resident outside India who is on a visit to India;
- (b) By means of a crossed cheque or a draft as consideration for purchase of gold or silver in any form imported by such person in accordance with the terms and conditions imposed under any order issued by the Central Government under the Foreign Trade (Development and Regulations) Act, 1992 or under any other law, rules or regulations for the time being in force;
- (c) A company or resident in India may make payment in rupees to its non-whole time director who is resident outside India and is on a visit to India for the company's work and is entitled to payment of sitting fees or commission or remuneration, and travel expenses to and from and within India, in accordance with the provisions contained in the company's Memorandum of Association or Articles of Association or in any agreement entered into it or in any resolution passed by the company in general meeting or by its Board of Directors, provided the requirement

of any law, rules, regulations, directions applicable for making such payments are duly complied with.

B.5. Time Limit for Settlement of Import Payments

B.5.1. Time limit for Normal Imports

(i) In terms of the extant regulations, remittances against imports should be completed not later than six months from the date of shipment, except in cases where amounts are withheld towards guarantee of performance, etc. ^{5A}Further, in view of the disruptions due to outbreak of COVID- 19 pandemic, with effect from May 22, 2020, the time period for completion of remittances against normal imports (except in cases where amounts are withheld towards guarantee of performance etc.) has been extended from six months to twelve months from the date of shipment for such imports made on or before July 31, 2020.

(ii) AD Category – I banks may permit settlement of import dues delayed due to disputes, financial difficulties, etc. However, interest if any, on such delayed payments, usance bills or overdue interest is payable only for a period of up to three years from the date of shipment and may be permitted in terms of the directions in para C.2 of Section III below.

B.5.2. Time Limit for Deferred Payment Arrangements

Deferred payment arrangements (including suppliers' and buyers' credit) upto five years, are treated as trade credits for which the procedural guidelines as laid down in the Master Circular for External Commercial Borrowings and Trade Credits may be followed.

B.5.3. Time Limit for Import of Books

Remittances against import of books may be allowed without restriction as to the time limit, provided, interest payment, if any, is as per the instructions in para C.2 of Section III of this Circular.

⁶B.5.4 Extension of Time

(i) AD Category – I banks can consider granting extension of time for settlement of import dues up to a period of six months at a time (maximum up to the period of three years) irrespective of the invoice value for delays on account of disputes about quantity or quality or non-fulfilment of terms of contract; financial difficulties and cases where importer has filed suit against the seller. In cases where sector specific guidelines have been issued by Reserve Bank of India for extension of time (i.e. rough, cut and polished diamonds), the same will be applicable.

(ii) While granting extension of time, AD Category –I banks must ensure that:

- a. The import transactions covered by the invoices are not under investigation by Directorate of Enforcement / Central Bureau of Investigation or other investigating agencies;
- b. While considering extension beyond one year from the date of remittance⁷, the total outstanding of the importer does not exceed USD one million or 10 per cent of the average import remittances during the preceding two financial years, whichever is lower; and
- c. Where extension of time has been granted by the AD Category – I banks, the date up to which extension has been granted may be indicated in the ‘Remarks’ column.

(iii) Cases not covered by the above instructions / beyond the above limits, may be referred to the concerned Regional Office of Reserve Bank of India.

⁸(iv) The above shall be reported in IDPMS as per message “Bill of Entry Extension” and the date up to which extension is granted will be indicated in “Extension Date” column.

B.6. Import of Foreign Exchange / Indian Rupees

(i) Except as otherwise provided in the Regulations, no person shall, without the general or special permission of the Reserve Bank, import or bring into India, any foreign currency. Import of foreign currency, including cheques, is governed by Foreign Exchange Management (Export and Import of Currency) Regulations 2000,

issued by Reserve Bank vide ⁹Notification No. FEMA 6(R)/2015-RB dated December 29, 2015, as amended from time to time.

(ii) Reserve Bank may allow a person to bring into India currency notes of Government of India and / or of Reserve Bank subject to such terms and conditions as the Reserve Bank may stipulate.

B.6.1. Import of Foreign Exchange into India

A person may—

(i) Send into India, without limit, foreign exchange in any form other than currency notes, bank notes and travellers cheques;

(ii) Bring into India from any place outside India, without limit, foreign exchange (other than unissued notes), subject to the condition that such person makes, on arrival in India, a declaration to the Custom Authorities at the Airport in the Currency Declaration Form (CDF) annexed to these Regulations; provided further that it shall not be necessary to make such declaration where the aggregate value of the foreign exchange in the form of currency notes, bank notes or travellers cheques brought in by such person at any one time does not exceed USD 10,000 (US Dollars ten thousand) or its equivalent and/or the aggregate value of foreign currency notes (cash portion) alone brought in by such person at any one time does not exceed USD 5,000 (US Dollars five thousand) or its equivalent.

B.6.2. Import of Indian Currency and Currency Notes

(i) Any person resident in India who had gone out of India on a temporary visit, may bring into India at the time of his return from any place outside India (other than from Nepal and Bhutan), currency notes of Government of India and Reserve Bank of India notes up to an amount not exceeding Rs.25,000 (Rupees twenty five thousand only).

(ii) A person may bring into India from Nepal or Bhutan, currency notes of Government of India and Reserve Bank of India for any amount in denominations up to Rs.100/-.

B.7. Third Party Payment for Import Transactions

AD category I banks are allowed to make payments to a third party for import of goods, subject to conditions as under:

- a. Firm irrevocable purchase order / tripartite agreement should be in place. However this requirement may not be insisted upon in case where documentary evidence for circumstances leading to third party payments / name of the third party being mentioned in the irrevocable order / invoice has been produced.
- b. AD bank should be satisfied with the bonafides of the transactions and should consider the Financial Action Task Force (FATF) Statement before handling the transactions;
- c. The Invoice should contain a narration that the related payment has to be made to the (named) third party;
- d. Bill of Entry should mention the name of the shipper as also the narration that the related payment has to be made to the (named) third party;
- e. Importer should comply with the related extant instructions relating to imports including those on advance payment being made for import of goods.

B.8. Issue of Guarantees by an Authorised Dealer

B.8.1 An authorised dealer may give a guarantee in respect of any debt, obligation or other liability incurred by a person resident in India and owned to a person resident outside India, as an importer, in respect of import on deferred payment terms in accordance with the approval by the Reserve Bank of India for import on such terms.

B.8.2 An authorised dealer may give guarantee, Letter of Undertaking or Letter of Comfort in respect of any debt, obligation or other liability incurred by a person resident in India and owned to a person resident outside India (being an overseas supplier of goods, bank or a financial institution), for import of goods, as permitted under the Foreign Trade Policy announced by Government of India from time to time and subject to such terms and conditions as may be specified by Reserve Bank of India from time to time.

B.8.3 An authorised dealer may, in the ordinary course of his business, give a guarantee in favour of a non-resident service provider, on behalf of a resident customer who is a service importer, subject to such terms and conditions as stipulated by Reserve Bank of India from time to time:

Provided that no guarantee for an amount exceeding USD 500,000 or its equivalent shall be issued on behalf of a service importer other than a Public Sector Company or a Department / Undertaking of the Government of India / State Government:

Provided further that where the service importer is a Public Sector Company or a Department / Undertaking of the Government of India / State Government, no guarantee for an amount exceeding USD 100,000 or its equivalent shall be issued without the prior approval of the Ministry of Finance, Government of India.

B.8.4 An authorised dealer may, subject to the directions issued by the Reserve Bank of India in this behalf, permit a person resident in India to issue corporate guarantee in favour of an overseas lessor for financing import through operating lease effected in conformity with the Foreign Trade Policy in force and under the provisions of the Foreign exchange Management (Current Account Transactions) Rules, 2000 framed by the Government of India vide Notification No. G. S. R. 381 (E) dated May 3, 2000 and the Directions issued by Reserve Bank of India under Foreign Exchange Management Act, 1999 from time to time.

Section III - Operational Guidelines for Imports

C.1. Advance Remittance

C.1.1. Advance Remittance for Import of Goods

(i) AD Category – I bank may allow advance remittance for import of goods without any ceiling subject to the following conditions:

(a) If the amount of advance remittance exceeds USD 200,000 or its equivalent, an unconditional, irrevocable standby Letter of Credit or a guarantee from an international bank of repute situated outside India or a guarantee of an AD Category

– I bank in India, if such a guarantee is issued against the counter-guarantee of an international bank of repute situated outside India, is obtained.

(b) In cases where the importer (other than a Public Sector Company or a Department/Undertaking of the Government of India/State Government/s) is unable to obtain bank guarantee from overseas suppliers and the AD Category – I bank is satisfied about the track record and bonafides of the importer, the requirement of the bank guarantee / standby Letter of Credit may not be insisted upon for advance remittances up to USD 5,000,000 (US Dollar five million). AD Category – I banks may frame their own internal guidelines to deal with such cases as per a suitable policy framed by the bank's Board of Directors.

(c) A Public Sector Company or a Department/Undertaking of the Government of India / State Government/s which is not in a position to obtain a guarantee from an international bank of repute against an advance payment, is required to obtain a specific waiver for the bank guarantee from the Ministry of Finance, Government of India before making advance remittance exceeding USD 100,000.

(ii) All payments towards advance remittance for imports shall be subject to the specified conditions ¹⁰and AD banks are required to create Outward Remittance Message (ORM) for all such outward remittances in IDPMS & follow other extant IDPMS guidelines.

C.1.2. Advance Remittance for Import of Rough Diamonds

a) AD category – I banks are permitted to take decision on overseas mining companies to whom an importer (other than Public Sector Company or Department / Undertaking of Government of India / State Government) can make advance payments, without any limit / bank guarantee/ stand-by letter of Credit. Banks must ensure the following:

- i. The overseas mining company should have the recommendation of GJEPC.
- ii. The importer should be a recognised processor of rough diamonds and should have a good track record.

- iii. AD Category - I banks should, undertake the transaction based on their commercial judgment and after being satisfied about the bonafides of the transaction.
- iv. 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 and AD banks should ensure that they have created the Outward Remittance Message (ORM) for all such outward remittances in IDPMS.
- v. Further, due caution may be exercised to ensure that remittance is not permitted for import of conflict diamonds (Kimberly Certification).
- vi. KYC and due diligence exercise should be done by the AD Category - I banks as per the existing guidelines.
- vii. 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.

b) 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 the 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).

¹¹viii. Based on the AD code declared by the importer, the banks shall download the Bill of Entry (BOE) issued by EDI ports from “BOE Master” in IDPMS. For non-EDI ports, AD banks of the importer shall upload the BoE data in IDPMS as per message format “Manual BoE reporting” on daily basis on receipt of BoE from the customer/Customs Office.

ix. AD banks will enter BOE details and mark off ORMs as per the message format “BOE Settlement”

- x. In case of payment after receipt of BoE, the AD bank shall generate ORM for import payments made by the importer customer as per the message format “BOE Settlement”
- xi. Multiple ORMs can be settled against single BoE and also multiple BoEs can be settled against one ORM.

C.1.3. Advance Remittance for Import of Aircrafts/Helicopters and other Aviation Related Purchases

1. As a sector specific measure, entities which have been permitted under the extant Foreign Trade Policy to import aircrafts and helicopters (including used / second hand aircraft and helicopters) or any other person who has been granted permission by the Directorate General of Civil Aviation (DGCA) to operate Scheduled or Non-Scheduled Air Transport Service (including Air Taxi Services), can make advance remittance without bank guarantee or an unconditional, irrevocable Standby Letter of Credit, up to USD 50 million. Accordingly, AD Category – I banks may allow advance remittance, without obtaining a bank guarantee or an unconditional, irrevocable Standby Letter of Credit, up to USD 50 million, for direct import of each aircraft, helicopter and other aviation related purchases.
2. Importers of Aircrafts/ Helicopters and other Aviation related Purchases, not eligible under clause (1) above can make advance remittance without bank guarantee, in terms of Para C.1.1 above.
3. The remittances for the transactions at 1 and 2 above shall be subject to the following conditions:
 - i. The AD Category - I banks should undertake the transactions based on their commercial judgment and after being satisfied about the bonafide of the transactions. KYC and due diligence exercise should be done by the AD Category-I banks for the Indian importer entity and the overseas manufacturer company as well.
 - ii. Advance payments should be made strictly as per the terms of the sale contract and directly to the account of the manufacturer (supplier) concerned.

- iii. AD Category - I banks may frame their own internal guidelines to deal with such cases, with the approval of their Board of Directors.
- iv. In the case of a Public Sector Company or a Department / Undertaking of Central /State Governments, the AD Category - I bank shall ensure that the requirement of bank guarantee has been specifically waived by the Ministry of Finance, Government of India for advance remittances exceeding USD 100,000.
- v. Physical import of goods into India is made within six months (three years in case of capital goods) from the date of remittance and the importer gives an undertaking to furnish documentary evidence of import within fifteen days from the close of the relevant period. It is clarified that where advance is paid as milestone payments, the date of last remittance made in terms of the contract will be reckoned for the purpose of submission of documentary evidence of import.
- vi. Prior to making the remittance, the AD Category – I bank may ensure that the requisite in principle approval of the Ministry of Civil Aviation in case of Scheduled Air Service Operators and in other cases approval of the Director General of Civil Aviation / other agencies in terms of the extant Foreign Trade Policy has been obtained by the company, for import.
- vii. In the event of non-import of aircraft and aviation sector related products, AD Category - I bank should ensure that the amount of advance remittance is immediately repatriated to India.

Prior approval of the concerned Regional Office of the Reserve Bank will be required in case of any deviation from the above stipulations.

¹²viii. Concerned AD Category I banks to ensure generation of ORMs, BoE entries and BoE settlement with the respective ORMs etc. as per extant IDPMS guidelines.

C.1.4. Advance Remittance for the Import of Services

AD Category – I bank may allow advance remittance for import of services without any ceiling subject to the following conditions:

- (a) Where the amount of advance exceeds USD 500,000 or its equivalent, a guarantee from a bank of international repute situated outside India, or a guarantee from an AD Category – I bank in India, if such a guarantee is issued against the counter-guarantee of a bank of international repute situated outside India, should be obtained from the overseas beneficiary.
- (b) In the case of a Public Sector Company or a Department/ Undertaking of the Government of India/ State Governments, approval from the Ministry of Finance, Government of India for advance remittance for import of services without bank guarantee for an amount exceeding USD 100,000 (USD One hundred thousand) or its equivalent would be required.
- (c) AD Category – I banks should also follow-up to ensure that the beneficiary of the advance remittance fulfils his obligation under the contract or agreement with the remitter in India, failing which, the amount should be repatriated to India.

¹³(d) AD Category – I banks should ensure generation of ORMs and marking off in the IDPMS etc., as per extant IDPMS guidelines.

C.2. Interest on Import Bills

- (i) AD Category – I bank may allow payment of interest on usance bills or overdue interest on delayed payments for a period of less than three years from the date of shipment at the rate prescribed for trade credit from time to time.
- (ii) In case of pre-payment of usance import bills, remittances may be made only after reducing the proportionate interest for the unexpired portion of usance at the rate at which interest has been claimed or LIBOR of the currency in which the goods have been invoiced, whichever is applicable. Where interest is not separately claimed or expressly indicated, remittances may be allowed after deducting the

proportionate interest for the unexpired portion of usance at the prevailing LIBOR of the currency of invoice.

¹⁴(iii) In case of change in value due to (i) or (ii) above, the respective AD bank should ensure proper remark/indicator is entered for ORM mark off in IDPMS etc as per extant IDPMS guidelines.

C.3. Remittances against Replacement Imports

Where goods are short-supplied, damaged, short-landed or lost in transit and the Exchange Control Copy of the import licence has already been utilised to cover the opening of a letter of credit against the original goods which have been lost, the original endorsement to the extent of the value of the lost goods may be cancelled by the AD Category – I bank and fresh remittance for replacement imports may be permitted without reference to Reserve Bank, provided, the insurance claim relating to the lost goods has been settled in favour of the importer. It may be ensured that the consignment being replaced is shipped within the validity period of the license.

¹⁵AD bank should ensure that proper remark/indicator is entered for ORM mark off/closure of Bills in IDPMS etc. as per extant IDPMS guidelines.

C.4. Guarantee for Replacement Import

In case replacement goods for defective import are being sent by the overseas supplier before the defective goods imported earlier are reshipped out of India, AD Category-I banks may issue guarantees at the request of importer client for dispatch/return of the defective goods, according to their commercial judgment.

C.5. Import of Equipment by Business Process Outsourcing (BPO) Companies for their Overseas Sites

AD Category – I bank may allow BPO companies in India to make remittances towards the cost of equipment to be imported and installed at their overseas sites in connection with the setting up of their International Call Centres (ICCs) subject to the following conditions:

(i) The BPO company should have obtained necessary approval from the Ministry of Communications and Information Technology, Government of India and other authorities concerned for setting up of the ICC.

(ii) The remittance should be allowed based on the AD Category - I banks' commercial judgment, the bonafides of the transactions and strictly in terms of the contract.

(iii) The remittance is made directly to the account of the overseas supplier.

(iv) The AD Category – I banks should also obtain a certificate as evidence of import from the Chief Executive Officer (CEO) or auditor of the importer company that the goods for which remittance was made have actually been imported and installed at overseas sites.

¹⁶(v) The AD Category I bank should ensure compliance with IDPMS guidelines as applicable.

C.6. Receipt of Import Bills/Documents

¹⁷Concerned AD Category banks to ensure generation of ORMs, BoE entries and BoE settlement with the respective ORMs in compliance with IDPMS guidelines as applicable.

C.6.1 Receipt of import documents by the importer directly from overseas suppliers

Import bills and documents should be received from the banker of the supplier by the banker of the importer in India. AD Category – I bank should not, therefore, make remittances where import bills have been received directly by the importers from the overseas supplier, except in the following cases:

(i) Where the value of import bill does not exceed USD 300,000.

