

## **Export Credit in foreign Currency - Sources of Funds**

IECD.No. 12 /04.02.02/2002-03

January 31, 2003

The Chairmen/ Chief Executives  
of all Commercial Banks

Dear Sir,

### **Export Credit in foreign Currency - Sources of Funds**

Please refer to paragraph 1.1.4 and 2.2.5 of our Master Circular on Export Credit in Foreign Currency IECD.No.5/04.02.02/2002-03 dated July 30, 2002.

2. With a view to providing further flexibility to banks to source foreign currency funds for granting PCFC/EBR to exporters, it has been decided to permit banks to use foreign currency funds borrowed in terms of paragraph 4.(2)(i) of Notification No. FEMA 3/2000 RB dated May 3, 2000 as also foreign currency funds generated through buy-sell swaps in the domestic forex market for granting such loans, subject to adherence to Aggregate Gap Limit approved by the Reserve Bank of India (Exchange Control Department)

3. Consequently, the following sub-para (v) to para 1.1.4 and sub-para (iv) to para 2.2.5 may be added to our Master Circular referred to above.

1.1.4(v)

Banks are also permitted to use foreign currency funds borrowed in terms of paragraph 4.(2)(i) of Notification No. FEMA 3/2000 RB dated May 3, 2000 as also foreign currency funds generated through buy-sell swaps in the domestic forex market for granting Pre-shipment Credit in Foreign Currency (PCFC), subject to adherence to Aggregate Gap Limit approved by the Reserve Bank of India (Exchange Control Department)

2.2.5 (iv)

Banks are also permitted to use foreign currency funds borrowed in terms of paragraph 4.(2)(i) of Notification No. FEMA 3/2000 RB dated May 3, 2000 as also foreign currency funds generated through buy-sell swaps in the domestic forex market for granting facility of Rediscounting of Export Bills Abroad (EBR), subject to adherence to Aggregate Gap Limit approved by the Reserve Bank of India (Exchange Control Department)

Yours faithfully,

**(Smt. R.K. Makhija)**  
**General Manager**