

**Exim Bank's Letter of Credit Refinancing Facility of
US \$ 20 million to Bank Markazi Jomhuri Islami Iran
A.P.(DIR Series) Circular No.48 (June 3, 2002)**

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

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June 3, 2002

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Exim Bank's Letter of Credit Refinancing Facility of
US \$ 20 million to Bank Markazi Jomhuri Islami Iran**

Export Import Bank of India (Exim Bank) has concluded an agreement with Bank Markazi Jomhuri Islami Iran (The Central Bank of the Islamic Republic of Iran) on February 20, 2002, making available to the latter a Letter of Credit Refinancing Facility upto an aggregate sum of US \$ 20 million (U.S. Dollar Twenty Million only). This credit is available for financing 100 per cent value of contract (f.o.b./c.f.r/c.i.f.) for export of eligible goods and services to Bank Markazi Jomhuri Islami Iran (The Central Bank of the Islamic Republic of Iran). Goods which are permissible for export under Exim Policy are eligible for export under the refinancing facility.

2. The broad terms and conditions of the refinance facility are as under :
- (a) The period of utilisation and the period of disbursements under the facility will be upto February 19, 2003, (which may be extended depending on utilisation) and upto August 19, 2003, respectively. Thus, facility is available from the effective date of the agreement for a period of 18 months i.e. upto August 19, 2003.
 - (b) The contract shall be expressed in US Dollars.
 - (c) The minimum value of each letter of credit under the facility will be US \$ 1,00,000/- (U.S. Dollar one lakh only).

3. Bank Markazi has designated Bank Mellat, Bank Melli Iran, Bank Sepah, Bank Saderat Iran and Bank Tejarat as issuing banks for the above arrangement. Exim Bank has designated Bank of Maharashtra, Union Bank of India and UTI Bank as advising/negotiating banks from India. Under the above facility, the Indian commercial banks designated by Exim Bank will advise the letters of credit opened by Iranian banks and negotiate documents under such letters of credit. The letters of credit will be opened in respect of purchase of goods and services by the Iranian buyers from the Indian suppliers and all such letters of credit will contain the following clause :

“This letter of credit is opened and is to be refinanced for a period of three hundred and sixty (360) days on the basis of the Letter of Credit Refinancing Agreement signed on February 20, 2002 between Bank Markazi Jomhuri Islami Iran and Export-Import Bank of India.”

The relevant modalities under the above facility are as follows :

- (i) Following the receipt of the letter of credit from the issuing bank and upon receipt of the copy of the approval letter from Exim Bank, the advising bank shall advise the letter of credit to the beneficiary.
- (ii) Upon negotiation of the letter of credit conforming documents by the advising bank, it will confirm negotiation without reserve and shall forward a set of non-negotiable conforming documents to Exim Bank.
- (iii) Upon receipt of the confirmation and the documents, Exim Bank will reimburse the advising bank with the amount of the documents paid by it to the beneficiary and advise Bank Markazi and the issuing bank of its action.

4. Exporters should check with Exim Bank, in advance, before finalising the contract with the buyers, details of service fee payable by the exporters on the contract to be covered under the above letters of credit refinancing facility. Usual bank charges, expenses, commission, insurance premium or stamp duty payable in India shall be to the account of the beneficiary of the letters of credit and those payable in Iran shall be to the

account of the buyer. The other terms and conditions not specified above, shall be dealt with in accordance with the Uniform Customs and Practice relating to Documentary Credits (UCP 500), edition 1993.

5. Shipments under the credit will have to be declared on GR/SDF/SOFTEX Forms as usual. All copies of the GR/SDF/SOFTEX Forms should bear a prominent superscription reading 'Export under Exim Bank's Letter of Credit Refinancing facility dated February 20, 2002 extended to Bank Markazi Jomhuri Islami Iran'. 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/SOFTEX Form/s and forward them to the concerned Regional Office of the Reserve Bank, in the usual manner.

6. Ordinarily, no agency commission shall be payable in respect of exports financed under the above facility. However, Reserve Bank of India may consider on merits, requests for payment of commission upto a maximum extent of 5 per cent of the f.o.b./c.f.r./c.i.f. value in respect of goods eligible for export under the refinancing facility which require after sales service. In such cases, commission will have to be paid in Iran by deduction from the invoice value of the relevant shipment and the reimbursable amount by the Exim Bank to the claiming bank will be the contract value minus the commission paid. Approval for payment of commission should be obtained before the relevant shipment is effected.

7. Authorised Dealers may bring the contents of this circular to the notice of their exporter constituents concerned.

8. 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