



**RESERVE BANK OF INDIA**  
**Foreign Exchange Department**  
**Central Office**  
**Mumbai - 400 001**

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RBI/2004-05/263

A.P.(DIR Series) Circular No. 24

November 1, 2004

To

All Banks Authorised to Deal in Foreign Exchange

Madam/Sirs,

**Trade Credits for Imports into India –Issue of Guarantees**  
**Delegation of Powers**

Attention of Authorised Dealer (AD) banks is invited to A. P. (DIR Series) Circular No. 87 dated April 17, 2004 wherein ADs have been permitted to approve trade credits for imports into India up to USD 20 million per import transaction for import of all items permissible under the EXIM Policy. However, for such trade credits the issuance of Guarantee/Letter of Undertaking (LoU) /Letter of Comfort (LoC) by ADs, in favour of overseas supplier, bank or financial institution, on behalf of their importer constituents, requires prior approval of the Reserve Bank.

2. In order to promote investment activity and to further liberalise the procedures relating to trade credits for imports, the policy regarding issuance of guarantees has been reviewed. Accordingly, it has been decided to accord general permission to ADs to issue guarantees/LoUs/LoCs in favour of overseas supplier, bank and financial institution, up to USD 20 million per transaction for a period up to one year for import of all non-capital goods permissible under Foreign Trade Policy (except gold) and up to three years for import of capital goods, subject to prudential guidelines issued by Reserve Bank from time to time. The period of such guarantees/LoUs/LoCs has to be co-terminus with the period of credit, reckoned from the date of shipment.

3. As regards reporting arrangements, AD banks are required to furnish data on issuance of guarantees/LoUs/LoCs by all its branches, in a consolidated statement, at quarterly intervals (format in Annex) to the Chief General Manager, Foreign

Exchange Department, ECB Division, Reserve Bank of India, Central Office Building, 10<sup>th</sup> floor, Fort, Mumbai – 400 001 (and in MS-Excel file through email to fedcoecbd@rbi.org.in) from December 2004 onwards so as to reach the department not later than 10<sup>th</sup> of the following month.

4. These amendments to trade credit policy will come into force with immediate effect and will be subject to review from time to time.

5. Necessary amendments to the Foreign Exchange Management (Guarantees) Regulations, 2000 dated May 3, 2000 are being issued separately.

6. Authorised Dealer banks may bring the contents of this circular to the notice of their constituents and customers.

7. The direction contained in this circular has been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**F. R. Joseph**  
**Chief General Manager**

**Guarantees / Letter of Undertaking / Letter of Comfort  
issued / invoked by ADs**

**As on quarter ended .....**

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Name of the AD :

Contact Person:

Address :

Tel:

e-mail:

Fax:

(USD million)

On behalf of Residents	Guarantees / Letter of Undertaking / Letter of Comfort	
	Issued	
	Buyer's Credit	Supplier's Credit
Trade Credits (less than 3 years)		
(a) Up to one year		
(b) Above one year and less than three years **		
** (Limited to Import of Capital Goods)		

Place:-----

Signature of the Authorised Signatory

Date: -----

[ Stamp]