

Export Credit Interest Rate-Clarifications

RESERVE BANK OF INDIA
INDUSTRIAL & EXPORT CREDIT DEPARTMENT
CENTRAL OFFICE
CENTRAL OFFICE BUILDING,
POST GAG-10030
MUMBAI-400001

IECD.No. 12/04.02.01/1999-2000

March 15, 2000

The Chairmen/Chief Executives
of all Commercial banks

Dear Sir,

Export Credit Interest Rate-Clarifications

As banks are aware, Reserve Bank vide its circular IECD.No.6/04.02.01 /1999-2000 dated October 29,1999 read with Directive DBOD.No.Dir.BC.106/ 13.03.00.99 dated October 29,1999 on "Interest Rates on Advances" has indicated that the banks will have the freedom with effect from the aforesaid date to decide the appropriate rate of interest in respect of the category of export credit viz. "Export Credit Not Otherwise Specified"(ECNOS) at post-shipment stage. In the light of the feedback received by the "Monitoring Group on Export Credit" about different perceptions of banks in implementing the Directive it has been considered necessary to issue a few clarifications relating to ECNOS as stated hereafter.

- (a) It is **mandatory** to apply the revised rate of interest with effect from October 29,1999 not only for fresh advances but also on the existing advances for the remaining period in respect of abovereferred category of export credit outstanding as on that date,
 - (b) As stated in the footnote in the Annexure to the Directive referred to above, the banks are free to determine rates of interest **subject to PLR and spread guidelines,**
 - (c) Banks shall not charge penal interest in respect of post-shipment credit under ECNOS,
- and
- (d) Being export credit, advances included under ECNOS will not attract interest rate tax.

Banks are hereby advised specifically to instruct their branches to refund excess amounts charged to exporters on any of the above counts.

Please acknowledge receipt.

Yours faithfully,

(V.G.Damle)
Chief Gen.Manager-In-Charge