

A.P. (DIR.Series) Circular No.7 (August 22, 2000)

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001**

A.P. (DIR.Series) Circular No.7

August 22, 2000

To,

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Indo-Seychelles Credit Agreement
dated 24-2-2000 for U.S.\$ 2 Million**

The Government of India have extended a line of credit of an amount of US\$ 2 million (U.S. Dollars Two Million only) to the Government of the Republic of Seychelles under a credit agreement entered into between the two Governments on 24th February 2000. The credit will be available to the Government of the Republic of Seychelles for importing from India capital goods of Indian manufacture including original spare parts and accessories purchased alongwith the capital goods and included in the original contract as also consultancy services and consumer durables as mentioned in the Annexure. The contents of the Annexure may be modified by way of additions, deletions or substitutions from time to time as may be mutually agreed to between the two Governments. The credit will not cover third country imports. The export of goods and services from India and their import into Seychelles under the line of credit shall take place through normal commercial channels and will be subject to the laws and regulations in force in both the countries. The broad terms and conditions of the line of credit are as under:

- i) All contracts will be subject to the approval of the Government of India and the Government of the Republic of Seychelles and shall contain a clause to that effect. All contracts shall be sent to the Ministry of Finance, Department of Economic Affairs, Government of India for approval. After each contract has been approved, intimation thereof will be sent to the Government of the Republic of Seychelles and to the State Bank of India, New Delhi, by the Ministry of Finance, Government of India.
- ii) The credit will be available for 90% of the f.o.b. value of the eligible goods and services to be exported from India. The 10% of the f.o.b. value shall be paid by the importer in U.S. Dollars at the time of opening of the letter of credit. Accordingly, letters of credit should specify that 10% f.o.b. value shall be met out of the remittances from Seychelles while the balance 90% shall be financed from the credit. The value of the contract should be expressed in U.S. Dollars.
- iii) All disbursements under the credit shall be made under letters of credit opened by banks in Seychelles. All letters of credit will be advised by banks in Seychelles to the State Bank of India, New Delhi for onward transmission to the exporter/s either direct or through another bank

in India, if any, nominated by the exporters. Normal commercial practices followed in respect of advising payments under letters of credit will be adopted to ensure that the remaining 10% of the amount of the letter of credit is received in U.S.

All claims to the State Bank of India for payment of 90% of the f.o.b. value will need to be supported by a certificate of the negotiating bank that the 10% amount directly payable has been received. The Letters of Credit should be supported by a copy of the contract and should contain the following reimbursement clause:

“ Reimbursement for 90% of the f.o.b. value of the contract shall be provided by the State Bank of India, New Delhi from US\$ 2 million credit extended by the Government of the Republic of India to the Government of the Republic of Seychelles. The Letter of Credit is negotiable after State Bank of India has issued an advice that it is operative. The Letter of Credit will be made operative by the State Bank of India after verifying that the reimbursement from the credit is sought for 90% of the f.o.b. value only and it will be the responsibility of the negotiating bank to ensure that the remaining 10% of the amount of the letter of credit is received in U.S. Dollar. All claims to the State Bank of India for payment of 90% of the f.o.b. value will need to be supported by a certificate of the negotiating bank to the effect that the 10% directly payable has been received.”

2. Contracts concerning capital goods including original spare parts and accessories purchased alongwith the capital goods forming part of the original contract, to be financed under the credit agreement, should be signed and relative letters of credit established by 28th February 2001 and the full amount be drawn under the credit by 28th February 2002. In regard to consultancy services and consumer durables, contracts to be financed under the credit agreement should be signed, relative letters of credit established and the full amount drawn by 28th February 2001. If the full amount is not drawn by the aforesaid dates, the balance will be cancelled and the final instalment of the repayment to be made by the Government of Seychelles shall be reduced accordingly, except as may otherwise be agreed to by the Government of India.

3. Shipments of goods and export of consultancy services covered by the credit agreement should be declared on GR/SDF/SOFTEX forms with prominent superscription reading “ Exports to Seychelles under Credit Agreement dated 24th February 2000 between the Government of India and the Government of Seychelles.” The number and date of this circular should be recorded on the GR/SDF/SOFTEX forms in the space provided therefor. On receipt of the full payment of bills in the manner indicated above, authorised dealers should certify duplicate copies of the relative GR/SDF/SOFTEX form and forward the same to the concerned office/s of Reserve Bank of India in the usual manner.

4. No agency commission should be allowed in respect of exports under this credit.

5. Authorised Dealers may bring the contents of this circular to the notice of their constituents engaged in exports to Seychelles.

6. The directions contained in this circular have been issued under Section 10 (4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,

K.J. UDESHI
CHIEF GENERAL MANAGER

Encl: 1.

ANNEXURE

Nature of goods referred to in
Indo-Seychelles Credit Agreement of 2000

1. Capital goods (alongwith original spare parts and accessories purchased with the capital goods and included in the original contract).
2. Items eligible for coverage under this credit also include consumer durables and consultancy services.