(ii) Import bills received by wholly-owned Indian subsidiaries of foreign companies from their principals.

(iii) Import bills received by Status Holder Exporters as defined in the Foreign Trade Policy, 100% Export Oriented Units / Units in Special Economic Zones, Public Sector Undertakings and Limited Companies.

(iv) Import bills received by all limited companies viz. public limited, deemed public limited and private limited companies.

C.6.2. Receipt of import documents by the importer directly from overseas suppliers in case of specified sectors

As a sector specific measure, AD Category - I banks are permitted to allow remittance for imports by non-status holder importers up to USD 300,000 where the importer of rough diamonds, rough precious and semi-precious stones has received the import bills / documents directly from the overseas supplier and the documentary evidence for import is submitted by the importer at the time of remittance. Status holder importers as defined in the Foreign Trade Policy dealing in the import of rough diamonds, rough precious and semi- precious stones can receive import bills directly from the suppliers without any ceiling. AD Category - I banks may undertake such transactions subject to the following conditions:

(i) The import would be subject to the prevailing Foreign Trade Policy.

(ii) The transactions are based on their commercial judgment and they are satisfied about the bonafides of the transactions.

(iii) AD Category - I banks should do the KYC and due diligence exercise and should be fully satisfied about the financial standing / status and track record of the importer customer. Before extending the facility, they should also obtain a report on each individual overseas supplier from the overseas banker or reputed overseas credit rating agency.

C.6.3. Receipt of import documents by the AD Category – I bank directly from overseas suppliers

(i) At the request of importer clients, AD Category – I bank may receive bills directly from the overseas supplier as above, provided the AD Category – I bank is fully satisfied about the financial standing/status and track record of the importer customer.

(ii) Before extending the facility, the AD Category – I bank should obtain a report on each individual overseas supplier from the overseas banker or a reputed overseas credit agency. However, such credit report on the overseas supplier need not be obtained in cases where the invoice value does not exceed USD 300,000 provided the AD Category – I bank is satisfied about the bonafides of the transaction and track record of the importer constituent.

C.7. Evidence of Import

C.7.1. Physical Imports

¹⁸(i) In case of all imports, irrespective of the value of foreign exchange remitted / paid for import into India, it is obligatory on the part of the AD Category– I bank through which the relative remittance was made, to ensure that the importer submits:-

19

(a) The importer shall submit BoE number, port code and date for marking evidence of import under IDPMS as detailed in para C.8.

(b) Customs Assessment Certificate or Postal Appraisal Form, as declared by the importer to the Customs Authorities, where import has been made by post, or Courier Bill of Entry as declared by the courier companies to the Customs Authorities in cases where goods have been imported through couriers, as evidence

that the goods for which the payment was made have actually been imported into India, or

- (c) For goods imported and stored in Free Trade Warehousing Zone (FTWZ) or SEZ Unit warehouses or Customs bonded warehouses, etc., the Exchange Control Copy of the Ex-Bond Bill of Entry or Bill of Entry issued by Customs Authorities by any other similar nomenclature the importer shall submit applicable BoE number, port code and date for marking evidence of import under IDPMS as detailed in para C.8.
- (ii) In respect of imports on Delivery against acceptance basis, AD Category – I bank shall verify the evidence of import from IDPMS at the time of effecting remittance of import bill. However, if importers fail to produce documentary evidence due to genuine reasons such as non- arrival of consignment, delay in delivery/ customs clearance of consignment, etc., AD bank may, if satisfied with the genuineness of request, allow reasonable time, not exceeding three months from the date of remittance, to the importer to submit the evidence of import.

²⁰(iii) AD banks are required to create Outward Remittance Message(ORM) for all such outward remittances irrespective of value and shall perform the subsequent activity viz document submission, outward remittance data, matching with ORM, closing of transactions etc. as per IDPMS guidelines.

C.7.2. Evidence of Import in Lieu of Bill of Entry

- (i) AD Category – I bank may accept, in lieu of Exchange Control Copy of Bill of Entry for home consumption, a certificate from the Chief Executive Officer (CEO) or auditor of the company that the goods for which remittance was made have actually been imported into India provided :-
 - (a) The amount of foreign exchange remitted is less than USD 1,000,000 or its equivalent and
 - (b) The importer is a company listed on a stock exchange in India and whose net worth is not less than Rs.100 crore as on the date of its last audited balance sheet,

or, the importer is a public sector company or an undertaking of the Government of India or its departments.

(ii) The above facility may also be extended to autonomous bodies, including scientific bodies/academic institutions, such as Indian Institute of Science / Indian Institute of Technology, etc. whose accounts are audited by the Comptroller and Auditor General of India (CAG). AD Category – I bank may insist on a declaration from the auditor/CEO of such institutions that their accounts are audited by CAG.

²¹(iii) Outward Remittance Message has to be created & BoE has to be downloaded from “BoE Master “in IDPMS (in case of EDI ports). In case of Non-EDI ports duplicate copy/customs certified copy have to be submitted or BoE waiver obtained from RBI.

C.7.3. Non-physical Imports

(i) Where imports are made in non-physical form, i.e., software or data through internet / datacom channels and drawings and designs through e-mail / fax, a certificate from a Chartered Accountant that the software / data / drawing/ design has been received by the importer, may be obtained.

(ii) AD Category – I bank should advise importers to keep Customs Authorities informed of the imports made by them under this clause.

²²

²³C.8. Detailed Operational Procedures for IDPMS

The operational guidelines are summarised as below:

(i) AD banks are required to create Outward Remittance Message (ORM) for all outward remittance/s for import payments on behalf of their importer customer for which the prescribed documents for evidence of import have not been submitted.

(ii) Creation of ORM for all outstanding outward remittance/s for import payments need to be completed on or before October 31, 2016

Settlement of ORM with BoE

(iii) Based on the AD code declared by the importer, the banks shall download the Bill of Entry (BoE) issued by EDI ports from "BOE Master" in IDPMS. For non-EDI ports, AD bank of the importer shall upload the BoE data in IDPMS as per message format "Manual BOE reporting" on daily basis on receipt of BoE from the customer/Customs office. ²⁴In order to enhance the ease of doing business and reduce transaction costs, submission of hardcopy of evidence of import documents i.e., BoE Exchange Control copy has been discontinued with effect from December 1, 2016 as the same is available in IDPMS. The revised procedure is as under:

(iv) AD banks shall enter BoE details (BoE number, port code and date) for ORM associated with the advance payments for import transactions as per the message format "BOE settlement".

(v) In case of payment after receipt of BoE, the AD bank shall generate ORM for import payments made by its importer customer as per the message format "BOE settlement".

(vi) Multiple ORMs can be settled against single BoE and also multiple BoE can be settled against one ORM.

²⁵(vii) On settlement of ORM with evidence of import AD Category – I bank shall in all cases issue an acknowledgement slip to the importer containing the following particulars:

- a. importer's full name and address with code number;
- b. number and date of BoE and the amount of import; and
- c. a recap advice on number and amount of BoE and ORM not settled for the importer.

²⁶(viii) The importer needs to preserve the printed ‘Importer copy’ of BoE as evidence of import and acknowledgement slip for future use.

Extension and Write Off

(ix) AD Category I banks shall give extension for submission of BoE beyond the prescribed period in terms of the extant guidelines on the matter, and the same will be reported in IDPMS as per the message “Bill of Entry Extension” and the date up to which extension is granted will be indicated in “Extension Date” column.

(x) AD Category I banks can consider closure of BoE/ORM in IDPMS that involves write off to the extent of 5% of invoice value in cases where the amount declared in BoE varies from the actual remittance due to operational reasons and AD bank is satisfied with the reason/s submitted by the importer.

(xi) AD Category I banks may close the BoE for such import transactions where write off is on account of quality issues; short shipment or destruction of goods by the port / Customs / health authorities in terms of extant guidelines on the matter subject to submission of satisfactory documentation by the importer irrespective of the amount involved. AD Bank shall settle and close ORM/BoE with appropriate “Adjustment Indicator” in IDPMS.

(xii) The above operational guidelines for extension and write off are meant to facilitate closure of bills in IDPMS and will be subject to extant guidelines on the matter and not absolve the importer from remitting / receiving the amount in case of change in circumstances.

(xiii) While allowing write off, AD Category - I banks must ensure that:

- a. The case is not the subject matter of any pending civil or criminal suit;
- b. The importer has not come to the adverse notice of the Enforcement Directorate or the Central Bureau of Investigation or any such other law enforcement agency; and
- c. There is a system in place under which internal inspectors or auditors of the AD category – I banks (including external auditors appointed by authorised

dealers) should carry out random sample check / percentage check of write-off of import bills;

(xiv) Extension and write off cases not covered by the extant guidelines may be referred to the concerned Regional Office of Reserve Bank of India for necessary approval.

²⁷(xv) The extant instructions and guidelines for Evidence of Import in Lieu of Bill of Entry will apply mutatis mutandis. The evidence of import in lieu of BoE in permitted/approved conditions will be created and uploaded by AD Category – I bank of the importer in the form of BoE data as per message format “Manual BOE reporting” in IDPMS.

Follow-up for Evidence of Import

²⁸(xvi) AD Category – I banks shall continue to follow up for outward remittance made for import (i.e. unsettled ORM) in terms of extant guidelines and instructions on the subject. In cases where relevant evidence of import data is not available in IDPMS on due dates against the ORM, AD Category – I bank shall follow up with the importer for submission of documentary evidence of import. Similarly, if BoE data is not settled against ORM within the prescribed period, AD Category – I banks shall follow up with the importer in terms of extent instructions.

²⁹C.9. Verification and Preservation

(i) Internal inspectors and IS auditors (including external auditors appointed by AD Category – I bank) should carry out verification and IS audit and assurance of the “BOE Settlement” process in IDPMS. Data and process followed by AD Category –I bank for “BOE Settlement” should be preserved in terms of the guidelines under Cyber Security Framework in the bank.

- (ii) Internal inspectors or auditors (including external auditors appointed by AD Category – I bank) should carry out verification of the documents evidencing import other than which are available in IDPMS, e.g. Exchange Control copies of Postal Appraisal Forms, or Customs Assessment Certificates, etc.
- (iii) Documents evidencing import into India should be preserved by AD Category – I bank for a period of one year from the date of their verification. However, in respect of cases which are under investigation by investigating agencies, documents, and/or data, process may be destroyed only after obtaining clearance from the investigating agency concerned.

C.10. Follow-up for Import Evidence

- (i) In case an importer does not furnish any documentary evidence of import, as required under paragraph C.7. of Section III, within 3 months from the date of remittance involving foreign exchange³⁰ irrespective of value, the AD Category – I bank should rigorously follow-up for the next 3 months, ³¹by using various modes of communications. It should, however, be ensured that atleast one communication with the importer in this regard is by issuance of registered letter.

- ³²(ii) In IDPMS, all outstanding import remittances, irrespective of the amount involved, should be reported by the AD Category-I banks. Further, submission of a separate BEF Statement by the AD Category-I bank would be required till the half year ended December 2017 and discontinued thereafter.

C.11 Import of Gold

C.11.1 Import of Gold.

- i. The 20:80 scheme of import of gold was withdrawn on November 28, 2014. However, the obligation to export under the 20:80 scheme would apply to the unutilised gold imported before November 28, 2014.

³⁴ii. Nominated banks and nominated agencies, as notified by DGFT, are permitted to import gold on consignment basis. In addition to the above, qualified jewellers as notified by International Financial Services Centres Authority (IFSCA) will be permitted to import gold under specific ITC (HS) Codes through India International Bullion Exchange IFSC Limited (IIBX). All sale of gold domestically will, however, be against upfront payment. Nominated banks are free to grant gold metal loans.

³⁵iii. The Status Holder Exporters shall adhere to the guidelines contained in extant Foreign Trade Policy, as amended from time to time.

iv. The import of gold coins and medallions is permitted. However, prohibition on sale of gold coins and medallions by banks continues pending further review.

Head Offices / International Banking Divisions of AD Category - I banks shall henceforth submit the following statements under XBRL system from October 2014 onwards. (a) Statement on half yearly basis (end March / end September), showing the quantity and value of gold imported by the nominated banks/ agencies/ qualified jewellers/ EOU^s/ SEZ^s in Gem & Jewellery Sector, mode of payment-wise. (b) Statement on monthly basis showing the quantity and value of gold imports by the nominated agencies (other than the nominated banks)/ EOU^s/ qualified jewellers/ SEZ^s in Gem & Jewellery sector during the month under report as well as the cumulative position as at the end of the said month beginning from the 1st month of

the Financial Year. Both the statements shall be submitted, even if there is 'Nil' position, by the 10th of the following month / half year, to which it relates.

C.11.2. Import of Gold Jewellery Including Jewellery Made of Precious Metals or/and Studded With Diamonds / Precious Stones /Semi-precious.

Suppliers' and Buyers' credit (trade credit) including the usance period of Letters of Credit opened for import of gold in any form, including jewellery made of gold/precious metals or/and studded with diamonds/semi- precious/precious stones, should not exceed 90 days from the date of shipment.

C.12. Import of Other Precious Metals

C.12.1. Import of Platinum/ Palladium/ Rhodium/ Silver/ Rough, Cut & Polished Diamonds/ Precious and Semi-precious Stones.

(a) Suppliers' and Buyers' Credit, including the usance period of Letters of Credit opened for import of Platinum, Palladium, Rhodium and Silver and rough, cut and polished Diamonds, Precious and semi-precious stones; should not exceed 90 days from the date of shipment.

However for Clean Credit i.e. credit given by a foreign supplier to its Indian customer/ buyer, without any Letter of Credit (Suppliers' Credit)/ Letter of Undertaking (Buyers' Credit)/ Fixed Deposits from any Indian financial institution for import of rough, cut and polished diamonds, precious and semi-precious stones, may be permitted for a period not exceeding 180 days from the date of shipment.

³⁶Further, AD banks may allow extension of time in respect of such clean credit for import of rough, cut and polished diamonds, for a period exceeding 180 days from the date of shipment to a maximum period of 180 days beyond the prescribed period/ due date beyond which they may refer the cases to the respective Regional Office of the Reserve Bank. Such extension by AD banks may be subject to the conditions such as: (i) AD banks being satisfied of the genuineness of the reason and bonafides of the transaction and also that no interest payment is involved for the additional period; (ii) reasons for such extension are due to financial difficulties and/ or quality disputes; (iii) importer is not under investigation and is not a frequent

offender. AD banks may submit a half yearly report of such extensions allowed customer-wise, to the respective Regional Office of the Reserve Bank.

(b) AD Category – I banks should ensure that due diligence is undertaken and Know Your Customer (KYC) norms and Anti-Money Laundering (AML) guidelines, issued by the Reserve Bank are adhered to while undertaking import of the precious metals and rough, cut and polished diamonds. Further, any large or abnormal increase in the volume of business should be closely examined to ensure that the transactions are bonafide and are not intended for interest / currency arbitrage.

C.12.2. Import of Platinum / Silver on Unfixed Price Basis

The nominated agency/bank may allow import of platinum and silver, on outright purchase basis subject to the condition that although ownership of the same shall be passed on to the importers at the time of import itself, the price shall be fixed later as and when the importer sells to the user.

C.13. Import Factoring

(i) AD Category – I bank may enter into arrangements with international factoring companies of repute, preferably members of Factors Chain International, without the approval of Reserve Bank.

(ii) They will have to ensure compliance with the extant foreign exchange directions relating to imports, Foreign Trade Policy in force and any other guidelines/directives issued by Reserve Bank in this regard.

C.14. Merchanting Trade³⁷

C.14.1. AD banks may handle the Merchanting Trade Transactions (MTT) subject to the following guidelines:

- i. For a trade to be classified as merchanting trade, goods acquired shall not enter the Domestic Tariff Area.
- ii. Considering that in some cases, the goods acquired may require certain specific processing/ value-addition, the state of goods so acquired may be allowed transformation subject to the AD bank being satisfied with the documentary evidence and bonafides of the transaction.

- iii. The MTT shall be undertaken for the goods that are permitted for exports / imports under the prevailing Foreign Trade Policy (FTP) of India as on the date of shipment. All rules, regulations and directions applicable to exports (except Export Declaration Form) and imports (except Bill of Entry) shall be complied with for the export leg and import leg respectively.
- iv. AD bank shall satisfy itself with the bonafides of the transactions. Further, KYC and AML guidelines shall be scrupulously adhered to by the AD bank while handling such transactions.
- v. The entire merchanting trade is to be routed through the same AD bank. The AD bank shall verify the documents like invoice, packing list, transport documents and insurance documents (if originals are not available, Non-negotiable copies duly authenticated by the bank handling documents may be taken) and satisfy itself about the genuineness of the trade. The AD bank may, if satisfied, rely on online verification of Bill of Lading/ Airway Bill on the website of International Maritime Bureau or Airline web check facilities. However, the AD bank shall ensure that the requisite details are made available /retrievable at the time of Inspection/Audit/investigation of the transactions.
- vi. The entire MTT shall be completed within an overall period of nine months and there shall not be any outlay of foreign exchange beyond four months. The commencement date of merchanting trade shall be the date of shipment / export leg receipt or import leg payment, whichever is first. The completion date shall be the date of shipment / export leg receipt or import leg payment, whichever is the last.
- vii. Short-term credit either by way of suppliers' credit or buyers' credit may be extended for MTT to the extent not backed by advance remittance for the export leg, including the discounting of export leg LC by the AD bank, as in the case of import transactions. However, Letter of Undertaking (LoU)/ Letter of Comfort (LoC) shall not be issued for supplier's/ buyer's credit.
- viii. Any receipts for the export leg, prior to the payment for import leg, may be parked either in Exchange Earners Foreign Currency (EEFC) account or in an interest-bearing INR account till the import leg liability arises. It shall be strictly earmarked/ lien-marked for the payment of import leg and the liability of the import leg, as soon as it arises, shall be extinguished out of these funds without any delay. If such receipts are kept in interest-bearing INR account, hedging thereof may be allowed by the AD bank at the request of its customer, as per extant regulations. No fund/non-fund-based facilities shall be extended against these balances.
- ix. In case of discounting of export leg LC where payment for import leg is still to be made (even if partially), the proceeds shall be utilized in the manner prescribed at point no. 2 (viii) above.

