



**CUSTOMER SERVICE,
SIMPLIFICATION
OF PROCEDURES FOR DELIVERY
OF EXPORT CREDIT AND
REPORTING REQUIREMENTS**



Department of Banking
Operations and Development
Reserve Bank of India
Central Office
Mumbai

RBI/ 2004-2005/ 109
DBOD.IECS. No. 24 /04.02.02/ 2004-05

August 10, 2004

The Chairmen/ Chief Executives of all Commercial Banks

Dear Sir,

**Master Circular on
CUSTOMER SERVICE, SIMPLIFICATION OF PROCEDURES
FOR DELIVERY OF EXPORT CREDIT AND REPORTING REQUIREMENTS**

As you are aware, in order to have all current instructions on a subject at one place, the Reserve Bank of India had issued a Master Circular IECD. No. 8/04.02.02/2003-04 dated July 1, 2003 on the captioned subject, which is now updated as on July 1, 2004. A copy of the revised Master Circular is enclosed. It may be noted that the Master Circular consolidates and updates all the instructions contained in the circulars listed in the Appendix, in so far as they relate to providing customer service, simplification of procedures for delivery of export credit and reporting requirements by banks.

Yours faithfully

(Sreekumaran)
General Manager

Encls: As above.

Master Circular

CUSTOMER SERVICE, SIMPLIFICATION OF PROCEDURES FOR DELIVERY OF EXPORT CREDIT AND REPORTING REQUIREMENTS

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1. CUSTOMER SERVICE AND SIMPLIFICATION OF PROCEDURES

1.1 Customer Service

1.1.1 General

(i) Banks may provide timely and adequate credit and also render essential customer services/guidance in regard to procedural formalities and export opportunities to their exporter clients.

(ii) Banks should open Export Counsel Offices to guide exporters particularly the small ones and those taking up non-traditional exports.

1.1.2 Gold Card Scheme for Exporters

The Government (Ministry of Commerce and Industry), in consultation with RBI had indicated in the Exim Policy 2003-04 that a Gold Card Scheme would be worked out by RBI for creditworthy exporters with good track record for easy availability of export credit on best terms. Accordingly, in consultation with select banks and exporters, a Gold Card Scheme has been drawn up. The salient features of the Scheme are: (i) all creditworthy exporters, including those in small and medium sectors with good track record would be eligible for issue of Gold Card by individual banks as per the criteria to be laid down by the latter; (ii) banks would clearly specify the benefits they would be offering to Gold Card holders; (iii) requests from card holders would be processed quickly by banks within 25 days / 15 days and 7 days for fresh applications / renewal of limits and adhoc limits , respectively; (iv) 'in-principle' limits would be set for a period of 3 years with a provision for stand-by limit of 20 per cent to meet urgent credit needs; (v) card holders would be given preference in the matter of granting of packing credit in foreign currency; (vi) banks would consider waiver of collaterals and exemption from ECGC guarantee schemes on the basis of card holder's creditworthiness and track record, and (vii) the concessive rate of interest on post- shipment rupee export credit applicable upto 90 days may be extended for a maximum period upto 365 days .

1.1.3 Delay in Crediting the Proceeds of Export Bills Drawn in Foreign Currency

Delays are observed in passing on the credit of export bills drawn in foreign currency to the exporters after the foreign currency amounts are credited to the 'Nostro' accounts of the banks. Although there are instructions that the concessional post-shipment interest rate will cease from the date of credit to the 'Nostro' account, the credit limits enjoyed by the exporters remain frozen till the actual date of credit of rupee equivalent to the account of the customer. There is, therefore, need to promptly restore the limit of the exporters on realisation of bills and pass on the rupee credit to the customer.

1.1.4 Payment of Compensation to Exporters for Delayed Credit of Export Bills

(i) In respect of the delay in affording credit in respect of credit advices complete in all respects, the compensation stipulated by FEDAI should be paid to the exporter client, without waiting for a demand from the exporter.

(ii) Banks should devise a system to monitor timely credit of the export proceeds to the exporters' account and payment of compensation as per FEDAI rules.

(iii) The internal audit and inspection teams of the banks should specifically comment on these aspects in the reports.

1.2 Sanction of Export Credit Proposals

1.2.1 Time Limit for Sanction

The sanction of fresh/enhanced export credit limits should be made within **45 days** from the date of receipt of credit limit application with the required details/information supported by requisite financial/operating statements. In case of renewal of limits and sanction of ad hoc credit facilities, the time taken by banks should not exceed **30 days and 15 days** respectively, other than for Gold Card holders.

