

June 29, 2007

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Advance Remittance for Import of aircrafts /
helicopters / other aviation related purchases**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to A. P. (DIR Series) Circular No.15 dated September 17, 2003 in terms of which AD Category - I banks have been permitted to make advance remittance up to USD 1,000,000 (USD one million) or its equivalent, without bank guarantee or an unconditional, irrevocable standby Letter of Credit, for import of goods into India, subject to specified conditions.

2. With a view to further liberalising and simplifying the procedure for import of goods into India, it has been decided, as a sector specific measure, to allow airline companies, which have been permitted by the Directorate General of Civil Aviation to operate as a schedule air transport service, to make advance remittance without bank guarantee, up to USD 50 million. Accordingly, AD Category – I banks may, henceforth, allow advance remittance, without bank guarantee or an unconditional, irrevocable standby Letter of Credit, up to USD 50 million, for direct import of each aircraft / helicopter / other aviation related purchases.

3. The remittances for the above transactions shall be subject to the following conditions :

a) The AD Category - I banks should undertake the transactions based on their commercial judgment and after being satisfied about the bonafide of the transactions. KYC and due diligence exercise should be done by the AD Category - I banks for the Indian importer entity and the overseas manufacturer company as well.

b) Advance payments should be made strictly as per the terms of the sale contract and are made directly to the account of the manufacturer (supplier) concerned.

c) AD Category - I bank may frame their own internal guidelines to deal with such cases, with the approval of their Board of Directors.

d) In the case of a Public Sector Company or a Department / Undertaking of Central / State Governments, the AD Category - I bank shall ensure that the requirement of bank guarantee has been specifically waived by the Ministry of Finance, Government of India for advance remittances exceeding USD100,000.

e) Physical import of goods into India is made within six months (three years in case of capital goods) from the date of remittance and the importer gives an undertaking to furnish documentary evidence of import within fifteen days from the close of the relevant period. It is clarified that where advance is paid as milestone payments, the date of last remittance made in terms of the contract will be reckoned for the purpose of submission of documentary evidence of import.

f) Prior to making the remittance, the AD Category – I bank may ensure that the requisite approval of the Ministry of Civil Aviation / DGCA / other agencies in terms of the extant Foreign Trade Policy has been obtained by the company for import.

g) In the event of non-import of aircraft and aviation sector related products, AD Category - I bank should ensure that the amount of advance remittance is immediately repatriated to India.

4. Prior approval of the concerned Regional Office of the Reserve Bank will be required in case of any deviation from the above stipulations or for cases which are not covered under the provisions of this circular.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

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

Yours faithfully,

(Salim Gangadharan)
Chief General Manager