- x. Payment for import leg may also be allowed to be made out of the balances in EEFC account of the merchant trader.
- xi. Merchanting traders may be allowed to make advance payment for the import leg on demand made by the overseas supplier. In case where inward remittance from the overseas buyer is not received before the outward remittance to the overseas supplier, AD bank may handle such transactions based on its commercial judgement. It may, however, be ensured that any such advance payment for an import leg beyond USD 500,000/- per transaction, shall be made against Bank Guarantee / an unconditional, irrevocable standby Letter of Credit from an international bank of repute. Overall prudential limits on allowing such advance payments by a customer may be fixed by the AD bank.
- xii. Letter of Credit to the supplier for the import leg is permitted against confirmed export order, keeping in view the foreign exchange outlay of four months and completion of the MTT within nine months and subject to compliance with the instructions issued by Department of Banking Regulation on "Guarantees and Co-acceptances", as amended from time to time.
- xiii. AD bank shall ensure one-to-one matching in case of each MTT and report defaults in any leg by the traders to the concerned Regional Office of the Reserve Bank, on half yearly basis in the format as annexed, within 15 days from the close of each half year, i.e. June and December;
- xiv. Merchant traders with outstanding of 5% or more of their annual export earnings shall be liable for caution listing.

C. 14. 2 The merchanting traders shall be genuine traders of goods and not mere financial intermediaries. Confirmed orders must be received by them from the overseas buyers. AD banks shall satisfy themselves about the capabilities of the merchanting trader to perform the obligations under the order. The merchanting trade shall result in profit which shall be determined by subtracting import payments and related expenses from export proceeds for the specific MTT.

C.14.3 Write-off of unrealized amount of export leg:

- i. AD bank may write-off the unrealized amount of export leg, without any ceiling, on the request made by the Merchanting trader, in the following circumstances:
 - a. The MTT buyer has been declared insolvent and a certificate from the official liquidator specifying that there is no possibility of recovery of export proceeds has been produced.
 - b. The goods exported have been auctioned or destroyed by the Port / Customs / Health authorities in the importing country and a certificate to that effect has been produced.

- c. The unrealized amount of the export leg represents the balance due in a case settled through the intervention of the Indian Embassy, Foreign Chamber of Commerce or similar Organization; provided, the MTT is in adherence to all other provisions except the delays in timelines (either for outlay or completion period of MTT or both) attributed to reasons mentioned at a, b and c above.
- ii. In addition to above, write-off as at (i) shall be subject to following conditions:
 - a. AD bank shall satisfy itself with the bonafides of the transactions and ensure that there are no KYC/AML concerns.
 - b. The transaction shall not be under investigation under FEMA by any of the investigating agency/ies.
 - c. The counterparty to the merchant trader is not from a country or jurisdiction in the updated FATF Public Statement on High Risk & Non-Co-operative Jurisdictions on which FATF has called for counter measures.

C.14. 4 Third Party payments

Third party payments for export and import legs of the MTT are not allowed.

C.14.5 Payment of Agency Commission

Agency commission is not allowed in MTTs. However, AD banks may allow payment of agency commission up to a reasonable extent by way of outward remittance under exceptional circumstances, subject to the following conditions:

- a. MTT has been completed in all respects.
- b. The payment of agency commission shall not result in the MTT ending into a loss.
- c. The Merchanting trader shall make a specific request to the AD bank in this regard.

C.14.6 AD bank may approach Regional Office (RO) concerned of the Reserve Bank for regularization of the MTT for deviation, if any, from the prescribed guidelines and the MTT shall be closed only after receiving approval from the RO concerned of the Reserve Bank.

C.14.7 Reporting for merchanting trade transactions under FETERS shall be done on **gross basis**, against the undermentioned codes:

Trade	Purpose Code under FETERS	Description
Export	P0108	Goods sold under merchanting /receipt against export leg of merchanting trade
Import	S0108	Goods acquired under merchanting /payment against import leg of merchanting trade

C.14.8. Merchanting trade to Nepal and Bhutan

As Nepal and Bhutan are landlocked countries, there is a facility of transit trade whereby goods are imported from third countries by Nepal and Bhutan through India under the cover of Customs Transit Declarations in terms of the Government of India Treaty of Transit with these two countries. In consultation with Government of India, it is clarified herein that goods consigned to the importers of Nepal and Bhutan from third countries under merchanting trade from India would qualify as traffic-in-transit, if the goods are otherwise compliant with the provisions of the India-Nepal Treaty of Transit and Indo-Bhutan Treaty of Transit respectively.

C.15. Processing of import related payments through Online Payment Gateway Service Providers (OPGSPs)

AD Category-I banks have been permitted to offer facility of payment for imports of goods and software of value not exceeding USD 2,000 by entering into standing arrangements with the OPGSPs subject to the following:-

- (a) The balances held in the Import Collection account shall be remitted to the respective overseas exporter's account immediately on receipt of funds from the importer and, in no case, later than two days from the date of credit to the collection account.
- (b) The AD Category –I bank will obtain a copy of invoice and airway bill from the OPGSP containing the name and address of the beneficiary as evidence of import and report the transaction in R-Return under the foreign currency payment head.

(c) The permitted credits in the OPGSP Import Collection account will be:

- (i) collection from Indian importers for online purchases from overseas exporters electronically through credit card, debit card and net banking and
- (ii) charge back from the overseas exporters.

(d) The permitted debits in the OPGSP Import Collection account will be:

- (i) payment to overseas exporters in permitted foreign currency;
- (ii) payment to Indian importers for returns and refunds;
- (iii) payment of commission at rates/frequencies as defined under the contract to the current account of the OPGSP; and
- (iv) bank charges

³⁸C.16. Settlement of Import transactions in currencies not having a direct exchange rate

To further liberalize the procedure and facilitate settlement of import transactions where the invoicing is in a freely convertible currency and the settlement takes place in the currency of the beneficiary, which though convertible, does not have a direct exchange rate, it has been decided that AD Category-I banks may permit settlement of such import transactions (excluding those put through the ACU mechanism), subject to conditions as under:

- (a) Importer shall be a customer of the AD Bank,
- (b) Signed contract / invoice is in a freely convertible currency,
- (c) The beneficiary is willing to receive the payment in the currency of beneficiary instead of the original (freely convertible) currency of the invoice/ contract, Letter of Credit as full and final settlement,
- (d) AD bank is satisfied with the bonafides of the transactions, and
- (e) The counterparty to the importer of the AD bank is not from a country or jurisdiction in the updated FATF Public Statement on High Risk & Non Co-operative Jurisdictions on which FATF has called for counter measures.

Appendix

Consolidated List of Circulars on Import of Goods and Services

Sr. No	AP (DIR Series) Circular No	Subject	Date of Circular
1	106	Import of goods and services into India.	June 19, 2003
2	4	Merchanting Trade Transactions – Clarifications - Short term credit	July 19, 2003
3	9	Evidence of Import – Liberalisation	August 18, 2003
4	15	Advance Remittance for Imports	September 17, 2003
5	49	Advance Remittance for Imports	December 15, 2003
6	66	Imports into India – Direct Receipt of Import Bills/Documents	February 6, 2004
7	72	Foreign Exchange Management Act, 1999 - Import of Goods into India – Evidence of Import	February 20, 2004
8	2	Import of Gold by (i) Export Oriented Units (EOUs), (ii) Units in SEZ/EPZ, and (iii) Nominated Agencies	July 9, 2004
9	<u>34</u>	Import of Gold on Loan Basis – Tenor of Loan and Opening of Stand-By Letter of Credit	February 18, 2005
10	1	Import of Goods of Value USD 100,000 and Less -Clarification on Follow up for Evidence of Import	July 12, 2005
11	33	Liberalisation of Export and Import procedures	February 28, 2007
12	<u>34</u>	Import of Goods of Value USD 100,000 and Less -Clarification on Follow up for Evidence of Import	March 2, 2007
13	63	Import of Equipments by BPO Companies in India for International Call Centre	May 25, 2007
14	77	Advance Remittance for Import of aircrafts / helicopters / other aviation related purchases	June 29, 2007
15	18	Direct Receipt of Import Bills / Documents - Liberalisation	November 7, 2007
16	37	Direct Receipt of Import Bills / Documents for Import of Rough Precious & Semi-Precious Stones	April 16, 2008
17	03	Advance Remittance for Import of Rough Diamonds	August 4, 2008

18	08	Advance Remittance for Import of Rough Diamonds	August 21, 2008
19	09	Foreign Exchange Management Act, 1999- Advance Remittance for Import of Goods - Liberalisation	August 21, 2008
20	12	Foreign Exchange Management Act, 1999 – Import of Platinum / Palladium / Rhodium / Silver	August 28, 2008
21	13	Direct Receipt of Import Bills / Documents - Liberalisation	September 1, 2008
22	15	Foreign Exchange Management Act, 1999 – Advance Remittances for Import of Services	September 8, 2008
23	21	Advance Remittance for Import of Rough Diamonds	December 29, 2009
24	56	Advance Remittance for Import of Goods – Liberalisation	April 29, 2011
25	59	Import of rough, cut and polished diamonds	May 06, 2011
26	82	Release of Foreign Exchange for Imports – Further Liberalisation	February 21, 2012
27	83	Import of Gold on Loan Basis - Tenor of Loan and Opening of Stand - By Letter of Credit	February 27, 2012
28	103	Data on import of Gold – Statements – Modification	April 03, 2012
29	83	Import of precious and semi precious stones- Clarification	February 20, 2013
30	103	Import of Gold by Nominated Banks/Agencies	May 13, 2013
31	107	Import of Gold by Nominated Banks/Agencies	June 4, 2013
32	122	Import of Gold by Nominated Banks/Agencies	June 27, 2013
33	15	Import of Gold by Nominated Banks /Agencies/Entities	July 22, 2013
34	39	Export import of Currency	September 6, 2013
35	70	Third party payments for export / import transactions	November 8 , 2013
36	<u>71</u>	Advance Remittance for Import of Rough Diamonds	November 8, 2013
37	73	Import of Gold by Nominated Banks /Agencies/Entities	November 11, 2013
38	75	Trade Credit for imports into India- Online submission of data on issuance of Guarantee/Letter of Undertaking (LoU)/Letter of Comfort (LoC) by ADs	November 19, 2013

39	82	Import of Gold by Nominated Banks/Agencies/Entities	December 31, 2013
40	95	Merchanting Trade Transactions	January 17, 2014
41	100	Third party payments for export / import transactions	February 04, 2014
42	103	Import of Gold / Gold Dore by Nominated Banks /Agencies /Entities - Clarifications	February 14, 2014
43	115	Merchanting Trade Transactions - Revised guidelines	March 28, 2014
44	116	Advance Remittance for Import of Rough Diamonds	April 01, 2014
45	122	Trade Credits for Imports into India – Review of all-in-cost ceiling	April 10, 2014
46	133	Import of Gold by Nominated Banks / Agencies / Entities	May 21, 2014
47	146	Export & Import of Currency- Enhanced Facilities	June 19, 2014
48	2	Import of Rough, Cut and Polished Diamonds - credit relaxation	July 07, 2014
49	42	Import of Gold by Nominated Banks/Agencies	November 28, 2014
50	76	Form A1- Payments for Imports - Discontinuance thereof	February 12, 2015
51	79	Guidelines on Import of Gold by Nominated Banks / Agencies	February 18, 2015
52	96	Merchanting Trade to Nepal and Bhutan	April 30, 2015
53	<u>16</u>	Processing and settlement of import and export related payments facilitated by Online Payment Gateway Service Providers	September 24 , 2015
54	<u>29</u>	Import of Goods into India – Evidence of Import	November 26, 2015
55	<u>30</u>	Advance Remittance for Import of aircrafts / helicopters /other aviation related purchases	November 26, 2015
56	<u>42</u>	Settlement of Export/ Import transactions in currencies not having a direct exchange rate	February 4, 2016
57	<u>57</u>	Import of Rough, Cut and Polished Diamonds	March 31, 2016
58	<u>65</u>	Import of goods- Import Data Processing and Monitoring System (IDPMS)	April 28, 2016
59	<u>05</u>	Import Data Processing and Monitoring System (IDPMS)	October 06, 2016
60	<u>11[(1)/14(R)]</u>	Foreign Exchange Management (Manner of Receipt and Payment) Regulations 2016	October 20, 2016

61	<u>27</u>	Evidence of Import under Import Data Processing and Monitoring System (IDPMS)	January 12, 2017
62	<u>33</u>	Import of goods and services- Extension of time limits for Settlement of import payment	May 22, 2020





RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2013-14/13
Master Circular No.13/2013-14
(Updated up to June 18, 2014)

July 01, 2013

To,

All Category – I Authorised Dealer Banks

Madam / Sir,

Master Circular on Import of Goods and Services

Import of Goods and Services into India is being allowed in terms of Section 5 of the Foreign Exchange Management Act 1999 (42 of 1999), read with Notification No. G.S.R. 381(E) dated May 3, 2000 viz. Foreign Exchange Management (Current Account) Rules, 2000 as amended from time to time.

2. This Master Circular consolidates the existing instructions on the subject of "Import of Goods and Services" at one place. The list of underlying circulars consolidated in this Master Circular is furnished in Appendix
3. This Master Circular may be referred to for general guidance. The Authorised Dealer Category – I banks and Authorised Banks may refer to respective circulars / notifications for detailed information, if so needed.
4. This Master Circular is being issued with a sunset clause of one year. This circular will stand withdrawn on July 1, 2014 and be replaced by an updated Master Circular on the subject.

Yours faithfully,

(C.D.Srinivasan)
Chief General Manager

INDEX

Section I - Introduction	
Section II - General Guidelines for imports	
B.1.	General Guidelines
B.2.	Form A-1
B.3.	Import Licenses
B.4.	Obligation of Purchaser of Foreign Exchange
B.5.	Time Limit for Settlement of Import Payments
B.6.	Import of Foreign Exchange / Indian Rupees
B.7.	Third Party Payment for Import Transactions
Section III - Operational Guidelines for Imports	
C.1.	Advance Remittance
C.2.	Interest on Import Bills
C.3.	Remittances against Replacement Imports
C.4.	Guarantee for Replacement Import
C.5.	Import of Equipment by Business Process Outsourcing (BPO) Companies for their Overseas Sites
C.6.	Receipt of Import Bills/Documents by the Importer Directly from Overseas Suppliers
C.7.	Evidence of Import
C.8.	Issue of Acknowledgement
C.9.	Verification and Preservation
C.10.	Follow-up for Import Evidence
C.11.	Issue of Bank Guarantee
C.12.	Import of Gold
C.13.	Import of Other Precious Metals
C.14.	Import Factoring
C.15.	Merchanting Trade
<u>Annex -1</u>	
<u>Annex- 2</u>	
<u>Annex -3</u>	
Appendix	
Consolidated List of Circulars in the Master Circular	

Section I - Introduction

- (i) Import trade is regulated by the Directorate General of Foreign Trade (DGFT) under the Ministry of Commerce & Industry, Department of Commerce, Government of India. Authorised Dealer Category – I (AD Category – I) banks should ensure that the imports into India are in conformity with the Foreign Trade Policy in force and Foreign Exchange Management (Current Account Transactions) Rules, 2000 framed by the Government of India vide Notification No. G.S.R.381 (E) dated May 3, 2000 and the Directions issued by Reserve Bank under Foreign Exchange Management Act, 1999 from time to time.
- (ii) AD Category – I banks should follow normal banking procedures and adhere to the provisions of Uniform Customs and Practices for Documentary Credits (UCPDC), etc. while opening letters of credit for import into India on behalf of their constituents.
- (iii) Compliance with the provisions of Research & Development Cess Act, 1986 may be ensured for import of drawings and designs.
- (iv) AD Category – I banks may also advise importers to ensure compliance with the provisions of Income Tax Act, wherever applicable.
- (v) Any reference to the Reserve Bank should first be made to the Regional Office of the Foreign Exchange Department situated in the jurisdiction where the applicant person resides, or the firm / company functions, unless otherwise indicated. If, for any particular reason, they desire to deal with a different office of the Foreign Exchange Department, they may approach the Regional Office of its jurisdiction for necessary approval.

Section II - General Guidelines for Imports

B.1. General Guidelines

Rules and regulations to be followed by the AD Category – I banks from the foreign exchange angle while undertaking import payment transactions on behalf of their clients are set out in the following paragraphs. Where specific regulations do not exist, AD Category – I banks may be governed by normal trade practices. AD Category – I banks may particularly note to adhere to "Know Your Customer" (KYC) guidelines issued by Reserve Bank (Department of Banking Operations & Development) in all their dealings.

B.2. Form A-1

- i) Applications by persons, firms and companies for making payments, exceeding USD 5000 or its equivalent, towards imports into India must be made in Form A-1
- ii) It is clarified that the ADs need not obtain any document, including Form A-1, except a simple letter from the applicant containing the basic information viz., the

name and the address of the applicant, name and address of the beneficiary, amount to be remitted and the purpose of remittance, as long as the exchange being purchased is for a current account transaction (and is not included in the Schedules I and II of the Foreign Exchange Management (Current Account Transactions) Rules, 2000 framed by Government of India vide Notification No. G.S.R.381 (E) dated May 3, 2000, as amended from time to time, the amount does not exceed USD 5,000 or its equivalent and the payment is made by a cheque drawn on the applicant's bank account or by a Demand Draft.

