

RBI/2006-07/151
Ref.DBOD.Dir.(Exp.)No.38/04.02.01/2006-07

November 14, 2006
23 Kartika 1928(S)

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir,

Interest Rates on Export Credit in Foreign Currency

As you are aware, it was proposed in Annual Policy statement for the year 2006-07 (para 113) on the basis of the recommendation of the Working Group to Review Export Credit, to increase the ceiling rate on Export Credit in Foreign Currency by 25 basis points to LIBOR plus 100 basis points from the earlier ceiling rate of LIBOR plus 75 basis points with immediate effect. Accordingly in terms of instruction issued vide our circular DBOD.DIR(Exp.)78/04.02.01/2005-06 dated April 18, 2006 it was decided to revise the ceiling rates on Export Credit in Foreign Currency to LIBOR plus 100 basis points with effect from April 18,2006. As stated at para 5 B recommendation (i) of the Working Group, this rise is subject to the condition that banks will not levy any other charges in any manner under any name viz. service charge management charge etc. except for recovery towards out of pocket expenses incurred by banks. It has however been represented to us by some exporters/export organizations that some banks are levying service charges in addition to the revised interest rate ceiling prescribed by the RBI.

2. Hence, it is hereby advised that in the case of Export Credit in Foreign Currency, banks should not levy any other charges in any manner under any name viz. service charge, management charge etc. except for recovery towards out of pocket expenses incurred.

Yours faithfully,

(P.Vijaya Bhaskar)
Chief General Manager