1.2.2 *Ad hoc Limit*

(i) At times, exporters require ad hoc limits to take care of large export orders which were not foreseen earlier. Banks should respond to such situations promptly. Apart from this, banks should adopt a flexible approach in respect of exporters, who for genuine reasons are unable to bring in corresponding additional contribution in respect of higher credit limits sought for specific orders. **No additional interest** is to be charged in respect of ad hoc limits granted by way of pre-shipment/post-shipment export credit.

(ii) In cases where the export credit limits are utilised fully, banks may adopt a flexible approach in negotiating the bills drawn against L/Cs and consider in such cases delegating discretionary/higher sanctioning powers to branch managers to meet the credit requirements of the exporters. Similarly branches may also be authorised to disburse a certain percentage of the enhanced/ad hoc limits, pending sanction by the higher authorities/board/committee who had originally accorded sanctions to enable the exporters to execute urgent export orders in time.

1.2.3 *Other Requirements*

(i) All rejections of export credit proposals should be brought to the notice of the Chief Executive of the bank explaining the reasons for rejection.

(ii) The internal audit and inspection teams of the banks should comment specifically on the timely sanction of export credit limits within the time schedule prescribed by RBI.

(iii) The export credit limits should be excluded for bifurcation of the working capital limit into loan and cash credit components.

(iv) Banks should nominate suitable officers as compliance officers in their foreign departments/specialised branches to ensure prompt and timely disposal of cases pertaining to exporters.

(v) It is necessary to submit a review note at quarterly intervals to the Board on the position of sanction of credit limits to exporters. The note may cover among other things, number of applications (with quantum of credit) sanctioned within the prescribed time-frame, number of cases sanctioned with delay and pending sanction explaining reasons therefor.

1.2 Simplification of Procedure for Delivery of Export Credit in Foreign Currency and in Rupees

1.3.1 *General*

With a view to ensuring timely delivery of credit to exporters and removing procedural hassles, the following guidelines may be brought into effect. These guidelines are **applicable to Rupee export credit as well as export credit in foreign currency.**

1.3.2 **Guidelines**

(i) Simplification of procedures

- (a) Banks should simplify the application form and reduce data requirements from exporters for assessment of their credit needs, so that exporters do not have to seek outside professional help to fill in the application form or to furnish data required by the banks.
- (b) Banks should adopt any of the methods, viz. Projected Balance Sheet method, Turnover method or Cash Budget method, for assessment of working capital requirements of their exporter-customers, whichever is most suitable and appropriate to their business operations.

(c) In the case of consortium finance, once the consortium has approved the assessment, member banks should simultaneously initiate their respective sanction processes.

(ii) 'On line' credit to exporters

(a) Banks provide 'Line of Credit' normally for one year which is reviewed annually. In case of delay in renewal, the sanctioned limits should be allowed to continue uninterrupted and urgent requirements of exporters should be met on ad hoc basis.

(b) In case of established exporters having satisfactory track record, banks should consider sanctioning a 'Line of Credit' for a longer period, say, 3 years, with in-built flexibility to step-up/step-down the quantum of limits within the overall outer limits assessed. The step-up limits will become operative on attainment of pre-determined performance parameters by the exporters. Banks should obtain security documents covering the outer limit sanctioned to the exporters for such longer period

(c) In case of export of seasonal commodities, agro-based products etc., banks should sanction Peak/Non-peak credit facilities to exporters.

(d) Banks should permit interchangeability of pre-shipment and post-shipment credit limits.

(e) Term Loan requirements for expansion of capacity, modernisation of machinery and upgradation of technology should also be met by banks at their normal rate of interest.

(f) Assessment of export credit limits should be 'need based' and not directly linked to the availability of collateral security. As long as the requirement of credit limit is justified on the basis of the exporter's performance and track record, the credit should not be denied merely on the grounds of non-availability of collateral security.

(iii) Waiver of submission of orders or L/Cs for availing pre-shipment credit Banks should not insist on submission of export order or L/C for every disbursement of pre-shipment credit, from exporters with consistently good track-record. Instead, a system of periodical submission of a Statement of L/Cs or export orders in hand, should be introduced.

(b) Banks may waive, *ab initio*, submission of order/LC in respect of exporters with good track record and put in place the system of obtaining periodical statement of outstanding orders/LCs on hand. However, the same may be incorporated in the sanction proposals as well as in the sanction letters issued to exporters and appropriately brought to the notice of ECGC. Further, if such waivers are permitted at a time subsequent to sanction of export credit limits with the approval of the appropriate authority, the same may be incorporated in the terms of sanction by way of amendments and communicated to ECGC.