B.3. Import Licences

Except for goods included in the negative list which require licence under the Foreign Trade Policy in force, AD Category - I banks may freely open letters of credit and allow remittances for import. While opening letters of credit, the 'For Exchange Control purposes' copy of the licence should be called for and special conditions, if any, attached to such licences should be adhered to. After effecting remittances under the licence, AD Category - I banks may preserve the copies of utilised licence /s till they are verified by the internal auditors or inspectors.

B.4. Obligation of Purchaser of Foreign Exchange

- (i) In terms of Section 10(6) of the Foreign Exchange Management Act, 1999 (FEMA), any person acquiring foreign exchange is permitted to use it either for the purpose mentioned in the declaration made by him to an Authorised Dealer Category – I bank under Section 10(5) of the Act or to use it for any other purpose for which acquisition of foreign exchange is permissible under the said Act or Rules or Regulations framed there under.
- (ii) Where foreign exchange acquired has been utilised for import of goods into India, the AD Category – I bank should ensure that the importer furnishes evidence of import viz., Exchange Control Copy of the Bill of Entry, Postal Appraisal Form or Customs Assessment Certificate, etc., and satisfy himself that goods equivalent to the value of remittance have been imported.
- (iii) In addition to the permitted methods of payment for imports laid down in Notification No.FEMA14/2000-RB dated 3rd May 2000, payment for import can also be made by way of credit to non-resident account of the overseas exporter maintained with a bank in India. In such cases also AD Category – I banks should ensure compliance with the instructions contained in sub-paragraphs (i) and (ii) above.

B.5. Time Limit for Settlement of Import Payments

B.5.1. Time limit for Normal Imports

- (i) In terms of the extant regulations, remittances against imports should be completed not later than six months from the date of shipment, except in cases where amounts are withheld towards guarantee of performance, etc.

(ii) AD Category – I banks may permit settlement of import dues delayed due to disputes, financial difficulties, etc. Interest in respect of delayed payments, usance bills or overdue interest for a period of less than three years from the date of shipment may be permitted in terms of the directions in para C.2 of Section III below.

B.5.2. Time Limit for Deferred Payment Arrangements

Deferred payment arrangements, including suppliers and buyers credit, providing for payments beyond a period of six months from date of shipment up to a period of less than three years, are treated as trade credits for which the procedural guidelines laid down in the Master Circular for External Commercial Borrowings and Trade Credits may be followed.

B.5.3. Time Limit for Import of Books

Remittances against import of books may be allowed without restriction as to the time limit, provided, interest payment, if any, is as per the instructions in para C.2 of Section III of this Circular.

B.6. Import of Foreign Exchange / Indian Rupees

(i) Except as otherwise provided in the Regulations, no person shall, without the general or special permission of the Reserve Bank, import or bring into India, any foreign currency. Import of foreign currency, including cheques, is governed by clause (g) of sub-section (3) of Section 6 of the Foreign Exchange Management Act, 1999, and the Foreign Exchange Management (Export and Import of Currency) Regulations 2000, made by Reserve Bank vide Notification No. FEMA 6/2000-RB dated May 3, 2000, as amended from time to time.

(ii) Reserve Bank may allow a person to bring into India currency notes of Government of India and / or of Reserve Bank subject to such terms and conditions as the Reserve Bank may stipulate.

B.6.1. Import of Foreign Exchange into India

A person may –

(i) Send into India, without limit, foreign exchange in any form other than currency notes, bank notes and travellers cheques;

(ii) Bring into India from any place outside India, without limit, foreign exchange (other than unissued notes), which shall be subject to the condition that such person makes, on arrival in India, a declaration to the Custom Authorities at the Airport in the Currency Declaration Form (CDF) annexed to these Regulations; provided further that it shall not be necessary to make such declaration where the aggregate value of the foreign exchange in the form of currency notes, bank notes or travellers cheques brought in by such person at any one time does not exceed USD 10,000 (US Dollars ten thousand) or its equivalent and/or the aggregate value of foreign currency notes (cash portion) alone brought in by such person at any one time does not exceed USD 5,000 (US Dollars five thousand) or its equivalent.

B.6.2. Import of Indian Currency and Currency Notes

- (i) Any person resident in India who had gone out of India on a temporary visit, may bring into India at the time of his return from any place outside India (other than from Nepal and Bhutan), currency notes of Government of India and Reserve Bank notes up to an amount not exceeding Rs.10,000/- per person.
- (ii) A person may bring into India from Nepal or Bhutan, currency notes of Government of India and Reserve Bank notes other than notes of denominations of above Rs.100 in either case.

B.7. Third Party Payment for Import Transactions

AD banks are allowed to make payments to a third party for import of goods, subject to conditions as under:

- a. Firm irrevocable purchase order / tripartite agreement should be in place. However this requirement may not be insisted upon in case where documentary evidence for circumstances leading to third party payments / name of the third party being mentioned in the irrevocable order / invoice has been produced.
- b. AD bank should be satisfied with the bonafides of the transactions and should consider the Financial Action Task Force (FATF) statement before handling the transactions;
- c. The Invoice should contain a narration that the related payment has to be made to the (named) third party;
- d. Bill of Entry should mention the name of the shipper as also the narration that the related payment has to be made to the (named) third party;
- e. Importer should comply with the related extant instructions relating to imports including those on advance payment being made for import of goods.

Section III - Operational Guidelines for Imports

C.1. Advance Remittance

C.1.1. Advance Remittance for Import of Goods

- (i) AD Category – I bank may allow advance remittance for import of goods without any ceiling subject to the following conditions:
 - (a) If the amount of advance remittance exceeds USD 200,000 or its equivalent, an unconditional, irrevocable standby Letter of Credit or a guarantee from an international bank of repute situated outside India or a guarantee of an AD Category – I bank in India, if such a guarantee is issued against the counter-guarantee of an international bank of repute situated outside India, is obtained.
 - (b) In cases where the importer (other than a Public Sector Company or a Department/Undertaking of the Government of India/State Government/s) is unable

to obtain bank guarantee from overseas suppliers and the AD Category – I bank is satisfied about the track record and bonafides of the importer, the requirement of the bank guarantee / standby Letter of Credit may not be insisted upon for advance remittances up to USD 5,000,000 (US Dollar five million). AD Category – I banks may frame their own internal guidelines to deal with such cases as per a suitable policy framed by the bank's Board of Directors.

(c) A Public Sector Company or a Department/Undertaking of the Government of India / State Government/s which is not in a position to obtain a guarantee from an international bank of repute against an advance payment, is required to obtain a specific waiver for the bank guarantee from the Ministry of Finance, Government of India before making advance remittance exceeding USD 100,000.

(ii) All payments towards advance remittance for imports shall be subject to the specified conditions.

C.1.2. Advance Remittance for Import of Rough Diamonds

AD category – I banks are permitted to take decision on overseas mining companies to whom an importer (other than PSC or Department / Undertaking of Government of India / State Government) can make advance payments, without any limit / bank guarantee/ stand-by letter of Credit. Banks must ensure the following:

- i. The overseas mining company should have the recommendation of GJEPC.
- ii. The importer should be a recognized processor of rough diamonds and should have a good track record.
- iii. AD Category - I banks should, undertake the transaction based on their commercial judgment and after being satisfied about the bonafides of the transaction.
- iv. 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.
- v. Further, due caution may be exercised to ensure that remittance is not permitted for import of conflict diamonds (Kimberly Certification).
- vi. KYC and due diligence exercise should be done by the AD Category - I banks as per the existing guidelines.
- vii. 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.
- viii. 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 the 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).

C.1.3. Advance Remittance for Import of Aircrafts/Helicopters and other Aviation Related Purchases

As a sector specific measure, airline companies which have been permitted by the Directorate General of Civil Aviation to operate as a schedule air transport service, can make advance remittance without bank guarantee, up to USD 50 million. Accordingly, AD Category – I banks may allow advance remittance, without obtaining a bank guarantee or an unconditional, irrevocable Standby Letter of Credit, up to USD 50 million, for direct import of each aircraft, helicopter and other aviation related purchases. The remittances for the above transactions shall be subject to the following conditions:

- i. The AD Category - I banks should undertake the transactions based on their commercial judgment and after being satisfied about the bonafide of the transactions. KYC and due diligence exercise should be done by the AD Category-I banks for the Indian importer entity and the overseas manufacturer company as well.
- ii. Advance payments should be made strictly as per the terms of the sale contract and are made directly to the account of the manufacturer (supplier) concerned.
- iii. AD Category - I bank may frame their own internal guidelines to deal with such cases, with the approval of their Board of Directors.
- iv. In the case of a Public Sector Company or a Department / Undertaking of Central /State Governments, the AD Category - I bank shall ensure that the requirement of bank guarantee has been specifically waived by the Ministry of Finance, Government of India for advance remittances exceeding USD 100,000.
- v. Physical import of goods into India is made within six months (three years in case of capital goods) from the date of remittance and the importer gives an undertaking to furnish documentary evidence of import within fifteen days from the close of the relevant period. It is clarified that where advance is paid as milestone payments, the date of last remittance made in terms of the contract will be reckoned for the purpose of submission of documentary evidence of import.
- vi. Prior to making the remittance, the AD Category – I bank may ensure that the requisite approval of the Ministry of Civil Aviation / DGCA / other agencies in terms of the extant Foreign Trade Policy has been obtained by the company, for import.
- vii. In the event of non-import of aircraft and aviation sector related products, AD Category - I bank should ensure that the amount of advance remittance is immediately repatriated to India.

Prior approval of the concerned Regional Office of the Reserve Bank will be required in case of any deviation from the above stipulations.

C.1.4. Advance Remittance for the Import of Services

AD Category – I bank may allow advance remittance for import of services without any ceiling subject to the following conditions:

(a) Where the amount of advance exceeds USD 500,000 or its equivalent, a guarantee from a bank of international repute situated outside India, or a guarantee from an AD Category – I bank in India, if such a guarantee is issued against the counter-guarantee of a bank of international repute situated outside India, should be obtained from the overseas beneficiary.

(b) In the case of a Public Sector Company or a Department/ Undertaking of the Government of India/ State Governments, approval from the Ministry of Finance, Government of India for advance remittance for import of services without bank guarantee for an amount exceeding USD 100,000 (USD One hundred thousand) or its equivalent would be required.

(c) AD Category – I banks should also follow-up to ensure that the beneficiary of the advance remittance fulfils his obligation under the contract or agreement with the remitter in India, failing which, the amount should be repatriated to India.

C.2. Interest on Import Bills

(i) AD – Category – I bank may allow payment of interest on usance bills or overdue interest for a period of less than three years from the date of shipment at the rate prescribed for trade credit from time to time.

(ii) In case of pre-payment of usance import bills, remittances may be made only after reducing the proportionate interest for the unexpired portion of usance at the rate at which interest has been claimed or LIBOR of the currency in which the goods have been invoiced, whichever is applicable. Where interest is not separately claimed or expressly indicated, remittances may be allowed after deducting the proportionate interest for the unexpired portion of usance at the prevailing LIBOR of the currency of invoice.

C.3. Remittances against Replacement Imports

Where goods are short-supplied, damaged, short-landed or lost in transit and the Exchange Control Copy of the import licence has already been utilised to cover the opening of a letter of credit against the original goods which have been lost, the original endorsement to the extent of the value of the lost goods may be cancelled by the AD Category – I bank and fresh remittance for replacement imports may be permitted without reference to Reserve Bank, provided, the insurance claim relating to the lost goods has been settled in favour of the importer. It may be ensured that the consignment being replaced is shipped within the validity period of the license.

C.4. Guarantee for Replacement Import

In case replacement goods for defective import are being sent by the overseas supplier before the defective goods imported earlier are reshipped out of India, AD Category-I banks may issue guarantees at the request of importer client for dispatch/return of the defective goods, according to their commercial judgment.

C.5. Import of Equipment by Business Process Outsourcing (BPO) Companies for their Overseas Sites

AD Category – I bank may allow BPO companies in India to make remittances towards the cost of equipment to be imported and installed at their overseas sites in connection with the setting up of their International Call Centres (ICCs) subject to the following conditions:

- (i) The BPO company should have obtained necessary approval from the Ministry of Communications and Information Technology, Government of India and other authorities concerned for setting up of the ICC.
- (ii) The remittance should be allowed based on the AD Category - I banks' commercial judgment, the bonafides of the transactions and strictly in terms of the contract.
- (iii) The remittance is made directly to the account of the overseas supplier.
- (iv) The AD Category – I banks should also obtain a certificate as evidence of import from the Chief Executive Officer (CEO) or auditor of the importer company that the goods for which remittance was made have actually been imported and installed at overseas sites.

C.6. Receipt of Import Bills/Documents by the Importer Directly from Overseas Suppliers.

(A) Import bills and documents should be received from the banker of the supplier by the banker of the importer in India. AD Category – I bank should not, therefore, make remittances where import bills have been received directly by the importers from the overseas supplier, except in the following cases:

- (i) Where the value of import bill is less than USD 300,000.
- (ii) Import bills received by wholly-owned Indian subsidiaries of foreign companies from their principals.
- (iii) Import bills received by Status Holder Exporters as defined in the Foreign Trade Policy, 100% Export Oriented Units / Units in Special Economic Zones, Public Sector Undertakings and Limited Companies.
- (iv) Import bills received by all limited companies viz. public limited, deemed public limited and private limited companies.

(B) While undertaking such transactions, the AD Category – I banks must ensure that :

- (i) The import transactions are as per the prevailing Foreign Trade Policy.
- (ii) The transactions are based on their commercial judgment and they are satisfied about the bonafides of the transactions.

(iii) AD Category - I banks should do the KYC and due diligence exercise and should be fully satisfied about the financial standing / status and track record of the importer customer. Before extending the facility, they should also obtain a report on each individual overseas supplier from the overseas banker or reputed overseas credit rating agency.

(iv) Before extending the facility, the AD Category – I bank should obtain a report on each individual overseas supplier from the overseas banker or a reputed overseas credit agency. However, such credit report on the overseas supplier need not be obtained in cases where the invoice value does not exceed USD 300,000 provided the AD Category – I bank is satisfied about the bonafides of the transaction and track record of the importer constituent.

C.7. Evidence of Import

C.7.1. Physical Imports

(i) In case of all imports, where value of foreign exchange remitted / paid for import into India exceeds USD 100,000 or its equivalent, it is obligatory on the part of the AD Category – I bank through whom the relative remittance was made, to ensure that the importer submits:-

(a) The Exchange Control Copy of the Bill of Entry for home consumption, or

(b) The Exchange Control Copy of the Bill of Entry for warehousing, in case of 100% Export Oriented Units, or

(c) Customs Assessment Certificate or Postal Appraisal Form, as declared by the importer to the Customs Authorities, where import has been made by post, as evidence that the goods for which the payment was made have actually been imported into India.

(ii) In respect of imports on D/A basis, AD Category – I bank should insist on production of evidence of import at the time of effecting remittance of import bill. However, if importers fail to produce documentary evidence due to genuine reasons such as non- arrival of consignment, delay in delivery/ customs clearance of consignment, etc., AD bank may, if satisfied with the genuineness of request, allow reasonable time, not exceeding three months from the date of remittance, to the importer to submit the evidence of import.

C.7.2. Evidence of Import in Lieu of Bill of Entry

(i) AD Category – I bank may accept, in lieu of Exchange Control Copy of Bill of Entry for home consumption, a certificate from the Chief Executive Officer (CEO) or auditor of the company that the goods for which remittance was made have actually been imported into India provided :-

(a) The amount of foreign exchange remitted is less than USD 1,000,000 or its equivalent.

(b) The importer is a company listed on a stock exchange in India and whose net worth is not less than Rs.100 crore as on the date of its last audited balance sheet, or, the importer is a public sector company or an undertaking of the Government of India or its departments.

(ii) The above facility may also be extended to autonomous bodies, including scientific bodies/academic institutions, such as Indian Institute of Science / Indian Institute of Technology, etc. whose accounts are audited by the Comptroller and Auditor General of India (CAG). AD Category – I bank may insist on a declaration from the auditor/CEO of such institutions that their accounts are audited by CAG.

C.7.3. Non-physical Imports

(i) Where imports are made in non-physical form, i.e., software or data through internet / datacom channels and drawings and designs through e-mail / fax, a certificate from a Chartered Accountant that the software / data / drawing/ design has been received by the importer, may be obtained.

(ii) AD Category – I bank should advise importers to keep Customs Authorities informed of the imports made by them under this clause.

C.8. Issue of Acknowledgement

AD Category – I bank should acknowledge receipt of evidence of import e.g. Exchange Control Copy of the Bill of Entry, Postal Appraisal Form or Customs Assessment Certificate, etc., from importers by issuing acknowledgement slips containing all relevant particulars relating to the import transactions.

C.9. Verification and Preservation

(i) Internal inspectors or auditors (including external auditors appointed by AD Category – I bank) should carry out verification of the documents evidencing import, e.g. Exchange Control copies of Bills of Entry or Postal Appraisal Forms or Customs Assessment Certificates, etc.

(ii) Documents evidencing import into India should be preserved by AD Category – I bank for a period of one year from the date of its verification. However, in respect of cases which are under investigation by investigating agencies, the documents may be destroyed only after obtaining clearance from the investigating agency concerned.

C.10. Follow-up for Import Evidence

(i) In case an importer does not furnish any documentary evidence of import, as required under paragraph C.7. of Section III, within 3 months from the date of remittance involving foreign exchange exceeding USD 100,000, the AD Category – I bank should rigorously follow-up for the next 3 months, including issuing registered letters to the importer.

