

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001**

A.D.(G.P.Series) Circular No.5

May 31 1999

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Export of goods to the Russian Federation on consignment
basis against repayment of State Credits**

Attention of authorised dealers is drawn to A.D.(G.P. Series) Circular No.4 dated 19th May 1999 regarding revised procedure for exports to the Russian Federation against repayment of State Credits.

2. It has now been decided to allow export of goods on consignment basis to the Russian Federation against repayment of State Credits. Initially, this facility will be available to Export Houses/Trading Houses/Star Trading Houses and Super Star Trading Houses with good track record for export of only tea and tobacco. The procedure to be followed for availing of this facility would be as under:

- i) The eligible exporter desirous of availing of the facility should designate a branch of a nominated bank [cf. paragraph 1(iii) of circular dated 19th May 1999 referred to above] through which all the transactions relating to exports on consignment basis to the Russian Federation would be routed.
- ii) The application for permission to avail of the facility of exports on consignment basis to Russian Federation against repayment of State Credits may be submitted through the designated branch to the Chief General Manager, Reserve Bank of India, Exchange Control Department, Central Office, Mumbai together with the following particulars/documents.
 - a) Status of the applicant (whether Export House/Trading House, etc.) duly supported by suitable documentary evidence.
 - b) Auditor's certificate indicating calendar year-wise total exports during the preceding 3 years and the amount outstanding beyond six months from the date of shipment. The certificate should also separately indicate the total exports to Russian Federation both in rupee terms and in free foreign exchange and the amount of outstandings beyond six months.

- iii) On receipt of approval from Reserve Bank the exporter may ship the goods and store them in the Customs Bonded Warehouse of his choice in the Russian Federation.
 - iv) The exporter, after identifying the buyer, should finalise the sale contract and arrange with the latter to open irrevocable letter of credit in his favour through Bank for Foreign Economic Affairs of the USSR (BFEA) which should provide for payment to the Indian exporter after receipt of payment instructions from BFEA. The letter of credit should provide that Indian exporter would furnish the following documents.
 - a) Three copies of delivery order to be issued by the exporter authorising the Warehouse in Russian Federation to release the specified quantity of goods and
 - b) Two copies of invoice.
 - v) The designated branch of the nominated bank after receiving the Letter of Credit should seek confirmation of reimbursement from Reserve Bank of India, Deposit Accounts Department, Mumbai in the usual manner.
 - vi) The designated branch of the nominated bank should, on receipt of the above referred documents from the exporter, forward the documents to the BFEA through a reputed courier service and simultaneously lodge a claim with Reserve Bank of India (Deposit Accounts Department), Mumbai in the prescribed format quoting the number and date of Reserve Bank's permission for exports on consignment basis.
 - vii) The maximum period for realisation of proceeds of exports made under this facility would be 360 days from the date of shipment.
 - viii) While granting approval for availing of the facility of export on consignment basis to the Russian Federation against State Credits, the designated branch of the nominated bank will be authorised to allow remittance by the exporter towards expenses incurred on account of warehouse rent, local transport, etc. subject to production of documentary evidence in support thereof, to the extent of 5 percent of F.O.B. value of the consignment.
3. The detailed guidelines of the facility and proforma of the delivery order are given in Annexure I & II, respectively.
4. The contents of this circular may be brought to the notice of your constituents concerned.
5. The directions contained in this circular have been issued under Section 73(3) of the Foreign Exchange Regulation Act, 1973 (46 of 1973) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully,
B. MAHESHWARAN
Chief General Manager

Guidelines for exports on consignment basis to Russian Federation against repayment of State Credits

It has been decided to allow export of goods to the Russian Federation on consignment basis against repayment of State Credits. Initially, this facility will be available only to Export Houses/Trading Houses/Star Trading Houses and Super Star Trading Houses with good track record for export of tea and tobacco to the Russian Federation. The eligible exporters are required to obtain specific prior approval from Reserve Bank of India for availing of the facility of exports on consignment basis to Russian Federation. For this purpose they should submit an application to Reserve Bank (Exchange Control Department) through a branch of a nominated bank to be designated by the exporter for the purpose of routing all the transactions relating to this facility. Under this facility, Indian exporters who have been granted permission by Reserve Bank to export goods to Russian Federation on consignment basis will first ship the goods and store them in Customs Bonded Warehouses (CBW) of their choice in the Russian Federation. Insurance cover for the transit period as well as for storage in CBW will be taken in India through General Insurance Corporation. ECGC will cover the pre-shipment finance under the guarantee scheme as per their norms. The Indian exporter will finalise a suitable sale contract with the Russian buyer and the latter will arrange to open the Letter of Credit (LC) through Bank for Foreign Economic Affairs of the USSR (BFEA). The designated branch of the nominated bank after receiving the L/C covering the value of the sale contract, will seek confirmation of reimbursement from Reserve Bank of India, Deposit Accounts Department, Mumbai in the usual manner. LC will call for three copies of Delivery Order (as per enclosed proforma- Annexure II) to be issued by the seller (exporter) authorising the CBW to release a specified quantity of goods to the buyer as also two copies of invoice raised by the exporter on the Russian buyer. These documents will be forwarded by the exporter's bank (designated branch) to BFEA through a reputed courier service. Simultaneously, the bank will lodge the claim with Reserve bank of India, Deposit Accounts Department, Mumbai in the prescribed format quoting reference to Reserve Bank's permission to export goods on consignment basis. On receipt of the above documents BFEA will pass on two copies of delivery order (including the original) and a copy of the invoice to the Russian buyer and issue necessary payment instructions by way of tested telex/swift message to Reserve Bank. A copy each of the delivery order and the invoice will be retained by BFEA for its record. On receipt of the payment instructions, Reserve Bank will reimburse the claim to the designated branch of the nominated bank in Mumbai. Exporter will keep shipment-wise account of the goods and its sale.

Delivery order for goods at Warehouse in Russia

From : _____ To : _____
_____ The Warehouseman
_____ M/s. _____

Date : _____
Original/Duplicate/Triplicate

Dear Sir,

Ref. : Delivery Order No.....date.....
Storage Receipt No.....dated.....
Stored in your warehouse No.at.....
A/c. M/s.....

Please deliver the goods described below to M/s.....
.....

The goods were deposited with you onunder Warehouse receipt bearing
No..... dated

The Warehouse receipt is enclosed/will be sent to you in due course for making necessary
entries.

Description of the goods to be delivered :

Yours faithfully,

Authorised Signatory

I/We hereby acknowledge receipt of the goods, mentioned over-leaf.

Date.....

.....
Signature of Buyer

I declare that I have this day delivered the goods specified above to
M/s.....

Description of goods:

Date:

.....
Warehouseman