(iv) Handling of export documents

Banks are required to obtain, among others, original sale contract/confirmed order/proforma invoice countersigned by overseas buyer/indent from authorised agent of overseas buyer for handling the export documents as per Exchange Control regulations. Submission of such documents need not be insisted upon at the time of handling the export documents, since the goods have already been valued and cleared by the Customs authorities, except in the case of transactions with Letters of Credit (L/C) where the terms of L/C require submission of the sale contract/other alternative documents.

(v) Fast track clearance of export credit

(a) At specialised branches and branches having sizeable export business, a facilitation mechanism for assisting exporter-customers should be put in place for quick initial scrutiny of credit application and for discussions for seeking additional information or clarifications.

(b) Banks should streamline their internal systems and procedures to comply with the stipulated time limits for disposal of export credit proposals and also endeavour to dispose of export credit proposals ahead of the prescribed time schedule. A flow chart indicating chronological movement of credit application from the date of receipt till the date of sanction, should also accompany credit proposals.

(c) Banks should delegate higher sanctioning powers to their branches for export credit.

(d) Banks should consider reducing at least some of the intervening layers in the sanctioning process. It would be desirable to ensure that the total number of layers involved in decision-making in regard to export finance does not exceed three.

(e) Banks should introduce a system of 'Joint Appraisal' by officials at branches and administrative offices, to facilitate quicker processing of export credit proposals.

(f) Where feasible, banks should set up a 'Credit Committee' at specialised branches and at administrative offices, for sanctioning working capital facilities to exporters. The 'Credit Committee' should have sufficiently higher sanctioning powers.

(vi) Publicity and training

(a) Generally, export credit at internationally competitive rates is made available in foreign currency at select branches of banks. In order to make the scheme more popular and considering the competitive interest rate on foreign currency loans and to mitigate any possible exchange risk, exporters needs to be encouraged to make

maximum use of export credit in foreign currency. Banks located in areas with concentration of exporters should, therefore, give wide publicity to this important facility and make it easily accessible to all exporters including small exporters and ensure that more number of branches are designated for making available export credit in foreign currency.

(b) Banks may also arrange to publicise widely the concessionality available in the interest rates for deemed exports and ensure that operating staff are adequately sensitised in this regard.

(c) Officers at operating level should be provided with adequate training. In the matter of transfer of officials from critical branches dealing in export credit, banks should ensure that the new incumbents posted possess adequate knowledge/exposure in the areas of forex as well as export credit to avoid delays in processing/sanctioning of export credit limits and subjecting exporters to the risk of cancellation of export orders.

(vii) Customer Education

(a) Banks should bring out a Hand Book containing salient features of the simplified procedures for sanction of Export Credit in Foreign Currency at internationally competitive rates as well as in rupees for the benefit of their exporter-clients.

(b) To facilitate interaction between banks and exporters, banks should periodically organise Exporters' Meet at centres with concentration of exporters

1.3.3 **Monitoring Implementation of Guidelines**

(i) Banks should ensure that exporters' credit requirements are met in full and promptly at competitive rates. The above referred guidelines must be implemented, both in letter and spirit, so as to bring about a perceptible improvement in credit delivery and related banking services to export sector. Banks should also address the deficiencies, if any, in the mechanism of deployment of staff in their organisations to eliminate the bottlenecks in the flow of credit to the export sector.

(ii) Banks should set up an internal team to visit branches periodically, say, once in two months to gauge the extent of implementation of the Guidelines.

2. REPORTING REQUIREMENTS

2.1 Export Credit Performance Indicator for Banks

2.1.1 Banks are required to reach a level of outstanding export credit equivalent of 12% of each bank's net bank credit. Accordingly, the performance of banks is being reviewed by the RBI, IECS (DBOD) at quarterly intervals. The performance of the banks in extending export credit will be assessed on the basis of the average export credit outstanding reported in the fortnightly statement of Export Credit Refinance Limits submitted on reporting Fridays to RBI, MPD, Central Office, Mumbai.

2.1.2 Banks should endeavour to reach a level of export credit equivalent to 12 percent of the bank's net bank credit. Where banks have already provided export credit to the extent of 12 percent, endeavour should be made to increase the same to a higher level and ensure that there is no fall in the ratio. No worthwhile export order should be denied export credit from the banks.

2.1.3 Failure to achieve the stipulated level of export credit and or failure to show a distinct improvement in export credit performance could invite bank-specific policy responses which could include raising of reserve requirements and withdrawal of refinance facilities. The Industrial & Export Credit Section (DBOD) of the Reserve Bank of India would closely monitor the export credit performance of the banks.