(ii) AD Category – I bank should forward a statement on half-yearly basis as at the end of June & December of every year, in form BEF furnishing details of import transactions, exceeding USD 100,000 in respect of which importers have defaulted in submission of appropriate document evidencing import within 6 months from the date of remittance, to the Regional Office of Reserve Bank under whose jurisdiction the AD Category – I bank is functioning, within 15 days from the close of the half-year to which the statement relates.

(iii) AD Category – I bank need not follow up submission of evidence of import involving amount of USD 100,000 or less provided they are satisfied about the genuineness of the transaction and the bonafides of the remitter. A suitable policy may be framed by the bank's Board of Directors and AD Category – I bank may set their own internal guidelines to deal with such cases.

C.11. Issue of Bank Guarantee

AD Category – I banks are permitted to issue guarantee on behalf of their importer customers in terms of Notification No. FEMA 8/2000-RB dated May 3, 2000, as amended from time to time.

C.12. Import of Gold

C.12.1. Import of Gold by Nominated Banks / Agencies/Entities

- i. The import of gold should be strictly in accordance with the extant Foreign Trade Policy.
- ii. Import of gold in the form of coins and medallions is now prohibited.
- iii. Import of gold on consignment basis is permitted only to meet the genuine needs of exporters of gold jewellery.
- iv. All Letters of Credit (LC) to be opened by Nominated Banks for import of gold will be only on 100% cash margin basis. All imports of gold will necessarily have to be on Documents against Payment (DP) basis.
- v. All Nominated Banks/Agencies and other entities to ensure that at least 20%, of every lot of import of gold imported to the country is exclusively made available for the purpose of exports and the balance for domestic use.
- vi. Nominated Banks/ Agencies and other entities shall make available gold for domestic use only to the entities engaged in jewellery business/bullion dealers and to banks authorised to administer the Gold Deposit Scheme, against full upfront payment only.
- vii. The Nominated Banks/Agencies/Refineries and other entities shall ensure that there is no front loading of imports, particularly in the first and second lots of imports. Such imports shall be linked to normal quantities of gold supplied to the exporters by the nominated banks/agencies and shall not exceed the highest quantity supplied during any one year out of last three years. In case of nominated banks do not have previous record of having supplied gold to the

exporters; they would need to seek prior approval from RBI before placing orders for import of gold for the first lot under the 20/80 scheme.

viii. Entities/units in the SEZ and EoUs, Premier and Star Trading Houses are permitted to import gold exclusively for the purpose of exports only.

ix. Head Offices / International Banking Divisions of AD Category - I banks shall henceforth submit the following statements to: The Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Trade Division, Amar Building, Fort, Mumbai -400001. The statements may also be sent by email.

(a) Statement on **half yearly** basis (end March / end September), showing the quantity and value of gold imported by the nominated banks/ agencies/ EOs/ SEZs in Gem & Jewellery Sector, mode of payment-wise, as per **Annex-1**.

(b) Statement on **monthly basis** showing the quantity and value of gold imports by the nominated agencies (other than the nominated banks)/ EOs/ SEZs in Gem & Jewellery sector during the month under report as well as the cumulative position as at the end of the said month beginning from the 1st month of the Financial Year, as per **Annex - 2**.

Both the statements shall be submitted, even if there is 'Nil' position and they should reach the aforesaid office of RBI by the 10th of the following month / half year, to which it relates.

C.12.2. Import of Gold under AA/DFIA Scheme

- i. Entities holding Advance Authorisation (AA) / Duty Free Import Authorisation (DFIA) need not follow the sequence of first import and then export if the export obligation has been met before August 14, 2013.
- ii. Any authorisation such as Advance Authorisation (AA) / Duty Free Import Authorization (DFIA) is to be utilised for import of gold meant for export purposes only and no diversion for domestic use shall be permitted. For any AA / DFIA issued prior to 14th August 2013, the condition of sequencing the imports prior to exports shall not be insisted upon even in case of entities/units in SEZ & EOs, Premier & Star Trading Houses.
- iii. Notwithstanding any of the foregoing directions, entities/units in the SEZ and EOs, Premier and Star Trading Houses (irrespective of whether they are nominated agencies or not) are permitted to import gold exclusively for the purpose of exports only. Similarly, exports towards fulfilment of obligation under AA/DFIA scheme shall not qualify as export for the purpose of the scheme of 20:80.

C.12.3. Import of Gold by STH/PTH

Star Trading Houses / Premier Trading Houses (STH/PTH) which are registered as nominated agencies by the Director General of Foreign Trade (DGFT) may import gold under 20:80 scheme subject to the following conditions:

- a) The STH/PTH should have imported gold prior to the introduction of 20:80 scheme. STH / PTH should get the required verification done by the Department of Customs at any port where they have imported gold consignment in the past.
- b) The first lot of gold under this scheme would be based on the highest monthly import during any of the last 24 months prior to the RBI's notification dated August 14, 2013, subject to a maximum of 2000 Kgs.
- c) As in the case of other nominated agencies, the eligible quantity may be imported by STH / PTHs from any port, subject to their eligibility limit / maximum quantity allowed to them.
- d) For proper compliance, before import, they must submit the import plan, port-wise and quantity-wise, to the concerned Customs office, where the verification of the figures of past performance was done. This information will be sent to all the other ports from which imports are permitted. The overall discipline of exporting 20% of each imported consignment before the next consignment is imported will be equally applicable to such STH/PTH importers.

C.12.4. Import of Gold Jewellery Including Jewellery Made of Precious Metals or/and Studded With Diamonds / Precious Stones /Semi-precious.

- i. Import of gold in form of Jewellery/ Mounting's, etc; is outside the purview of 20:80 Scheme.
- ii. Suppliers' and Buyers' credit (trade credit) including the usance period of Letters of Credit opened for import of gold in any form, including jewellery made of gold/precious metals or/and studded with diamonds/semi-precious/precious stones, should not exceed 90 days from the date of shipment.

C.12.5. Replenishment Scheme for Gold Imports

The Nominated Banks / Agencies / Entities may make available gold to the exporters (other than AA/DFIA holders) operating under the Replenishment Scheme. They can resort to import of gold for the purpose, if considered necessary. However, such import will be accounted for separately and will not entitle them for any further import.

C.12.6. Import of Gold Dore

- i. The refiners are allowed to import Gold Dore equal to 15% of their licence for each of the first two months.

- ii. In case, the quantity has already been identified by DGFT for first two lots, import of such quantity will be in compliance with the guidelines issued vide (A.P. (DIR Series) Circular No. 82 dated December 31, 2013.)
- iii. DGFT, through a notification, may include new refiners, and fix licenced quantity for them.
- iv. Before the next import, not more than 80% shall be allowed to be sold domestically.
- v. The dore so imported shall be refined and shall be released based on FIFO basis following 20:80 principle. This would be monitored by CBEC.
- vi. The imports, thereafter, shall be allowed only up to 5 times the quantum for which proof of export has been submitted. This shall be on accrual basis.
- vii. Import of gold in the third lot onwards will be lesser of the two:
 - a. Five times the export for which proof has been submitted; or
 - b. Quantity of gold permitted to a Nominated Agency in the first or second lot.

C.12.7. Import of Gold by SEZ and EOUs

AD Category – I bank can open Letters of Credit and allow remittances on behalf of EOUs, units in SEZs in the Gem & Jewellery Sector and the nominated agencies / banks, for direct import of gold, subject to the following:

- (i) The import of gold should be strictly in accordance with the extant Foreign Trade Policy.
- (ii) Banker's prudence should be strictly exercised for all transactions pertaining to import of gold. AD Category – I bank should ensure that due diligence is undertaken and all Know Your Customer (KYC) norms and the Anti-Money-Laundering guidelines, issued by Reserve Bank from time to time are adhered to while undertaking such transactions. AD Category – I bank should closely monitor such transactions. Any large or abnormal increase in the volume of business of the importer should be closely examined to ensure that the transactions are bonafide trade transactions.
- (iii) In addition to carrying out the normal due diligence exercise, the credentials of the supplier should also be ascertained before opening the LCs. The financial standing, line of business and the net worth of the importer customer should be commensurate with the volume of business turnover. Apart from the above, in case of such transactions, banks should also make discreet enquiries from other banks to assess the actual position. Further, in order to establish audit trail of import/export transactions, all documents pertaining to such transactions must be preserved for at least five years.
- (iv) AD Category – I bank should follow up submission of the Bill of Entry by the importers as stipulated.

C.12.8. Import of Gold on Loan Basis

- (i) Nominated Agencies / Authorised Banks can import gold on loan basis only for on lending to exporters of gold jewellery.

- (ii) EOUs and Units in SEZ who are in the Gem and Jewellery Sector can import gold on loan basis for manufacturing and export of jewellery on their own account only.
- (iii) The maximum tenor of gold loan would be as per the Foreign Trade Policy 2009-2014, or as notified by the Government of India from time to time in this regard.
- (iv) AD bank may open Standby Letters of Credit (SBLC) for import of gold on loan basis, where ever required, as per FEDAI guidelines dated April 1, 2003. The tenor of the SBLC should be in line with the tenor of the gold loan.
- (v) SBLC can be opened only on behalf of entities permitted to import gold on loan basis, viz. Nominated Agencies and 100% EOUs/units in SEZ, which are in the Gem and Jewellery Sector.
- (vi) SBLC should be in favour of internationally renowned bullion banks only. AD Category – I bank can obtain a detailed list of internationally renowned bullion banks from the Gem & Jewellery Export Promotion Council.

All other existing instructions on import of gold and opening of Letters of Credit, with usance period not exceeding 90 days, will continue to be applicable.

C.12.9. Import of Gold on Unfixed Price basis

Nominated Agency/Bank may import gold on unfixed price basis subject to the condition that although ownership of the gold shall be passed on to the importer at the time of import itself, the price of gold shall be fixed later, as and when the importer sells the gold to the users but within the permissible time period for settling the transaction.

C.13. Import of Other Precious Metals

C.13.1. Import of Platinum /Palladium/Rhodium/Silver/ Rough, Cut & Polished Diamonds / Precious and Semi-precious Stones.

- (a) Suppliers' and Buyers' Credit, including the usance period of Letters of Credit opened for import of Platinum, Palladium, Rhodium and Silver and rough, cut and polished Diamonds, Precious and semi-precious stones; should not exceed 90 days from the date of shipment.
- (b) AD Category – I banks should ensure that due diligence is undertaken and Know Your Customer (KYC) norms and Anti-Money Laundering (AML) guidelines, issued by the Reserve Bank are adhered to while undertaking import of the metals and rough, cut and polished diamonds. Further, any large or abnormal increase in the volume of business should be closely examined to ensure that the transactions are bonafide and are not intended for interest / currency arbitrage.

C.13.2. Import of / Platinum / Silver on Unfixed Price Basis

The nominated agency/bank may import platinum and silver, on outright purchase basis subject to the condition that although ownership of the same shall be passed on to the importer at the time of import itself, the price of shall be fixed later, as and when the importer sells to the users but within the permissible time period for settling the transaction.

C.13.3. Import of Gold in Any Form Including Jewellery Made of Gold/Precious Metals Or/And Studded with Diamonds/ Precious /Semi-precious Stones

The usance period of Letters of Credit opened for import of gold in any form including jewellery made of gold/precious metals or/and studded with diamonds/semi precious/precious stones should not exceed 90 days from the date of shipment and only on 100 per cent cash margin basis.

C.14. Import Factoring

- (i) AD Category – I bank may enter into arrangements with international factoring companies of repute, preferably members of Factors Chain International, without the approval of Reserve Bank.
- (ii) They will have to ensure compliance with the extant foreign exchange directions relating to imports, Foreign Trade Policy in force and any other guidelines/directives issued by Reserve Bank in this regard.

C.15. Merchanting Trade

C.15.1. For a trade to be classified as Merchanting Trade following conditions should be satisfied:

- a. Goods acquired should not enter the Domestic Tariff Area and
- b. The state of the goods should not undergo any transformation.

C.15.2. AD Category – I bank may handle bonafide Merchanting Trade Transactions and ensure that:

- (a) Goods involved in the transactions are permitted for export / import under the prevailing Foreign Trade Policy (FTP) of India as on the date of shipment and all the rules, regulations and directions applicable to export (except Export Declaration Form) and import (except Bill of Entry) are complied with for the export leg and import leg, respectively,
- (b) Both the legs of a Merchanting Trade Transaction are routed through the same AD bank. The bank should verify the documents like invoice, packing list, transport documents and insurance documents (if originals are not available, Non-negotiable copies duly authenticated by the bank handling documents may be taken) and satisfy itself about the genuineness of the trade.

- (c) The entire Merchanting Trade Transactions should be completed within an overall period of nine months and there should not be any outlay of foreign exchange beyond four months.
- (d) The commencement of Merchanting Trade would be the date of shipment / export leg receipt or import leg payment, whichever is first. The completion date would be the date of shipment / export leg receipt or import leg payment, whichever is the last;
- (e) Short-term credit either by way of suppliers' credit or buyers' credit will be available for Merchanting Trade Transactions, to the extent not backed by advance remittance for the export leg, including the discounting of export leg LC by an AD bank, as in the case of import transactions ;
- (f) In case advance against the export leg is received by the Merchanting Trader, AD bank should ensure that the same is earmarked for making payment for the respective import leg. However, AD bank may allow short-term deployment of such funds for the intervening period in an interest bearing account;
- (g) Merchanting Traders may be allowed to make advance payment for the import leg on demand made by the overseas seller. In case where inward remittance from the overseas buyer is not received before the outward remittance to the overseas supplier, AD bank may handle such transactions by providing facility based on commercial judgement. It may, however, be ensured that any such advance payment for the import leg beyond USD 200,000/- per transaction, the same should be paid against Bank Guarantee / LC from an international bank of repute, except in cases and to the extent where payment for export leg has been received in advance;
- (h) Letter of Credit to the supplier is permitted against confirmed export order keeping in view the outlay and completion of the transaction within nine months;
- (i) Payment for import leg may also be allowed to be made out of the balances in Exchange Earners Foreign Currency Account (EEFC) of the Merchant Trader.
- (j) AD bank should ensure one-to-one matching in case of each Merchanting Trade transaction and report defaults in any leg by the traders to the concerned Regional Office of RBI, on half yearly basis in the format as given in **Annex 3**, within 15 days from the close of each half year, i.e. June and December.
- (k) The names of defaulting Merchanting Traders, where outstanding reaches 5% of their annual export earnings, would be Caution-listed.
- (l) The KYC and AML guidelines should be observed by the AD bank while handling such transactions.

The Merchanting Traders have to be genuine traders of goods and not mere financial intermediaries. Confirmed orders have to be received by them from the overseas buyers. AD banks should satisfy themselves about the capabilities of the Merchanting Trader to perform the obligations under the order. The overall Merchanting Trade should result in reasonable profits to the Merchanting Trader.

Appendix

Consolidated List of Circulars on Import of Goods and Services

Sr. No	Circular No	Subject	Date of Circular
1	AP(DIR Series) Circular No. 106	Import of goods and services into India.	June 19, 2003
2	AP(DIR Series) Circular No. 4	Merchanting Trade Transactions – Clarifications - Short term credit	July 19, 2003
3	AP(DIR Series) Circular No. 9	Evidence of Import – Liberalisation	August 18, 2003
4	AP(DIR Series) Circular No. 15	Advance Remittance for Imports	September 17, 2003
5	AP(DIR Series) Circular No. 49	Advance Remittance for Imports	December 15, 2003
6	AP(DIR Series) Circular No. 66	Imports into India – Direct Receipt of Import Bills/Documents	February 6, 2004
7	AP(DIR Series) Circular No. 72	Foreign Exchange Management Act, 1999 - Import of Goods into India – Evidence of Import	February 20, 2004
8	AP(DIR Series) Circular No. 2	Import of Gold by (i) Export Oriented Units (EOUs), (ii) Units in SEZ/EPZ, and (iii) Nominated Agencies	July 9, 2004
9	AP(DIR Series) Circular No. 34	Import of Gold on Loan Basis – Tenor of Loan and Opening of Stand-By Letter of Credit	February 18, 2005
10	AP(DIR Series) Circular No. 1	Import of Goods of Value USD 100,000 and Less -Clarification on Follow up for Evidence of Import	July 12, 2005
11	AP(DIR Series) Circular No. 33	Liberalisation of Export and Import procedures	February 28, 2007
12	AP(DIR Series) Circular No. 34	Import of Goods of Value USD 100,000 and Less -Clarification on Follow up for Evidence of Import	March 2, 2007
13	AP(DIR Series) Circular No. 63	Import of Equipments by BPO Companies in India for International Call Centre	May 25, 2007
14	AP(DIR Series) Circular No. 77	Advance Remittance for Import of aircrafts / helicopters / other aviation related purchases	June 29, 2007
15	AP(DIR Series) Circular No. 18	Direct Receipt of Import Bills / Documents - Liberalisation	November 7, 2007
16	AP(DIR Series) Circular No. 37	Direct Receipt of Import Bills /	April 16, 2008

