

Credit Information Review

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Interest Rate on Export Credit

The prescription of interest at 25 per cent per annum (minimum) for Export Credit Not Otherwise Specified (ECNOS) at post-shipment stage applicable to overdue export bills has been withdrawn with effect from January 6, 2001. Banks are now free to decide the rate to be charged keeping in view the guidelines on Prime Lending Rate and spread. The revision in the rate of interest with effect from January 6, 2001 would be applicable not only to fresh advances but also to the existing advances for the remaining period. The present instructions for ensuring that there is no deliberate attempt to delay repatriation of export receipts would, however, remain in force.

The decision to withdraw the prescription was taken on a review of the current situation.

Interest Rate Surcharge on Import Finance

The interest rate surcharge on import finance has also been withdrawn effective January 6, 2001. Accordingly, fresh draws as well as outstanding bank credit towards import finance would not be subject to the interest rate surcharge as from the said date.

Improvement in Export Credit Procedures

The Reserve Bank has advised commercial banks to implement the following recommendations of the Bankers' Group on further improvement of procedures for export credit delivery, based on suggestions received from export organisations and exporters.

In cases where the export credit limits are utilised fully, banks may adopt a flexible approach in negotiating the bills drawn against letters of credit and consider in such cases delegating discretionary / higher sanctioning powers to branch managers to meet the credit requirements of the exporters. Similarly, branches may also be authorised to disburse a certain percentage of the enhanced / adhoc limits, pending sanction by higher authorities / board/ committee who had originally accorded sanctions to enable the exporters to execute urgent export orders in time.

It is reported that banks are hesitant to waive submission of order/LC even in case of exporters with good track record, as such waivers adversely affect settlement of claims, by Export Credit Guarantee Corporation. ECGC has reported that any waiver of submission of order/ LC should form part of the terms of sanction of the export credit limits and should be communicated to ECGC. Where such waivers are permitted ab initio and the system of obtaining periodical statement of outstanding orders/LCs on hand has been put in place, the same may be incorporated in the sanction proposals as well as in the letters issued to exporters and appropriately brought to the notice of ECGC. Further, if such waivers are permitted subsequent to the sanction of export credit limits with the approval of the appropriate authority, the same may be incorporated in the terms of sanction by way of amendments and communicated to ECGC.

Non-acceptance of Rs.500 notes

The Reserve Bank has clarified that all Rs.500 notes issued by the Reserve Bank from time to time are legal tender and continue to be freely accepted for all transactions. With the issue of the 500 rupee note in the revised colour scheme in November last, the Reserve Bank had invited the public to exchange the old design green 500 rupee notes (with the Ashoka Pillar in the watermark window) for the new design 500 rupee notes. The Reserve Bank has clarified that this is only a facility to enable members of the public to exchange their old design 500 rupee notes. This effort should not be cited by banks as the reason for not accepting these notes.

Citizen's Charter for Currency Exchange Facilities

1. You can
 - (i) Exchange your notes and coins in the denominations of your choice subject to limits indicated
at the public exchange counters.
 - (ii) Exchange your soiled notes at the specified counters subject to the limit indicated per tender.
 - (iii) Either get your torn/cut/mutilated currency notes exchanged across the counter subject to the
provisions laid down in the RBI (Note Refund) Rules, in force or by depositing them at the
triple lock receptacle counter, in the specified cover available free of cost at any RBI office.
The exchange value of such notes as admissible under the rules will be remitted to you within
15 days.
2. All exchange facilities are available free of charge.
3. You are assured of prompt and courteous service throughout specified banking hours.
4. Please contact the Officer-in-Charge of the Grievances Redressal Cell in person or write to him
at your convenience for any suggestions/complaints about the currency exchange facilities.
5. The facilities are also available at the branches of public sector banks maintaining currency
chests/small coins depots. (A list of these branches is available with the enquiry officer at any
RBI office).
(Released by the Department of Currency Management, Reserve Bank of India)

Accounts of Deceased Customers

Payment of Balance

The Reserve Bank has clarified that where there are disputes and all legal heirs do not join in indemnifying the bank or in certain other cases where the bank has reasonable doubt about the genuineness of the claimant/s being the only legal heir/s of the depositor, banks can call for succession certificates from legal heirs of the deceased depositors.