2.2 Quarterly Data of Export Credit Disbursements

Banks should submit the export credit disbursement data on a quarterly basis in the format given in **Annexure 1**. Banks should ensure that the statement reaches Reserve Bank of India, Department of Banking Supervision, Central Office, Centre-1, World Trade Centre, Cuffe Parade, Mumbai-400005 positively by the end of the month following the quarter to which it relates.

2.3 Pre-shipment credit to Diamond Exporters - Conflict Diamonds - Implementation of Kimberley process Certification Scheme(KPCS)

Trading in conflict diamonds has been banned by U. N. Resolutions Nos. 1173 and 1176 as the conflict diamonds play a large role in funding the rebels in the civil torn areas of Sierra Leone. There is also a **Prohibition** on the direct / indirect import of all rough diamonds from Sierra Leone and Liberia in terms of UN Resolution No. 1306(2000) and 1343(2001) respectively. India, among other countries, has adopted a UN mandated new Kimberley Process Certification Scheme to ensure that no rough diamonds mined and illegally traded enter the country. Therefore, import of diamonds into India should be accompanied by Kimberley Process Certificate(KPC). Similarly, exports from India should also be accompanied by the KPC to the effect that no conflict/ rough diamonds have been used in the process. The KPCs would be verified /validated in the case of imports/ exports by the Gem and Jewellery Export Promotion Council. In order to ensure the implementation of Kimberley Process Certification Scheme, banks should obtain an undertaking in the format given in Annexure 2 from such of the clients who have been extended credit for doing any business relating to diamonds.

Annexure 1

Export Credit data (Disbursement / Outstandings)

Name of Authorised Dealer Bank :

Year	Month	Bank / FI Code

A. Statement showing total disburseals and balance outstanding as on _____ (last reporting Friday of the quarter ended March/June/September/December) for all Exporters :

(Amount in Rs.

crore)

Disbursement During the Quarter						Balance outstanding as on the last reporting Friday of the Quarter					
Pre – Shipment Credit		Post – Shipment Credit				Pre - Shipment Credit		Post – Shipment Credit			
Rupee Credit	PCF C	Rupee Credit	EBR	Deferre d payment s	Other Govt. Payment s	Rupee Credit	PCF C	Rupee Credit	EBR	Deferre d payment s	Other Govt Payment s

B. Out of above, disburseals and balance outstanding in respect of Gold Card Holders :

No. of gold cards issued : _____
(Amount in Rs. crore)

Disbursement During the Quarter (for Gold Card Holders)						Balance outstanding as on the last reporting Friday of the Quarter (For Gold Card Holders)					
Pre - Shipment Credit		Post – Shipment Credit				Pre - Shipment Credit		Post - Shipment Credit			
Rupee Credit	PCF C	Rupee Credit	EBR	Deferre d payment s	Other Govt. Payment s	Rupee Credit	PCF C	Rupee Credit	EBR	Deferre d payment s	Other Govt Payment s

a) The amount of bills discounted/rediscounted under EBR Scheme on ‘without recourse’ basis should be excluded from the balance outstanding.

(b) If the last Friday of the quarter happens to be not the last day of the particular month say March, June, etc., banks have to include the disbursement for the broken period in the next quarter. *Illustration*, last Friday of the quarter 25th March. The disbursement from 26th March to 31st March should be included in the June quarter.

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**Annexure to Circular IECD No.13/04.02.02/2002-03
dated February 3, 2003**

Undertaking from Diamond Clients

**Form of an undertaking to be obtained by
banks from the clients who have been extended
credit for doing any business relating to diamonds**

[Vide paragraph 2.3]

"I hereby undertake :

i) not to knowingly do any business in the conflict diamonds as have been banned vide UN Security Council Resolutions No. 1173, 1176 and 1343(2001) or the conflict diamonds which come from any area in Africa including Liberia controlled by forced rebelling against the legitimate and internationally recognised Government of the relevant country.

ii) not to do direct or indirect import of rough diamonds from Sierra Leone and/or Liberia whether or not such diamonds originated in Liberia in terms of UN Security Council Resolution No.1306(2000) which prohibits the direct or indirect import of all rough diamonds from Sierra Leone and 1343 (2001) which prevents such import of all rough diamonds from Sierra Leone and 1343(2001) which prevents such import from Liberia.

iii) to follow Kimberley Process Certification Scheme for dealing in diamonds.

2. I am also giving my consent to the withdrawal of all my credit entitlements, if at any time, I am found guilty of knowingly having conducted business in such diamonds".