		Documents for Import of Rough Precious & Semi-Precious Stones	
17	<u>AP(DIR Series) Circular No. 03</u>	Advance Remittance for Import of Rough Diamonds	August 4, 2008
18	<u>AP(DIR Series) Circular No. 08</u>	Advance Remittance for Import of Rough Diamonds	August 21, 2008
19	<u>AP(DIR Series) Circular No. 09</u>	Foreign Exchange Management Act, 1999- Advance Remittance for Import of Goods - Liberalisation	August 21, 2008
20	<u>AP(DIR Series) Circular No. 12</u>	Foreign Exchange Management Act, 1999 – Import of Platinum / Palladium / Rhodium / Silver	August 28, 2008
21	<u>AP(DIR Series) Circular No. 13</u>	Direct Receipt of Import Bills / Documents - Liberalisation	September 1, 2008
22	<u>AP(DIR Series) Circular No. 15</u>	Foreign Exchange Management Act, 1999 – Advance Remittances for Import of Services	September 8, 2008
23	<u>AP(DIR Series) Circular No.21</u>	Advance Remittance for Import of Rough Diamonds	December 29, 2009
24	<u>AP(DIR Series) Circular No.56</u>	Advance Remittance for Import of Goods – Liberalisation	April 29, 2011
25	<u>AP(DIR Series) Circular No. 59</u>	Import of rough, cut and polished diamonds	May 06, 2011
26	<u>AP(DIR Series) Circular No. 82</u>	Release of Foreign Exchange for Imports – Further Liberalisation	February 21, 2012
27	<u>AP(DIR Series) Circular No. 83</u>	Import of Gold on Loan Basis - Tenor of Loan and Opening of Stand - By Letter of Credit	February 27, 2012
28	<u>AP(DIR Series) Circular No. 103</u>	Data on import of Gold – Statements – Modification	April 03, 2012
29	<u>AP(DIR Series) Circular No.83</u>	Import of precious and semi precious stones- Clarification	February 20, 2013
30	<u>AP(DIR Series) Circular No.103</u>	Import of Gold by Nominated Banks/Agencies	May 13, 2013
31	<u>AP(DIR Series) Circular No.107</u>	Import of Gold by Nominated Banks/Agencies	June 4, 2013
32	<u>AP(DIR Series) Circular No. 122</u>	Import of Gold by Nominated Banks/Agencies	June 27, 2013
33	<u>AP(DIR Series) Circular No.15</u>	Import of Gold by Nominated Banks /Agencies/Entities	July 22, 2013
34	<u>AP(DIR Series) Circular No.39</u>	Export import of Currency	September 6, 2013
35	<u>AP(DIR Series) Circular No.70</u>	Third party payments for export / import transactions	November 8 , 2013
36	<u>AP(DIR Series) Circular No.71</u>	Advance Remittance for Import of Rough Diamonds	November 8, 2013

37	<u>AP(DIR Series) Circular No.73</u>	Import of Gold by Nominated Banks /Agencies/Entities	November 11, 2013
38	<u>AP(DIR Series) Circular No. 75</u>	Trade Credit for imports into India- Online submission of data on issuance of Guarantee/Letter of Undertaking (LoU)/Letter of Comfort (LoC) by ADs	November 19, 2013
39	<u>AP(DIR Series) Circular No.82</u>	Import of Gold by Nominated Banks/Agencies/Entities	December 31, 2013
40	<u>AP(DIR Series) Circular No.95</u>	Merchanting Trade Transactions	January 17, 2014
41	<u>AP(DIR Series) Circular No.100</u>	Third party payments for export / import transactions	February 04, 2014
42	<u>AP(DIR Series) Circular No.103</u>	Import of Gold / Gold Dore by Nominated Banks /Agencies /Entities - Clarifications	February 14, 2014
43	<u>AP(DIR Series) Circular No.115</u>	Merchanting Trade Transactions - Revised guidelines	March 28, 2014
44	<u>A P (DIR Series) Circular No.116</u>	Advance Remittance for Import of Rough Diamonds	April 01, 2014
45	<u>AP(DIR Series) Circular No.122</u>	Trade Credits for Imports into India – Review of all-in-cost ceiling	April 10, 2014
46	<u>AP(DIR Series) Circular No.133</u>	Import of Gold by Nominated Banks / Agencies / Entities	May 21, 2014





भारतीय रिजर्व बँक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI 2011-12/7
Master Circular No. 7/2011-12

July 01, 2011

To,

All Category – I Authorised Dealer Banks

Madam / Sir,

Master Circular on Import of Goods and Services

Import of Goods and Services into India is being allowed in terms of Section 5 of the Foreign Exchange Management Act 1999 (42 of 1999), read with Notification No. G.S.R. 381(E) dated May 3, 2000 viz. Foreign Exchange Management (Current Account) Rules, 2000 as amended from time to time.

2. This Master Circular consolidates the existing instructions on the subject of "Import of Goods and Services" at one place. The list of underlying circulars consolidated in this Master Circular is also furnished.

3. This Master Circular is being issued with a sunset clause of one year. This circular will stand withdrawn on July 1, 2012 and be replaced by an updated Master Circular on the subject.

Yours faithfully,

**(Rashmi Fauzdar)
Chief General Manager**

INDEX

Section A - Introduction.....	2
Section B- General Guidelines for imports.....	3
B.1. General Guidelines	3
B.2. Form A-1	3
B.3. Import Licenses	3
B.4. Obligation of Purchaser of Foreign Exchange	3
B.5. Time Limit for Settlement of Import Payments.....	4
B.6. Import of Foreign exchange / Indian Rupees.....	5
Section C - Operational Guidelines for Imports.....	7
C.1. Advance Remittance.....	7
C.2. Interest on Import Bills.....	11
C.3. Remittances against Replacement Imports	12
C.4. Guarantee for Replacement Import	12
C.5. Import of Equipment by Business Process Outsourcing (BPO) Companies for their overseas sites	12
C.6. Receipt of Import Bills/Documents.....	13
C.7. Evidence of Import.....	14
C.8. Issue of acknowledgement	16
C.9. Verification and Preservation.....	16
C.10. Follow up for Import Evidence	16
C.11. Issue of Bank Guarantee.....	17
C.12. Import of Gold / Platinum / Silver by Nominated Banks / Agencies	17
C.13. Direct Import of Gold	18
C.14. Gold Loans	19
C.15. Import of Platinum, Palladium, Rhodium, Silver and rough, cut & polished diamonds	20
C.16. Import factoring.....	20
C.17. Merchanting Trade	20
Annex-1	22
Annex – 2	26
Annex-3	27
Annex- 4	28
Appendix.....	43
List of Circulars consolidated in the Master Circular	43

Section A - Introduction

- (i) Import trade is regulated by the Directorate General of Foreign Trade (DGFT) under the Ministry of Commerce & Industry, Department of Commerce, Government of India. Authorised Dealer Category – I (AD Category – I) banks should ensure that the imports into India are in conformity with the Foreign Trade Policy in force and Foreign Exchange Management (Current Account Transactions) Rules, 2000 framed by the Government of India vide Notification No. G.S.R.381 (E) dated May 3, 2000 and the Directions issued by Reserve Bank under Foreign Exchange Management Act, 1999 from time to time.
- (ii) AD Category – I banks should follow normal banking procedures and adhere to the provisions of Uniform Customs and Practices for Documentary Credits (UCPDC), etc. while opening letters of credit for import into India on behalf of their constituents.
- (iii) Compliance with the provisions of Research & Development Cess Act, 1986 may be ensured for import of drawings and designs.
- (iv) AD Category – I banks may also advise importers to ensure compliance with the provisions of Income Tax Act, wherever applicable.

Section B- General Guidelines for imports

B.1. General Guidelines

Rules and regulations to be followed by the AD Category – I banks from the foreign exchange angle while undertaking import payment transactions on behalf of their clients are set out in the following paragraphs. Where specific regulations do not exist, AD Category – I banks may be governed by normal trade practices. AD Category – I banks may particularly note to adhere to "Know Your Customer" (KYC) guidelines issued by Reserve Bank (Department of Banking Operations & Development) in all their dealings.

B.2. Form A-1

Applications by persons, firms and companies for making payments, exceeding USD 500 or its equivalent, towards imports into India must be made in Form A-1 (Annex-4).

B.3. Import Licenses

Except for goods included in the negative list which require licence under the Foreign Trade Policy in force, AD Category - I banks may freely open letters of credit and allow remittances for import. While opening letters of credit, the 'For Exchange Control purposes' copy of the licence should be called for and special conditions, if any, attached to such licences should be adhered to. After effecting remittances under the licence, AD Category - I banks may preserve the copies of utilised licence /s till they are verified by the internal auditors or inspectors.

B.4. Obligation of Purchaser of Foreign Exchange

- (i) In terms of Section 10(6) of the Foreign Exchange Management Act, 1999 (FEMA), any person acquiring foreign exchange is permitted to use it either for the purpose mentioned in the declaration made by him to an Authorised Dealer

Category – I bank under Section 10(5) of the Act or to use it for any other purpose for which acquisition of foreign exchange is permissible under the said Act or Rules or Regulations framed there under.

- (ii) Where foreign exchange acquired has been utilised for import of goods into India, the AD Category – I bank should ensure that the importer furnishes evidence of import viz., Exchange Control copy of the Bill of Entry, Postal Appraisal Form or Customs Assessment Certificate, etc., and satisfy himself that goods equivalent to the value of remittance have been imported.
- (iii) In addition to the permitted methods of payment for imports laid down in Notification No.FEMA14/2000-RB dated 3rd May 2000, payment for import can also be made by way of credit to non-resident account of the overseas exporter maintained with a bank in India. In such cases also AD Category – I banks should ensure compliance with the instructions contained in sub-paragraphs (i) and (ii) above.

B.5. Time Limit for Settlement of Import Payments

B.5.1. Time limit for normal imports

- (i) In terms of the extant regulations, remittances against imports should be completed not later than six months from the date of shipment, except in cases where amounts are withheld towards guarantee of performance, etc.
- (ii) AD Category – I banks may permit settlement of import dues delayed due to disputes, financial difficulties, etc. Interest in respect of delayed payments, usance bills or overdue interest for a period of less than three years from the date of shipment may be permitted in terms of the directions in para C.2 of Part III below.

B.5.2. Time limit for deferred payment arrangements

Deferred payment arrangements, including suppliers and buyers credit, providing for payments beyond a period of six months from date of shipment up to a period of less than three years, are treated as trade credits for which the procedural

guidelines laid down in the Master Circular for External Commercial Borrowings and Trade Credits may be followed.

B.5.3. Time limit for import of books

Remittances against import of books may be allowed without restriction as to the time limit, provided, interest payment, if any, is as per the instructions in para C.2 of Part III of this Circular.

B.6. Import of Foreign exchange / Indian Rupees

(i) Except as otherwise provided in the Regulations, no person shall, without the general or special permission of the Reserve Bank, import or bring into India, any foreign currency. Import of foreign currency, including cheques, is governed by clause (g) of sub-section (3) of Section 6 of the Foreign Exchange Management Act, 1999, and the Foreign Exchange Management (Export and Import of Currency) Regulations 2000, made by Reserve Bank vide Notification No. FEMA 6/2000-RB dated May 3, 2000, as amended from time to time.

(ii) Reserve Bank may allow a person to bring into India currency notes of Government of India and / or of Reserve Bank subject to such terms and conditions as the Reserve Bank may stipulate.

B.6.1. Import of foreign exchange into India

A person may –

(i) send into India without limit foreign exchange in any form other than currency notes, bank notes and travellers cheques;

(ii) bring into India from any place outside India, without limit foreign exchange (other than unissued notes), which shall be subject to the condition that such person makes, on arrival in India, a declaration to the Custom Authorities at the Airport in the Currency Declaration Form (CDF) annexed to these Regulations; provided further that it shall not be necessary to make such declaration where the

aggregate value of the foreign exchange in the form of currency notes, bank notes or travellers cheques brought in by such person at any one time does not exceed USD10,000 (US Dollars ten thousand) or its equivalent and/or the aggregate value of foreign currency notes (cash portion) alone brought in by such person at any one time does not exceed USD 5,000 (US Dollars five thousand) or its equivalent.

B.6.2. Import of Indian currency and currency notes

- (i) Any person resident in India who had gone out of India on a temporary visit, may bring into India at the time of his return from any place outside India (other than from Nepal and Bhutan), currency notes of Government of India and Reserve Bank notes up to an amount not exceeding Rs.7,500/- per person.
- (ii) A person may bring into India from Nepal or Bhutan, currency notes of Government of India and Reserve Bank notes other than notes of denominations of above Rs.100 in either case.

Section C - Operational Guidelines for Imports

C.1. Advance Remittance

C.1.1. Advance Remittance for import of goods

(i) AD Category – I bank may allow advance remittance for import of goods without any ceiling subject to the following conditions:

- (a) If the amount of advance remittance exceeds USD 200,000 or its equivalent, an unconditional, irrevocable standby Letter of Credit or a guarantee from an international bank of repute situated outside India or a guarantee of an AD Category – I bank in India, if such a guarantee is issued against the counter-guarantee of an international bank of repute situated outside India, is obtained.
- (b) In cases where the importer (other than a Public Sector Company or a Department/Undertaking of the Government of India/State Government/s) is unable to obtain bank guarantee from overseas suppliers and the AD Category – I bank is satisfied about the track record and bonafides of the importer, the requirement of the bank guarantee / standby Letter of Credit may not be insisted upon for advance remittances up to USD 5,000,000 (US Dollar five million). AD Category – I banks may frame their own internal guidelines to deal with such cases as per a suitable policy framed by the bank's Board of Directors.
- (c) A Public Sector Company or a Department/Undertaking of the Government of India / State Government/s which is not in a position to obtain a guarantee from an international bank of repute against an advance payment, is required to obtain a specific waiver for the bank guarantee from the Ministry of Finance, Government of India before making advance remittance exceeding USD 100, 000.

(ii) All payments towards advance remittance for imports shall be subject to the specified conditions.

C.1.2. Advance Remittance for Import of Rough Diamonds

(i) AD Category – I bank are 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 under noted mining companies, viz.

- a) De Beers UK Ltd,
- b) RIO TINTO, UK,
- c) BHP Billiton, Australia,
- d) ENDIAMA, E. P. Angola,
- e) ALROSA, Russia,
- f) GOKHARAN, Russia,
- g) Rio Tinto, Belgium,
- h) BHP Billiton, Belgium and
- i) Namibia Diamond Trading Company (PTY) Ltd. (NDTC).

(ii) While allowing the advance remittance, AD bank may ensure the following:

- (a) The importer should be a recognized processor of rough diamonds as per the list to be approved by Gems and Jewellery Export Promotion Council (GJEPC) in this regard and should have a good track record of export realisation;
- (b) AD Category – I bank should undertake the transaction based on their commercial judgment and after being satisfied about the bonafides of the transaction;
- (c) 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;

- (d) KYC and due diligence exercise should be done by the AD Category – I bank for the Indian importer entity and the overseas company; and
- (e) AD Category – I bank should follow up submission of the Bill of Entry / documents evidencing import of rough diamonds into the country by the importer, in terms of FEMA / Rules / Regulations / Directions issued in this regard.

(iii) 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 bank 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.

(iv) AD Category – I banks are required to submit a report in the format annexed (Annex-2) 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, to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Trade Division, Central Office, Amar Building, Sir. P. M. Road, Fort, Mumbai – 400 001, on a half yearly basis as at the end of September and March every year. The report should be submitted within 15 days from the close of the respective half year.

C.1.3. Advance Remittance for Import of Aircrafts/Helicopters and other Aviation Related purchases

As a sector specific measure, airline companies which have been permitted by the Directorate General of Civil Aviation to operate as a schedule air transport service, can make advance remittance without bank guarantee, up to USD 50 million. Accordingly, AD Category – I banks may allow advance remittance, without obtaining a bank guarantee or an unconditional, irrevocable Standby Letter of

Credit, up to USD 50 million, for direct import of each aircraft, helicopter and other aviation related purchases. The remittances for the above transactions shall be subject to the following conditions:

- (i) The AD Category - I banks should undertake the transactions based on their commercial judgment and after being satisfied about the bonafide of the transactions. KYC and due diligence exercise should be done by the AD Category-I banks for the Indian importer entity and the overseas manufacturer company as well.
- (ii) Advance payments should be made strictly as per the terms of the sale contract and are made directly to the account of the manufacturer (supplier) concerned.
- (iii) AD Category - I bank may frame their own internal guidelines to deal with such cases, with the approval of their Board of Directors.
- (iv) In the case of a Public Sector Company or a Department / Undertaking of Central /State Governments, the AD Category - I bank shall ensure that the requirement of bank guarantee has been specifically waived by the Ministry of Finance, Government of India for advance remittances exceeding USD 100,000.
- (v) Physical import of goods into India is made within six months (three years in case of capital goods) from the date of remittance and the importer gives an undertaking to furnish documentary evidence of import within fifteen days from the close of the relevant period. It is clarified that where advance is paid as milestone payments, the date of last remittance made in terms of the contract will be reckoned for the purpose of submission of documentary evidence of import.
- (vi) Prior to making the remittance, the AD Category – I bank may ensure that the requisite approval of the Ministry of Civil Aviation / DGCA / other agencies in terms of the extant Foreign Trade Policy has been obtained by the company, for import.
- (vii) In the event of non-import of aircraft and aviation sector related products, AD Category - I bank should ensure that the amount of advance remittance is immediately repatriated to India.

Prior approval of the Regional Office concerned of the Reserve Bank will be required in case of any deviation from the above stipulations.

C.1.4. Advance Remittance for the import of services

AD Category – I bank may allow advance remittance for import of services without any ceiling subject to the following conditions:

- (a) Where the amount of advance exceeds USD 500,000 or its equivalent, a guarantee from a bank of international repute situated outside India, or a guarantee from an AD Category – I bank in India, if such a guarantee is issued against the counter-guarantee of a bank of international repute situated outside India, should be obtained from the overseas beneficiary.
- (b) In the case of a Public Sector Company or a Department/ Undertaking of the Government of India/ State Governments, approval from the Ministry of Finance, Government of India for advance remittance for import of services without bank guarantee for an amount exceeding USD 100,000 (USD One hundred thousand) or its equivalent would be required.
- (c) AD Category – I banks should also follow-up to ensure that the beneficiary of the advance remittance fulfils his obligation under the contract or agreement with the remitter in India, failing which, the amount should be repatriated to India.

C.2. Interest on Import Bills

- (i) AD – Category – I bank may allow payment of interest on usance bills or overdue interest for a period of less than three years from the date of shipment at the rate prescribed for trade credit from time to time.
- (ii) In case of pre-payment of usance import bills, remittances may be made only after reducing the proportionate interest for the unexpired portion of usance at the rate at which interest has been claimed or LIBOR of the currency in which the goods have been invoiced, whichever is applicable. Where interest is not separately claimed or expressly indicated, remittances may be allowed after

deducting the proportionate interest for the unexpired portion of usance at the prevailing LIBOR of the currency of invoice.