Payment of Interest

It has been decided that in cases where the depositor has expired before the date of maturity of the deposit and the amount of the deposit is claimed after the date of maturity, the bank should pay interest at the contracted rate till the date of maturity. The bank

should pay simple interest at the applicable rate operative on the date of maturity, for the period for which the deposit remained with the bank beyond the date of maturity.

In case of death of the depositor after the date of maturity of the deposit, however, the bank should pay interest at savings deposit rate operative on the date of maturity from the date of maturity till the date of payment. These directives are also applicable in respect of savings deposits held under RFC account scheme.

Collateral Security for PMRY

The Reserve Bank has reiterated its instructions to the commercial banks that they should not insist on collateral security / third party guarantee while sanctioning / disbursing loans up to Rs. one lakh under the Prime Minister's Rozgar Yojana and individual loans up to Rs.50, 000 and group loans up to Rs. three lakh under the Swarna Jayanti Sahakari Swarozgar Yojana and Swarnajayanti Gram Swarozgar Yojana, respectively.

Review Meetings at District Level

The Reserve Bank has advised the chairmen of all lead banks to convene the District Level Review Committee (DLRC) meetings for review of implementation of District Credit Plans at least once in a quarter. Chairmen have also been advised to invite Members of Parliament / Members of Legislative Assembly and Zilla Panchayat Chiefs to participate in these meetings.

Visit by Bank Executives to Rural Branches

The Reserve Bank has advised that CMDs/ other senior executives of the public sector banks should periodically visit rural areas to monitor the performance of the branches in lending to the priority sector. They have also been advised to assess the effectiveness of their participation in the meetings of Block Level Bankers' Committee, District Level Consultative Committee, etc., and that they should organise motivational meetings of branch managers on holidays to explain Government policy relating to priority sector lending.

Rehabilitation of Sick SSI Units

A working group has been constituted under the Chairmanship of the Indian Banks' Association to review the existing guidelines in regard to rehabilitation of sick units in the small-scale industrial sector. The working group is expected to revise the guidelines making them transparent and non-discretionary for the rehabilitation of current sick and potentially viable SSI units. This has been done in view of the decision made in a meeting of the group of Ministers that the Reserve Bank should draw up detailed, transparent and non-discretionary guidelines for such units.

Remittance towards Money Circulation Schemes

The Reserve Bank has clarified that ADs should not allow remittances in foreign currency towards purchase of websites under the schemes which offer earnings in US dollars and/ or in other foreign currency, on incremental basis, depending on the number of new clients/ customers added to the chain, thereby making the operation akin to money circulation.

Payment of Interest on ACU Dollar Accounts

It has been decided in the 29th Board meeting of ACU held at Dhaka on May 20 & 21, 2000, that all member Central Banks would allow commercial banks under their respective jurisdictions to pay interest at their discretion on the balances in ACU dollar accounts of correspondent banks of other ACU member countries in order to facilitate prompt funding of accounts. Accordingly, it has been decided to allow banks operating in India to pay interest on ACU Dollar Vostro Accounts. The decision to pay interest and the rate at which it will be paid and other conditions will, however, be left to the discretion of each bank.

FEMA 1999 - Returns

It has been decided that the cut-off limit of Rs.1, 00,000 for non-export receipts, which are required to be shown in supplementary statement of receipts along with R Returns, has been raised to US\$10,000. Accordingly, the "Supplementary Statement of non-export Receipts" to be enclosed with R Returns for the fortnight ending January 15, 2001 onwards, should be submitted by ADs for receipts equivalent to US\$10,000 and above.

Where the amount of inward remittance exceeds US\$10,000 or its equivalent, the purpose of remittance, i.e. whether it represents transfer of capital, savings, gift, profit, dividend etc., should be ascertained and reported in the supplementary statement. The payment should not be delayed for want of this information, which may be obtained separately and furnished to the Reserve Bank later.

With a view to ensuring that credits to customers' accounts for non-trade related inward remittances are given promptly, it has been decided that Internal Auditors/Inspectors of ADs should certify that the credits to beneficiaries' accounts in case of personal remittances from outside India have been given promptly by the branch; and in accordance with the prescribed rules and regulations.