Master Circular

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List of Circulars consolidated by the Master Circular

No.	Circular No.	Date	Subject
1.	IECD. No. 14/01.01.43/ 2003-04	30.06.2004	Merger of functions of Industrial and Export Credit Department of Reserve Bank of India with its other Departments
2.	IECD No. 12/ 04.02.02/2003-04	18.05.2004	Gold Card Scheme for Exporters
3	IECD No. 13/ 04.02.01/2003-04	18.05.2004	Rupee Export Credit Interest Rates for Gold Card Holder Exporters
4.	IECD.No.23/04.02.02/2001-02	07.05.2002	Concessive Rupee Export Credit for Deemed Exports
5.	IECD No.21/04.02.01/2001-02	29.04.2002	Interest Rates on Export Credit in Foreign Currency
6.	IECD.No.3/04.02.02/2001-02	30.08.2001	Credit Extended to Diamond Exporters- Embargo on Import of Conflict Diamonds – Liberia
7.	IECD.No.7/04.02.02/2000-2001	05.12.2000	Credit Extended to Diamond Exporters- Embargo on Import of Conflict Diamonds
8.	IECD.No.4/04.02.02/2000-2001	10.10.2000	Export Credit - Suggestions from Exporters for Improvement in Procedures - Action Points
9.	IECD.No.1/04.02.02/2000-2001	13.07.2000	Credit Extended to Diamond Exporters- Embargo on Import of Conflict Diamonds
10.	IECD.No.3/04.02.01/99-2000	07.09.99	Simplification of Procedures for Delivery of Export Credit
11.	IECD.No.17/04.02.01/98-99	28.02.99	Export Credit in Foreign Currency at Internationally Competitive Rates - Simplification of Procedures
12.	IECD.No.EFD.30/04.02.02/97-98	31.12.97	Statistics relating to Export Credit
13.	IECD.No.EFD.27/04.02.02/95-96	05.06.96	Statistics relating to Export Credit - Submission of Returns/Statements by Banks
14.	IECD.No.EFD.48/04.02.02/94-95	22.05.95	Statistics relating to Export Credit
15.	IECD.No.9/04.02.02/94-95	29.08.94	Export Credit - Performance Indicator for Banks
16.	IECD.No.EFD.45/04.02.02/93-94	23.05.94	Statistics relating to Export Credit
17.	IECD.No.EFD.22/04.02.02/93-94	08.12.93	Report of the Committee on Structure of Export Credit – Streamlining of Sanctioning Procedure for Loans and Advances with Particular Reference to Export Credit
18.	IECD.No.EFD.18/04.02.02/93-94	20.10.93	Payment of Compensation to the Exporters in respect of Delayed Credit of Export Bills
19.	IECD.No.EFD.18/819-POL/ ECR/92-93	26.12.92	Export Credit Target

20.	IECD.No.8/EFD/819-POL- ECR/92-93	05.11.92	Delay in Sanction of Loan Limits to Borrowers with Particular Reference to Exporters
21.	IECD.No.3/EFD/BC/819/POL- ECR/92-93	24.08.92	Statistics relating to Export Credit
22.	DBOD.No.BP.BC.58/C.469-91	07.12.91	Delays Experienced by the Exporters at Banks
23.	IECD.No.EFD.17/003-SEM/91-92	31.08.91	Financing of Exports
24.	IECD.No.EFD.BC.40/819-POL- ECR-91	04.03.91	Provision of Timely and Adequate Export Credit
25.	IECD.No.EFD/BC/35/819/POL- ECR/90-91	15.01.91	Statistics relating to Export Credit
26.	IECD.No.EFD.BC.191/819-POL- ECR-87	24.11.87	Financing of Exports - Timely and Adequate Provision of Export Credit
27.	DBOD.No.BP.BC.47/C.469(W)-87	08.10.87	Problems Faced by Exporters
28.	DBOD.No.BP.BC.73/C.469(W)-84	02.08.84	Problems Faced by Exporters
29.	IECD.No.EFD.BC.24/819-POL- ECR-84	28.05.84	Financing of Exports - Efficiency of Banks and Quality of Customer Services
30.	DBOD.No.ECC.BC.67/C.297L(12) -81	02.06.81	Statistics relating to Export Credit - Submission of Statements -
31.	DBOD.ECC.BC.53/C.297P-78	17.04.78	Financing of Exports - Need for Counselling Small Exporters and Exporters of Non- traditional Items
32.	DBOD.BM.680/C.297K-69	07.04.69	Opening of Export Counsel Offices by Banks

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