C.3. Remittances against Replacement Imports

Where goods are short-supplied, damaged, short-landed or lost in transit and the Exchange Control copy of the import licence has already been utilised to cover the opening of a letter of credit against the original goods which have been lost, the original endorsement to the extent of the value of the lost goods may be cancelled by the AD Category – I bank and fresh remittance for replacement imports may be permitted without reference to Reserve Bank, provided the insurance claim relating to the lost goods has been settled in favour of the importer. It may be ensured that the consignment being replaced is shipped within the validity period of the license.

C.4. Guarantee for Replacement Import

In case replacement goods for defective import are being sent by the overseas supplier before the defective goods imported earlier are reshipped out of India, AD Category-I banks may issue guarantees at the request of importer client for dispatch/return of the defective goods, according to their commercial judgment.

C.5. Import of Equipment by Business Process Outsourcing (BPO) Companies for their overseas sites

AD Category – I bank may allow BPO companies in India to make remittances towards the cost of equipment to be imported and installed at their overseas sites in connection with the setting up of their International Call Centres (ICCs) subject to the following conditions:

- (i) The BPO company should have obtained necessary approval from the Ministry of Communications and Information Technology, Government of India and other authorities concerned for setting up of the ICC.

- (ii) The remittance should be allowed based on the AD Category - I banks' commercial judgment, the bonafides of the transactions and strictly in terms of the contract.
- (iii) The remittance is made directly to the account of the overseas supplier.
- (iv) The AD Category – I banks should also obtain a certificate as evidence of import from the Chief Executive Officer (CEO) or auditor of the importer company that the goods for which remittance was made have actually been imported and installed at overseas sites.

C.6. Receipt of Import Bills/Documents

C.6.1. Receipt of import documents by the importer directly from overseas suppliers

Import bills and documents should be received from the banker of the supplier by the banker of the importer in India. AD Category – I bank should not, therefore, make remittances where import bills have been received directly by the importers from the overseas supplier, except in the following cases:

- (i) Where the value of import bill does not exceed USD 300,000.
- (ii) Import bills received by wholly-owned Indian subsidiaries of foreign companies from their principals.
- (iii) Import bills received by Status Holder Exporters as defined in the Foreign Trade Policy, 100% Export Oriented Units / Units in Special Economic Zones, Public Sector Undertakings and Limited Companies.
- (iv) Import bills received by all limited companies viz. public limited, deemed public limited and private limited companies.

C.6.2. Receipt of import documents by the importer directly from overseas suppliers in case of specified sectors

As a sector specific measure, AD Category - I banks are permitted to allow remittance for imports up to USD 300,000 where the importer of rough diamonds, rough precious and semi-precious stones has received the import bills / documents directly from the overseas supplier and the documentary evidence for

import is submitted by the importer at the time of remittance. AD Category - I banks may undertake such transactions subject to the following conditions:

- (i) The import would be subject to the prevailing Foreign Trade Policy.
- (ii) The transactions are based on their commercial judgment and they are satisfied about the bonafides of the transactions.
- (iii) AD Category - I banks should do the KYC and due diligence exercise and should be fully satisfied about the financial standing / status and track record of the importer customer. Before extending the facility, they should also obtain a report on each individual overseas supplier from the overseas banker or reputed overseas credit rating agency.

C.6.3. Receipt of import documents by the AD Category – I bank directly from overseas suppliers

- (i) At the request of importer clients, AD Category – I bank may receive bills directly from the overseas supplier as above, provided the AD Category – I bank is fully satisfied about the financial standing/status and track record of the importer customer.
- (ii) Before extending the facility, the AD Category – I bank should obtain a report on each individual overseas supplier from the overseas banker or a reputed overseas credit agency. However, such credit report on the overseas supplier need not be obtained in cases where the invoice value does not exceed USD 300,000 provided the AD Category – I bank is satisfied about the bonafides of the transaction and track record of the importer constituent.

C.7. Evidence of Import

C.7.1. Physical Imports

- (i) In case of all imports, where value of foreign exchange remitted/ paid for import into India exceeds USD 100,000 or its equivalent, it is obligatory on the part of the AD Category – I bank through whom the relative remittance was made, to ensure that the importer submits :-

- (a) The Exchange Control copy of the Bill of Entry for home consumption, or

(b) The Exchange Control copy of the Bill of Entry for warehousing, in case of 100% Export Oriented Units,

or

(c) Customs Assessment Certificate or Postal Appraisal Form, as declared by the importer to the Customs Authorities, where import has been made by post, as evidence that the goods for which the payment was made have actually been imported into India.

(ii) In respect of imports on D/A basis, AD Category – I bank should insist on production of evidence of import at the time of effecting remittance of import bill. However, if importers fail to produce documentary evidence due to genuine reasons such as non-arrival of consignment, delay in delivery/ customs clearance of consignment, etc., AD bank may, if satisfied with the genuineness of request, allow reasonable time, not exceeding three months from the date of remittance, to the importer to submit the evidence of import.

C.7.2. Evidence of import in lieu of Bill of Entry

(i) AD Category – I bank may accept, in lieu of Exchange Control copy of Bill of Entry for home consumption, a certificate from the Chief Executive Officer (CEO) or auditor of the company that the goods for which remittance was made have actually been imported into India provided :-

(a) the amount of foreign exchange remitted is less than USD 1,000,000 or its equivalent,

(b) the importer is a company listed on a stock exchange in India and whose net worth is not less than Rs.100 crore as on the date of its last audited balance sheet, or, the importer is a public sector company or an undertaking of the Government of India or its departments.

(ii) The above facility may also be extended to autonomous bodies, including scientific bodies/academic institutions, such as Indian Institute of Science / Indian Institute of Technology, etc. whose accounts are audited by the Comptroller and Auditor General of India (CAG). AD Category – I bank may insist on a declaration from the auditor/CEO of such institutions that their accounts are audited by CAG.

C.7.3. Non Physical Imports

- (i) Where imports are made in non-physical form, i.e., software or data through internet / datacom channels and drawings and designs through e-mail/fax, a certificate from a Chartered Accountant that the software / data / drawing/ design has been received by the importer, may be obtained.
- (ii) AD Category – I bank should advise importers to keep Customs Authorities informed of the imports made by them under this clause.

C.8. Issue of acknowledgement

AD Category – I bank should acknowledge receipt of evidence of import e.g. Exchange Control copy of the Bill of Entry, Postal Appraisal Form or Customs Assessment Certificate, etc., from importers by issuing acknowledgement slips containing all relevant particulars relating to the import transactions.

C.9. Verification and Preservation

- (i) Internal inspectors or auditors (including external auditors appointed by AD Category – I bank) should carry out verification of the documents evidencing import, e.g. Exchange Control copies of Bills of Entry or Postal Appraisal Forms or Customs Assessment Certificates, etc.
- (ii) Documents evidencing import into India should be preserved by AD Category – I bank for a period of one year from the date of its verification. However, in respect of cases which are under investigation by investigating agencies, the documents may be destroyed only after obtaining clearance from the investigating agency concerned.

C.10. Follow up for Import Evidence

- (i) In case an importer does not furnish any documentary evidence of import, as required under paragraph C.7. of Part III, within 3 months from the date of remittance involving foreign exchange exceeding USD 100,000, the AD Category – I bank should rigorously follow-up for the next 3 months, including issuing registered letters to the importer.

(ii) AD Category – I bank should forward a statement on half-yearly basis as at the end of June & December of every year, in form BEF (Annex 1) furnishing details of import transactions, exceeding USD 100,000 in respect of which importers have defaulted in submission of appropriate document evidencing import within 6 months from the date of remittance, to the Regional Office of Reserve Bank under whose jurisdiction the AD Category – I bank is functioning, within 15 days from the close of the half-year to which the statement relates.

(iii) AD Category – I bank need not follow up submission of evidence of import involving amount of USD 100,000 or less provided they are satisfied about the genuineness of the transaction and the bonafides of the remitter. A suitable policy may be framed by the bank's Board of Directors and AD Category – I bank may set their own internal guidelines to deal with such cases.

C.11. Issue of Bank Guarantee

AD Category – I banks are permitted to issue guarantee on behalf of their importer customers in terms of Notification No. FEMA 8/2000-RB dated May 3, 2000, as amended from time to time.

C.12. Import of Gold / Platinum / Silver by Nominated Banks / Agencies

C.12.1. Import on consignment basis

Gold may be imported by the nominated agencies/banks on consignment basis where the ownership will remain with the supplier and the importer (consignee) will be acting as an agent of the supplier (consignor). Remittances towards the cost of import shall be made as and when sales take place and in terms of the provisions of agreement entered into between the overseas supplier and nominated agency/bank. These instructions would also apply to import of platinum and silver.

C.12.2. Import on unfixed price basis

The nominated agency/bank may import gold on outright purchase basis subject to the condition that although ownership of the gold shall be passed on to the importer at the time of import itself, the price of gold shall be fixed later, as and

when the importer sells the gold to the users. These instructions would also apply to import of platinum and silver.

C.13. Direct Import of Gold

AD Category – I bank can open Letters of Credit and allow remittances on behalf of EOU units in SEZs in the Gem & Jewellery sector and the nominated agencies / banks, for direct import of gold, subject to the following

- (i) The import of gold should be strictly in accordance with the Foreign Trade Policy.
- (ii) Suppliers' and Buyers' Credit, including the usance period of LCs opened for direct import of gold, should not exceed 90 days.
- (iii) Banker's prudence should be strictly exercised for all transactions pertaining to import of gold. AD Category – I bank should ensure that due diligence is undertaken and all Know Your Customer (KYC) norms and the Anti-Money-Laundering guidelines, issued by Reserve Bank from time to time are adhered to while undertaking such transactions. AD Category – I bank should closely monitor such transactions. Any large or abnormal increase in the volume of business of the importer should be closely examined to ensure that the transactions are bonafide trade transactions.
- (iv) In addition to carrying out the normal due diligence exercise, the credentials of the supplier should also be ascertained before opening the LCs. The financial standing, line of business and the net worth of the importer customer should be commensurate with the volume of business turnover. Apart from the above, in case of such transactions banks should also make discreet enquiries from other banks to assess the actual position. Further, in order to establish audit trail of import/export transactions, all documents pertaining to such transactions must be preserved for at least five years.
- (v) AD Category – I bank should follow up submission of the Bill of Entry by the importers as stipulated.

(vi) Head Offices/International Banking Divisions of AD Category – I banks undertaking gold import transactions are required to submit as per the format enclosed at Annex-3, a monthly statement thereof, to the Chief General Manager, Trade Division, Foreign Exchange Department, Amar Building, Central Office, Reserve Bank of India, Sir P.M. Road, Fort, Mumbai 400001.

C.14. Gold Loans

- (i) Nominated agencies / authorised banks can import gold on loan basis for on lending to exporters of jewellery under this scheme.
- (ii) EOUs and units in SEZ who are in the Gem and Jewellery sector can import gold on loan basis for manufacturing and export of jewellery on their own account only.
- (iii) The maximum tenor of gold loan would be as per the Foreign Trade Policy 2009-2014, or as notified by the Government of India from time to time in this regard.
- (iv) AD bank may open Standby Letters of Credit (SBLC), for import of gold on loan basis, where ever required, as per FEDAI guidelines dated April 1, 2003. The tenor of the SBLC should be in line with the tenor of the gold loan.
- (v) SBLC can be opened only on behalf of entities permitted to import gold on loan basis, viz. nominated agencies and 100% EOU/units in SEZ, which are in the Gem and Jewellery sector.
- (vi) SBLC should be in favour of internationally renowned bullion banks only. AD Category – I bank can obtain a detailed list of internationally renowned bullion banks from the Gem & Jewellery Export Promotion Council.
- (vii) All other existing instructions on import of gold and opening of Letters of Credit, with usance period not exceeding 90 days, will continue to be applicable.
- (viii) AD Category – I banks must maintain adequate documentation with them to uniquely link all imports with the SBLC issued for the import of gold on loan basis.

C.15. Import of Platinum, Palladium, Rhodium, Silver and rough, cut & polished diamonds

(a) Suppliers' and Buyers' credit, including the usance period of Letters of Credit opened for import of Platinum, Palladium, Rhodium and Silver and rough, cut and polished diamonds should not exceed 90 days from the date of shipment.

(b) AD Category – I banks should ensure that due diligence is undertaken and Know Your Customer (KYC) norms and Anti-Money Laundering (AML) guidelines, issued by the Reserve Bank are adhered to while undertaking import of the metals and rough, cut and polished diamonds. Further, any large or abnormal increase in the volume of business should be closely examined to ensure that the transactions are bonafide and are not intended for interest / currency arbitrage. All other instructions relating to import of these metals and rough, cut and polished diamonds shall continue.

C.16. Import factoring

(i) AD Category – I bank may enter into arrangements with international factoring companies of repute, preferably members of Factors Chain International, without the approval of Reserve Bank.

(ii) They will have to ensure compliance with the extant foreign exchange directions relating to imports, Foreign Trade Policy in force and any other guidelines/directives issued by Reserve Bank in this regard.

C.17. Merchanting Trade

AD Category – I bank may take necessary precautions in handling bonafides merchanting trade transactions or intermediary trade transactions to ensure that:

(a) Goods involved in the transactions are permitted to be imported into India and all the rules, regulations and directions applicable to export (except Export Declaration Form) and import (except Bill of Entry) are complied with for the export leg and import leg, respectively.

- (b) The entire merchant trade transaction is completed within a period of 6 months.
- (c) The transactions do not involve foreign exchange outlay for a period exceeding three months.
- (d) Payment is received in time for the export leg.
- (e) Where the payment for export leg of the transaction precedes the payment for import leg, AD Category – I banks should ensure that the terms of payment are such that the liability for the import leg of the transaction is extinguished by the payment received for the export leg of the transaction, without any delay.

AD Category – I banks may note that short-term credit either by way of suppliers' credit or buyers' credit is not available for merchanting trade or intermediary trade transactions.

.....

BEF

(See paragraph C.10. (ii) of Section-C of Master Circular)

**Statement showing the details of remittances effected towards
import in respect of which documentary evidence has not
been received despite reminders**

Name and address of AD branch.....

Name of Controlling Office of AD branch

Statement for the half-year ended

NOTES:

- i. The statement should be submitted in duplicate, to the Regional Office of Reserve Bank under whose jurisdiction the AD branch is functioning.
- ii. Details of transactions where the amount of remittance exceeds USD 100,000 or its equivalent should only be included in the statement.
- iii. In cases where, at the time of advance remittance, purpose of remittance was as import and subsequently the exchange has been used for other purpose for which sale of exchange is permissible, and a document to the satisfaction of Authorised Dealer bank has been produced, such cases should not be treated as default and hence be excluded from the BEF statement.
- iv. Authorised Dealer bank may accept 'Into Bond Bill of Entry' as a provisional evidence of import into India. However, they may ensure submission of Exchange Control copy of the Bill of Entry for Home consumption within a reasonable period of time. Where EDI system has been implemented by customs and the importer receives only one copy of the "ex-Bond Bill of Entry" from the customs, Authorised Dealer bank may advise importer to submit a photocopy of the "ex-Bond Bill of Entry" for home consumption after clearance of the goods from the warehouse / bond, which may be duly verified by the Authorised Dealer bank and accepted as final evidence of import. Cases where 'Into Bond Bill of Entry' has been submitted need not be reported in BEF statement.
- v. The statement should include details of all remittances, exceeding USD 100,000 from India or payments from abroad in connection with imports, including advance

payments, delayed payments, etc. irrespective of the source of funding (i.e. EEFC accounts/foreign currency accounts maintained in India and abroad, payments out of external commercial borrowings, foreign investments in the shares of importers etc.).

vi. The cases reported in Part I of statement for the previous half-year should not be reported again in Part I of the statement for the current half-year.

vii. In case no transaction is required to be reported, 'NIL' statement should be submitted.

viii. Statement should be submitted within 15 days from the close of the half-year to which it relates.

Part - I

Information regarding importers who have defaulted in submission of the documentary evidence of import

Part - II

**Information regarding subsequent receipt of documentary evidence
of Import from importers whose names were reported in Part I
of earlier BEF statement/s**

Sr. No.	Name and address of	Period of the BEF statement and serial No. of the transaction reported earlier in Part I of BEF statement	Date of receipt	Amount of Remittance		Remarks
				Currency and Amount	Rupee equivalent	
1	2	3	4	5	6	7
A. Import by parties other than Public Sector Undertakings/Government Departments						
1						
2						
3						
4						
Etc						
B. Import by Public Sector Undertakings / Government Departments						
1.						
2.						
3.						
Etc						

Note : Transactions reported in Part II of BEF statement of earlier half-year should not be repeated in Part II of the current half-year.

C E R T I F I C A T E

- i. We certify that the particulars furnished above are true and correct as per our records.
- ii. We further certify that the statement includes all cases which are required to be reported under the prescribed procedure.

iii. We undertake to continue to pursue the cases with the importers reported in Part I of the statement.

(Signature of the Authorised Official of the bank)

Stamp

Name:

Designation:

Date:

Place:

Annex – 2

{see paragraph C.1.2. (iv) of Section-C of Master Circular}

[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 digits):

Sr. No.	Name of the Company	Name of the Importer Entity and IEC No.	Amount of Advance Payment made without BG/Stand by LC	Whether document for evidence of import submitted
1	De Beers UK Ltd.			
2	RIO TINTO, UK			
3	BHP Billiton, Australia			
4	ENDIAMA E.P. Angola			
5	ALROSA, Russia			
6	GOKHARAN, Russia			
7	Rio Tinto, Belgium			
8	BHP Billiton, Belgium			
9	Namibia Diamond Trading Company (PTY) Ltd. (NDTC).			