GR/PP/SOFTEX Procedure

(a) GR forms should be completed by the exporter in duplicate and both the copies submitted to the Customs at the port of shipment along with the shipping bill. Customs will give their running serial number on both the copies after admitting the corresponding shipping bill. The Customs serial number will have ten numerals denoting the code number of the port of shipment, the calendar year and a six digit running serial number. Customs will certify the value declared by the exporter on both the copies of the GR form at the space earmarked and will also record the assessed value. They will then return the duplicate copy of the form to the exporter and retain the original for transmission to Reserve Bank. Exporters should submit the duplicate copy of the GR form again to Customs along with the cargo to be shipped. After examination of the goods and certifying the quantity passed for shipment on the duplicate copy, Customs will return it to the exporter for submission to the authorised dealers for negotiation or collection of export bills.

(b) Within 21 days from the date of export, exporter should lodge the duplicate copy together with relative shipping documents and an extra copy of the invoice with the authorised dealer named in the GR form. After the documents have been negotiated/sent for collection, the authorised dealer should report the transaction to Reserve Bank in

statement ENC under cover of appropriate R-Supplementary Return. The duplicate copy of the form together with a copy of invoice will be retained by the authorised dealer till full export proceeds have been realised and thereafter submitted to the Reserve Bank duly certified under cover of appropriate R-Supplementary Return.

In the case of exports made under deferred credit arrangement or to joint ventures abroad against equity participation or under rupee credit agreement, the number and date of the Reserve Bank approval and/or number and date of the relative RBI circular should be recorded on the GR form. Where the duplicate copy of the GR form is misplaced or lost, authorised dealer may accept another copy of duplicate GR form duly certified by Customs.

(c) On account of introduction of Electronic Data Interchange (EDI) System at certain Customs offices where shipping bills are processed electronically, the existing declaration in GR form is replaced by a declaration in form SDF. The SDF form should be submitted in duplicate to the Commissioner of Customs, who will hand over to the exporter, one copy of the shipping bill marked 'Exchange Control Copy' in which form SDF has been appended for being submitted to the authorised dealer within 21 days from the date of export. The manner of disposal of the exchange control copy of the shipping bill (and form SDF appended to it) is the same as that for GR forms.

(d) In cases where ECGC initially settles the claims of exporters in respect of exports insured with them and subsequently receives the export proceeds from the buyer/buyer's country, the share of exporters in the amount so received is disbursed through the bank which had handled the shipping documents. In such cases, ECGC will issue a certificate to the bank after full proceeds have been received. The certificate will indicate the number of declaration form, name of the exporter, name of the authorised dealer, date of negotiation, bill number, invoice value and the amount actually received by ECGC. It will be in order for authorised dealers to certify the duplicate GR form/ EC copy of shipping bill on the basis of the certificate issued by ECGC and submit them to the Reserve Bank. The certificate issued by ECGC may also be attached to the duplicate GR/SDF/PP form while forwarding them to the Reserve Bank.

(e) Where a part of export proceeds is credited to EEFC account, the export declaration (duplicate) form may be certified as under:

"Proceeds amounting to (amount) representing (per cent) of the export realisation credited to EEFC account maintained by the exporter with"

(f) The manner of disposal of PP forms is same as that for GR forms. Postal authorities will allow export of goods by post only if an authorised dealer has countersigned the original copy of the form. The exporter should, therefore, present the PP forms first to an authorised dealer for countersignature. The authorised dealer will countersign the forms in keeping with directions and return the original copy to the exporter. The exporter should then submit the form to the post office with the parcel. The authorised dealer would retain the duplicate copy of the PP form. The exporter should submit to the authorised dealer the relevant documents together with an extra copy of invoice for negotiation/collection, within the prescribed period.

Countersignature on PP Forms

The exporter should present PP forms to an authorised dealer for countersignature. The authorised dealer should countersign the PP forms after ensuring that the parcel is being addressed to their branch or correspondent bank in the country of import. The concerned overseas branch or correspondent should be instructed to deliver the parcel to consignee against payment or acceptance of relative bill. Authorised dealers may, however, countersign PP forms covering parcels addressed direct to the consignees, provided:

(a) an irrevocable letter of credit for the full value of the export has been opened in favour of exporter and has been advised through the authorised dealer concerned; or

(b) the full value of the shipment has been received in advance by the exporter through an authorised dealer; or

(c) the authorised dealer is satisfied, on the basis of the standing and track record of the exporter and the arrangements made for realisation of the export proceeds, that he could do so.

