

**Imports into India - Short term credit**  
**A.P.(DIR Series) Circular No.25 (September 27, 2002)**

RESERVE BANK OF INDIA  
EXCHANGE CONTROL DEPARTMENT  
CENTRAL OFFICE  
MUMBAI

A.P.(DIR Series) Circular No.25

September 27, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**Imports into India - Short term credit**

Attention of authorised dealers is invited to the directions contained in paragraphs A.12 and A.13 of the AP(DIR Series) Circular No. 9 dated August 24,2000, and the provisions contained in paragraph 4(i) of Schedule to the Reserve Bank Notification No. FEMA3/2000-RB dated May 3, 2000. Accordingly, in terms of the existing instructions, Suppliers' Credit, viz. short term loans where the credit for imports into India is extended by the overseas supplier for a period of more than six months requires prior approval of the Reserve Bank. Similarly, Buyers' Credit, viz., where short term loans for payment of imports into India is arranged by the importer from a bank or financial institution outside India for maturity of less than three years also requires prior approval of the Reserve Bank.

2. With a view to simplifying the procedure for imports into India, it has now been decided that uniform Regulations and procedures be made applicable to both categories of the short term credit, that is Suppliers' Credit as well as Buyers' Credit, with immediate effect till further notice.

3. Accordingly, the Authorised Dealers may approve proposals received in Form ECB for short term credit for financing, by way of either Suppliers' Credit or Buyers' Credit, of import of goods into India, provided :

- (a) The credit is being extended for a **period of less than three years,**
- (b) The amount of credit does not exceed USD 20 million, per import transaction

(c) The 'all-in-cost' per annum, payable for the credit does **not exceed LIBOR +50 basis points for credit upto one year and LIBOR + 125 basis points for credits for periods beyond one year but less than three years**, for the currency of credit.

4. Authorised dealers may issue approval by way of a letter on the lines of Annexure I to this circular and ensure submission of ECB-5 statement as hitherto.

5. International Banking Division of the authorised dealer may furnish the details of approvals granted by all its branches, during the month, in the Form ECB-ST (format enclosed) to the Chief General Manager, Exchange Control Department, Reserve Bank of India, Central Office, External commercial Borrowing (ECB) Division, Mumbai - 400 001, so as to **reach not later than 5<sup>th</sup> of the following month**. Each credit may be given a unique Identification number by the authorised dealers. The loan Identification number allotted to the loan/credit should invariably be quoted in all the reference made to this office.

6. All applications, in form ECB, for availing of short term credit for amount **exceeding USD 20 million** for any import transaction may be forwarded to the Chief General Manager, Exchange Control Department, Reserve Bank of India, Central Office, External commercial Borrowing (ECB) Division, Mumbai-400 001.

7. Accordingly, the directions contained in the paragraph A.12 and A.13 of the AP(DIR Series) Circular No. 9 dated August 24,2000, may be treated as amended. Notification for amending the provisions of paragraph 4(i) of Schedule to the Notification No. FEMA3/2000-RB dated May 3, 2000, is being issued separately.

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

9. 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