Signature of the Authorised Official of the bank:

Date:

Stamp:

Annex-3

{see paragraph C.13. (vi) of Section-C of Master Circular}

[A.P. (DIR Series) Circular No.2 dated July 9, 2004]

Statement of Gold Imported during the month ended.....

Name of the Bank:

Date of Statement:

	Number of Transactions		Value of Gold Imported		
	EOU/SEZ	Nom. Agency/ Bank	(USD million)		(Rs.Crore)
		EOU/SEZ	Nom. Agency	EOU/ SEZ	Nom. Agency Bank
<u>Gold</u>					
(i) Delivery Against Payment Basis					
(ii) Suppliers' Credit Basis					
(iii) Consignment Basis					
(iv) Unfixed Price Basis					

Note:

1. Full details of transactions may be provided in cases where the number of transactions in respect of a single importer exceeds ten transactions in a month or the aggregate value of imports exceeds US Dollar 50 million.
2. Details of EOU/Units in SEZ and Nominated Agencies should be given separately.

Annex- 4

{see paragraph B.2. of Section B of Master Circular}

[Ref: AP (DIR Series) Circular No. 106 dated June 19, 2003]

Form A 1- Application for Transfer of Indian Rupees to the account of a Non-Resident Bank

Form A1 (For Import Payments only) Application for Transfer of Indian Rupees to the Account of a Non-resident Bank	(To be printed on Light Blue paper) A.D.Code No. _____
	Form No. _____ (To be filled by authorised dealer)
	Serial No. _____ (for use of Reserve Bank of India)
	Amount _____ remitted Currency Amount _____ Equivalent to Rupees _____ (To be completed by authorised dealer)

I/We wish to transfer Rs. _____ from the account of _____
(in words) _____ (Name & address of remitter)
at _____
(Name of the authorised dealer with whom remitter's account is kept)
to _____
(Full title of the account of non-resident bank credited, stating country of residence)
at _____
(Name of authorised dealer with whom account is kept)
for account of _____
(Name and address of the beneficiary of the remittance)
in payment of imports into India, detailed below:

Details of goods imported or to be imported into India

Section A: Import Licence particulars

Import Licence					Date of Issue			Date of expiry			Face value of licence	Amount to be endorsed (in Rs.) @		
Prefix	Licence No.	Suffixes				Date	Month	Year	Date	Month	Year			
		1	2	3	4									

④ Actual amount endorsed in rupees against each licence involved, should be stated under this column.

Note: If more than one licence is involved, particulars of all licences should be furnished. If the space is inadequate, separate statement may be attached. The amount utilised against each licence should invariably be indicated.

Section B: Import particulars

Section C: Other particulars

1.	Details of forward purchase contract if any, booked against the import	(No.& date of Contract)	(Currency and Amount contract)	(Balance under the Contract)
2	If remittance to be made is less than invoice value, reasons therefor (i.e. part remittance, instalment etc.)			

I/We hereby declare that the statements made by me/us on this form are true and that I/ we have not applied for an authorisation through any other bank.

I/We declare and also understand that the foreign exchange to be acquired by me/us pursuant to this application shall be used by me/us only for the purpose for which it is acquired and that the conditions subject to which the exchange is granted will be complied with.

.....

	(Signature of Applicant/Authorised Official)
	<p style="text-align: center;">@ Name and Address of Applicant.....</p> <p style="text-align: center;">Importer's Code Number _____</p> <p style="text-align: center;">@ Nationality _____</p> <p style="text-align: center;">@ To be filled in capital letter</p>
Date : _____	

NOTE : For remittances covering intermediary trade, form A2 should be used.

Declaration to be furnished by Applicant

I/We declare that

(a) the import licence/s against which the remittance is sought is/are valid and has/have not been cancelled by DGFT.

(b) the goods to which this application relates have been* imported into India on my/our own account* will be *

(c) the import is on behalf of @_____ * and

(d) the invoice value of the goods which is declared on this form is the real value of the goods imported * into in India.

to be imported*

If the Import has been made	I/We attach the relative Customs-stamped Exchange Control copy of Bill of Entry * Post parcel wrapper (for imports by post)*/Courier Wrapper (for imports through courier)*
	Strike out item not applicable
@	Where the import is on behalf of Central/State Government Department or a company owned by Central/State Government/Statutory Corporation, Local Body, etc. the name of the Government Department, Corporation etc. should be stated.
Date:.....	(Signature of Applicant/Authorised Official)

Space for comments of the authorised dealer

(While forwarding the application to Reserve Bank for approval, reference to Exchange Control Manual paragraph/ A.D.Circular in terms of which the reference is made should invariably be cited. If any remittance application on account of the same import was referred to Reserve Bank earlier, reference to the last correspondence/approval should also be cited).

Date:.....	<div style="text-align: center;">Stamp</div>	(Signature of Authorised Official)
		Name.....
		Designation.....
		Name and Address of
		Authorised dealer

Certificate to be Furnished by Authorised Dealer Bank(Importer's Banker)

We hereby certify that

Put a tick

(<input type="checkbox"/>) in the through us relevant block collection	(a) this payment is <ul style="list-style-type: none"> (i) an advance remittance (ii) in retirement of bills under Letter of Credit opened through (iii) against documents received through our medium for (iv) on account of documents received direct by the applicant/s against undertaking furnished by the latter to submit Customs-stamped Exchange Control copy of Bill of Entry of Post Parcel/courier wrapper within three months (v) on account of documents received direct by the applicant/s against Customs-stamped Exchange Control copy of Bill of Entry/post parcel/courier wrapper (attached) submitted by the latter (vi) _____ (any other case to be explained)
--	---

	<p>(b) all the Exchange Control regulations applicable to the remittance have been complied with</p> <p>(c) the payment to the supplier of the goods <u>has been*</u> made will be*</p> <p>through _____ (Name & Address of the foreign bank)</p>
--	---

We also certify/undertake that the relevant Customs-stamped Exchange Control copy of Bill of Entry or post parcel/courier wrapper

- . shall be verified by us within three months [vide certificate (a)(ii) and (iii) above].
- . has been verified [vide certificate (a) (v) above].
- . shall be obtained from the applicant/s within three months [vide certificate (a) (i) and (iv) above].

..... (Signature of Authorised Official)

Name.....

Stamp Designation.....

Name and Address of

Date:..... Authorised dealer

* Strike out item not applicable

Form A1-Application for remittance in Foreign Currency

(To be printed on White paper)

A.D.Code No._____

Form No._____

(To be filled by authorised dealer)

**Form A1
(For Import Payments only)
Application for Remittance in
Foreign Currency**

Serial No._____

(for use of Reserve Bank of India)

Amount_____

remitted Currency Amount

Equivalent to Rupees_____

(To be completed by authorised dealer)

I/We wish to purchase _____ (Name of currency) _____ (Amount in words)
through _____ for
payment to _____ (Name and address of the authorised dealer)
in payment of imports into India, detailed below:

Details of goods imported or to be imported into India

Section A: Import Licence particulars

Details of goods imported or to be imported into India

Section A: Import Licence particulars

@ Actual amount endorsed in rupees against each licence involved, should be stated under this column.

Note: If more than one licence is involved, particulars of all licences should be furnished. If the space is inadequate, separate statement may be attached. The amount utilised against each licence should invariably be indicated.

Section B: Import particulars

Section C: Other particulars

1	Details of forward purchase contract, if any, booked against the import	(No. & date of contract)	(Currency and Amount of contract)	(Balance under the Contract)
2	If remittance to be made is less than invoice value, reasons therefore (i.e. part remittance, instalment etc.)	_____	_____	_____

I/We hereby declare that the statements made by me/us on this form are true and that I/we have not applied for an authorisation through any other bank.

I/We declare and also understand that the foreign exchange to be acquired by me/us pursuant to this application shall be used by me/us only for the purpose for which it is acquired and that the conditions subject to which the exchange is granted will be complied with.

.....
(Signature of Applicant/Authorised Official)

@ Name and Address of Applicant

Importer's Code Number.....

@ Nationality

Date:.....

@ To be filled in capital letters

NOTE : For remittances covering intermediary trade, form A2 should be used.

Declaration to be furnished by Applicant

I/We declare that

(e) the import licence/s against which the remittance is sought is/are valid and has/have not been cancelled by DGFT.

(f) the goods to which this application relates have been* imported into India on my/our account* own will be *

(g) the import is on behalf of @_____ * and

(h) the invoice value of the goods which is declared on this form is the real value of the goods imported * into in India.

* to be imported

If the Import has been made	I/We attach the relative Customs-stamped Exchange Control copy of Bill of Entry * Post parcel wrapper (for imports by post)*/Courier Wrapper (for imports through courier)*
	or
If the Import has been made	I/We undertake to produce within three months to the authorised dealer the relative Customs-stamped Exchange Control copy of Bill of Entry * ----- Post parcel wrapper (for imports by post)*/Courier wrapper (for imports through Courier)*
* Strike out item not applicable	
@	Where the import is on behalf of Central/State Government Department or a company owned by Central/State Government/Statutory Corporation, Local Body, etc. the name of the Government Department, Corporation etc. should be stated.
Date	_____
	(Signature of Applicant/Authorised Official)

Space for comments of the authorised dealer

(While forwarding the application to Reserve Bank for approval, reference to Exchange Control Manual paragraph/ A.D.Circular in terms of which the reference is made should invariably be cited. If any remittance application on account of the same import was referred to Reserve Bank earlier, reference to the last correspondence/approval should also be cited).

(Signature of Authorised Official)
Name

Date:- Stamp Designation
Date:..... Name and Address of
Authorised dealer.....

Certificate to be Furnished by Authorised Dealer (Importer's Banker)

We hereby certify that

Put a

(a) this payment is
 in the us relevant block collection (i) an advance remittance
(ii) in retirement of bills under Letter of Credit opened through
(viii) against documents received through our medium for
(iv) on account of documents received direct by the applicant/s against undertaking furnished by the latter to submit Customs-stamped Exchange Control copy of Bill of Entry of Post parcel/courier Exchange wrapper (attached) submitted by the latter

(v) on account of documents received direct by the applicant/s against Customs-stamped Exchange Control copy of Bill of Entry/post parcel wrapper (attached) submitted by the latter

(vi) _____
(any other case, to be explained)

(b) all the Exchange Control regulations applicable to the remittance have been complied with

(d) the payment to the supplier of the goods has been* made
will be*
through _____
(Name & Address of the foreign bank)

We also certify/undertake that the relevant Customs-stamped Exchange Control copy of Bill of Entry or post parcel/courier wrapper

. shall be verified by us within three months
[vide certificate (a)(ii) and (iii) above].

. has been verified [vide certificate (a) (v) above].

. shall be obtained from the applicant/s within three months
[vide certificate (a) (i) and (iv) above].

.....
(Signature of Authorised Official)

Stamp Name

Designation.....

Name and Address of

Date:..... Authorised dealer

* Strike out item not applicable

Form A1-Application for payments through Asian Clearing Union

(To be printed on Light Yellow paper)

A.D.Code No._____

Form No._____

(To be filled by authorised dealer)

**Form A1
(For Import Payments only)
Application for Payment through
Asian Clearing Union**

Serial No._____
(for use of Reserve Bank of India)

Amount _____
remitted Currency Amount

Equivalent to Rupee _____
(To be completed by authorised dealer)

I/We wish to remit through ASIAN CLEARING UNION _____
(Name of currency)

_____ through _____ for
(Amount in words) (Name and address of the designated bank in India)

payment to _____ in payment of imports
(Name and address of the beneficiary of remittance)
into India, detailed below:

Details of goods imported or to be imported into India

Section A: Import Licence particulars

@ Actual amount endorsed in rupees against each licence involved, should be stated under this column.

Note: If more than one licence is involved, particulars of all licences should be furnished. If the space is inadequate, a separate statement may be attached. The amount utilized against each licence should invariably be indicated.

Section B: Import particulars

Section C: Other particulars

1. Details of forward purchase contract, if any, booked against the import	(No. & date of Contract)	(Currency and Amount of the Contract)	(Balance under contract)
2. If remittance to be made is less than invoice value, reasons therefor (i.e. part remittance, instalment etc.)			

I/We hereby declare that the statements made by me/us on this form are true and that I/we have not applied for an authorisation through any other bank.

I/We declare and also understand that the payments to be made by me/us, through ASIAN CLEARING UNION pursuant to this application shall be used by me/us only for the purpose stated above and that the conditions subject to which the permission is granted will be complied with.

.....
(Signature of Applicant/Authorised Official)

@ Name and Address of Applicant.....

Stamp

Importer's Code Number

@ Nationality.....

@ To be filled in capital letters

Date:.....

NOTE: For remittances covering intermediary trade, form A2 should be used.

Declaration to be furnished by Applicant

I/We declare that

- (a) the import licence/s against which the remittance is sought is/are valid and has/have not been cancelled by DGFT.
- (b) the goods to which this application relates have been* imported into India on my/our own account*
- (c) the import is on behalf of @ _____ * and
- (d) the invoice value of the goods which is declared on this form is the real value of the goods imported* into in India.
to be imported*

If the Import has been I/We attach the relative Customs-stamped Exchange Control copy of Bill of Entry*
Post parcel wrapper (for imports by post)*/Courier Wrapper
(for imports through courier)*

made

or

If the
import is
to be
made

I/We undertake to produce within three months to the authorised dealer the relative
Customs-stamped Exchange Control copy of Bill of Entry *
Post parcel wrapper (for imports by post)*/Courier wrapper
(for imports through Courier)*

* Strike out item not applicable

@ Where the import is on behalf of Central/State Government Department or a company owned by Central/State Government/Statutory Corporation, Local Body, etc. the name of the Government Department, Corporation etc. should be stated.

Date:.....

(Signature of Applicant/Authorised
Official)

Space for comments of the authorised dealer

(While forwarding the application to Reserve Bank for approval, reference to Exchange Control Manual paragraph/ A.D.Circular in terms of which the reference is made should invariably be cited. If any remittance application on account of the same import was referred to Reserve Bank earlier, reference to the last correspondence/approval should also be cited).

.....
(Signature of Authorised Official)

Name.....

Stamp Designation.....

Name and Address of.....

Authorised dealer

Date:.....

Certificate to be Furnished by Authorised Dealer (Importer's Banker)

We hereby certify that

(a) this payment is

Put a
tick ()
in the
relevant
block

- (i) an advance remittance
- (ii) in retirement of bills under Letter of Credit opened through us
- (iii) against documents received through our medium for collection
- (iv) on account of documents received direct by the applicant/s against undertaking furnished by the latter to submit Customs-stamped Exchange Control copy of Bill of Entry of Post Parcel/courier wrapper within three months
- (v) on account of documents received direct by the applicant/s against Customs-stamped Exchange Control copy of Bill of Entry/post parcel/courier wrapper (attached) submitted by the latter

(vi)

(any other case, to be explained)

(b) all the Exchange Control regulations applicable to the remittance have been
complied with

(e) the payment to the supplier of the goods has been* made
will be*
through _____

(Name & Address of the foreign bank)

We also certify/undertake that the relevant Customs-stamped Exchange Control copy of Bill of Entry or post parcel/courier wrapper

* shall be verified by us within three months

[vide certificate (a)(ii) and (iii) above].

* has been verified [vide certificate (a) (v) above].

* shall be obtained from the applicant/s within three months
[vide certificate (a) (i) and (iv) above].

.....
(Signature of Authorised Official)

Name.....

Stamp Designation.....

Name and Address of

Date:..... Authorised dealer

* Strike out item not applicable

Appendix

List of Circulars consolidated in the Master Circular

Import of Goods and Services

- [AP \(DIR Series\) Circular No. 106 dated June 19, 2003](#)
- [AP \(DIR Series\) Circular No. 4 dated July 19, 2003](#)
- [AP \(DIR Series\) Circular No. 9 dated August 18, 2003](#)
- [AP \(DIR Series\) Circular No. 15 dated September 17, 2003](#)
- [AP \(DIR Series\) Circular No. 49 dated December 15, 2003](#)
- [AP \(DIR Series\) Circular No. 66 dated February 6, 2004](#)
- [AP \(DIR Series\) Circular No. 72 dated February 20, 2004](#)
- [AP \(DIR Series\) Circular No. 2 dated July 9, 2004](#)
- [AP \(DIR Series\) Circular No. 34 dated February 18, 2005](#)
- [AP \(DIR Series\) Circular No. 1 dated July 12, 2005](#)
- [AP \(DIR Series\) Circular No. 33 dated February 28, 2007](#)
- [AP \(DIR Series\) Circular No. 34 dated March 2, 2007](#)
- [AP \(DIR Series\) Circular No. 63 dated May 25, 2007](#)
- [AP \(DIR Series\) Circular No. 77 dated June 29, 2007](#)
- [AP \(DIR Series\) Circular No. 18 dated November 7, 2007](#)
- [AP \(DIR Series\) Circular No. 37 dated April 16, 2008](#)
- [AP \(DIR Series\) Circular No. 03 dated August 4, 2008](#)
- [AP \(DIR Series\) Circular No. 08 dated August 21, 2008](#)
- [AP \(DIR Series\) Circular No. 09 dated August 21, 2008](#)
- [AP \(DIR Series\) Circular No. 12 dated August 28, 2008](#)
- [AP \(DIR Series\) Circular No. 13 dated September 1, 2008](#)
- [AP \(DIR Series\) Circular No. 15 dated September 8, 2008](#)
- [AP \(DIR Series\) Circular No.21 dated December 29, 2009](#)
- [AP \(DIR Series\) Circular No.56 dated April 29, 2011](#)
- [AP \(DIR Series\) Circular No. 59 dated May 06, 2011](#)



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