In such cases, particulars of advance payment/letter of credit/authorised dealer's certification of standing, etc., of the exporter should be furnished on the form under proper authentication. The authorised dealer should, under his stamp and signature, also authenticate any alteration in the name and address of consignee on the PP form.

Terms of Payment for Software Invoicing

(i) In respect of long duration contracts involving series of transmissions, the exporters should bill their overseas clients periodically, i.e., at least once a month or on reaching the "milestone" as provided in the contract entered into with the overseas client. The last invoice/bill should be raised not later than 15 days from the date of completion of the contract. It would be in order for the exporters to submit a combined SOFTEX form for all the invoices raised on a particular overseas client, including advance remittances received in a month.

(ii) In respect of contracts involving only 'one shot operation', the invoice/bill should be raised within 15 days from the date of transmission.

(iii) The exporter should submit SOFTEX form to the Government of India at STPI/EPZ for valuation/certification not later than 30 days from the date of invoice/the date of last invoice raised in a month.

(iv) The invoices raised on overseas clients as at (i) to (iii) above will be subject to valuation of export declared on SOFTEX form by the Government of India and consequent amendment made in the invoice value, if necessary.

Disposal of SOFTEX forms

The procedure for disposal of SOFTEX forms as indicated in Regulation 6 of Export Regulations should be observed. The authorised dealers, on receipt of the duplicate copy of the SOFTEX form from the exporter, will after full realisation of value declared on the form or as certified by the designated officials (whichever is higher) submit it to the Reserve Bank duly certified, under cover of an appropriate "R" return along with a copy/ies of invoice/s.

Shut out Shipments and Short Shipments

(i) When part of a shipment covered by a GR form already filed with Customs is short-shipped, exporter must give notice of short shipment to Customs in form and manner prescribed. In case of delay in obtaining the notice from Customs, exporter should give an undertaking to the authorised dealer to the effect that he has filed the notice with the Customs and that he will furnish it as soon as it is obtained. The authorised dealer should send the short shipment notice along with the GR duplicate to the Reserve Bank.

(ii) Where a shipment has been entirely shut out and there is delay in making arrangements to re-ship, exporter will give notice in duplicate to Customs in the manner and in form prescribed for the purpose, attaching the unused duplicate copy of GR form and the shipping bill. Customs will verify and certify copy of the notice as correct and forward it to the Reserve Bank together with unused duplicate copy of the GR form. In this case, the original GR form received earlier from Customs will be cancelled. If the shipment is made subsequently, a fresh set of GR form should be completed.

Consolidation of Air Cargo

Where air cargo is shipped under consolidation, the airline company's Master Airway Bill will be issued to the Consolidating Cargo Agent who will in turn issue his own House Airway Bills (HAWBs) to individual shippers. ADs may negotiate HAWBs only if the relative letter of credit specifically provides for negotiation of these documents in lieu of Airway Bills issued by the airline company.

Exports by Barges/Country Craft/Road Transport

Following procedure should be adopted by exporters for filing original copies of GR/SDF forms where exports are made to neighbouring countries by road, rail or river transport :

In case of such exports, the form should be presented by exporter or his agent at the Customs station at the border through which the vessel or vehicle has to pass before crossing over to the foreign territory. For this purpose, exporter may arrange either to give the form to the person in charge of the vessel or vehicle or forward it to his agent at the border for submission to Customs.

As regards exports by rail, Customs staff have been posted at certain designated railway stations for attending to Customs formalities. They will collect the GR/SDF forms in respect of goods loaded at these stations so that the goods may move straight on to the foreign country without further formalities at the border. The list of designated railway stations can be obtained from the Railways. In respect of goods loaded at stations other than the designated stations, exporters must arrange to present GR/SDF forms to the Customs Officer at the Border Land Customs Station where Customs formalities are completed.

In terms of an agreement on Border Trade between India and Myanmar, exchange of certain specified locally produced commodities, by people living along the India-Myanmar border on both sides under barter trade arrangement as also trade in freely convertible currency, has been permitted as per guidelines issued by the Reserve Bank to ADs from time to time. AD should strictly follow the guidelines.

(For details on exports of goods and services under FEMA, please see Credit Information Review, November 2000)