

**Exim Bank's Line of Credit of US\$ 5 million to Eastern and Southern African
Trade and Development Bank (PTA Bank)
[A.P.(DIR Series) Circular No.22]**

**Reserve Bank of India
Exchange Control Department
Central Office
Mumbai 400 001**

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To
All Authorised Dealers in Foreign Exchange

Sirs/Madam

**Exim Bank's Line of Credit of US\$ 5 million to
Eastern and Southern African Trade and
Development Bank (PTA Bank)**

Export Import Bank of India (Exim Bank) has concluded an agreement with the Eastern and Southern African Trade and Development Bank (PTA Bank) on November 12, 2001 making available to the latter, a line of credit upto an aggregate sum of US\$ 5 million (U.S. Dollar Five Million only). The credit has become effective from December 12, 2001, and is available for financing Indian export of eligible goods (listed in the Annexure) and related services to buyers in the PTA Bank member countries viz. Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. The eligible goods will also include initial spares, drawings and designs together with services related thereto. The export of goods from India and their import into the borrowers' countries shall be subject to the laws and regulations in force in the concerned countries.

2. The broad terms and conditions of the credit are as under:
- (a) Every contract under the credit will require prior approval of Exim Bank.
 - (b) The credit shall be available for financing an amount upto 90 percent of the f.o.b. (free on board) or c.& f. (cost and freight) or c.i.f. (cost, insurance & freight) contract price of the eligible contract.
 - (c) The contract price shall be specified in U.S. Dollar and shall not be less than U.S. Dollar 50,000/- (U.S. Dollar Fifty thousand only) or such amount as may, from time to time, be agreed upon between Exim Bank and the borrower.
 - (d) The contract signed under the credit should also provide for the following:-

- (i) The buyer shall make an advance payment of 10 percent of the f.o.b./c&f/c.i.f. of the contract value to the seller within 10 business days after the date of the approval of the contract by Exim Bank.
- (ii) The buyer shall make payment to the seller of the balance 90 percent of f.o.b./c&f/c.i.f. of the contract price, pro-rata against shipments, to be covered under an irrevocable letter of credit in favour of the seller.
- (iii) The eligible goods shall be inspected before shipment on behalf of the buyer and the documents to be furnished by the seller to the negotiating bank under the letter of credit arrangement shall include an inspection certificate.

3. The letter of credit shall be advised through such offices of the negotiating bank in India as may be designated from time to time by Exim Bank in consultation with the PTA Bank. The letter of credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1994 edition) published by the International Chamber of Commerce (Publication No.500) and shall be irrevocable and if required by a seller, be also divisible and transferable.

4. Upon presentation of documents by the beneficiary to the negotiating bank, the negotiating bank shall pay to the beneficiary an amount being not more than 90 percent of f.o.b./c&f/c.i.f. contract value, apportionable to the relative shipment, in equivalent Indian Rupee at the spot rate of exchange of the negotiating bank, provided the documents presented are in order and are in conformity with the relevant letter of credit.

5. Where negotiation has been effected without reserve, Exim Bank shall, upon receipt of the negotiating bank's written communication, reimburse the negotiating bank in U.S. Dollar with the amount of the eligible value to the extent apportionable to the relative shipment by transfer to the credit of the negotiating bank in such account with such bank in New York, USA, as may be specified by the negotiating bank in the communication to Exim Bank. If the negotiation has been made under reserve, Exim Bank shall make payment to the negotiating bank only after Exim Bank receives a written communication from the negotiating bank that the issuing bank which has opened / issued letters of credit, has lifted the reserve and has accepted the documents, or a communication from the issuing bank through the borrower or the negotiating bank to that effect.

6. Exim Bank shall in no way be liable or responsible for any act or omission of the negotiating bank in handling the letter(s) of credit or negotiation of documents thereunder.

7. Bank charges, expenses, commission or stamp duty payable in India shall be to the account of the seller/beneficiary and those payable in the borrowers' countries shall be to the account of the buyer.

8. The terminal dates for opening letters of credit and utilisation of credit are December 11, 2002, and June 11, 2003 respectively.

9. Shipments under the credit will have to be declared on GR/SDF Forms as usual. All copies of GR/SDF Forms should bear a prominent superscription reading 'Export under Exim Bank line of credit dated November 12, 2001, extended to Eastern and Southern African Trade and Development Bank (PTA Bank).' The number and date of this circular should be recorded in the space provided for. On receipt of full payment of the bills in the manner stated above, authorised dealer should certify the duplicate copy/ies of the relative GR/SDF Form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

10. No agency commission shall be payable in respect of exports financed under the above line of credit. However, Reserve Bank may consider on merit, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b./ c&f / c.i.f. value in respect of goods specified in the Annexure and which require after sales service. In such cases, commission will have to be paid in borrowers' countries viz. Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe only, as the case may be, by deduction from the invoice of the relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 per cent of the f.o.b./ c&f / c.i.f. value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

11. Authorised dealers may bring the contents of this circular to the notice of their concerned constituents.

12. 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).

Yours faithfully,

Grace Koshie
Chief General Manager

Encl :