

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

May 19, 1999

A.D. (G.P.Series) Circular No.4

To,  
All Authorised Dealers in Foreign Exchange.

Dear Sirs,

**Export of goods and services against repayment  
of state credits granted by erstwhile Soviet Union**

Attention of authorised dealers is drawn to paragraph 2(i) to (iv) of AD(MA Series) circular No.30 dated 28th September 1993, wherein the procedure for exports to be settled against repayment of State Credits has been detailed. Consequent upon signing of an Addendum to the Banking Arrangement dated 6th September 1993, by Reserve Bank and the Bank For Foreign Economic Affairs (BFEA), Moscow the settlement procedure will undergo a change and the revised procedure which will come into effect from 1st July 1999 will be as under –

- (i) BFEA will issue Letters of Credit (LCs) or confirm LCs issued by other banks in Russia by order of Russian importers denominated in Rupees in favour of Indian exporters of goods and services carrying the reference “Reimbursement against repayment of State Credits” and send the same to the Nominated bank in India and advise Reserve Bank of India (DAD) the details of LCs including the distinctive serial number of the LC, date of the LC, amount of LC, period for presentation of documents, date of expiry, description of goods to be shipped/services to be rendered and means of payment under the LC. In the case of LCs opened by banks in Russia other than BFEA, authorised dealers will correspond only with BFEA.
- (ii) The Nominated bank after receiving the LC should seek confirmation of the reimbursement from the Chief General Manager, Reserve Bank of India, Deposit Accounts Department (DAD), Mumbai before advising the LC to the beneficiary constituent. Such confirmation will be given by Reserve Bank subject to availability of funds in the Central Account of BFEA with Reserve Bank and further, subject to receipt and matching by it of the details of the LC with those received from BFEA in terms of paragraph (i) above.
- (iii) The names of banks in India which will be functioning as Nominated banks is given in Annexure I. The exporter will be required to approach any one of the branches of a Nominated bank dealing in foreign exchange for the purpose of handling export documents, registering of LC and claiming reimbursement from Reserve Bank.

- (iv) For the purpose of registering the LC and claiming reimbursement from Reserve Bank, Nominated banks will appoint one of their branches in Mumbai as a Link Branch. The name of such branch will be intimated by the Nominated bank to Reserve Bank, (DAD), Mumbai.
- (v) Nominated banks will submit their claims to Reserve Bank, (DAD) as per enclosed format (Annexure II). On receipt of claims from the Nominated banks for payment against LCs opened by BFEA or other banks in Russia where confirmation has been obtained from Reserve Bank in terms of paragraph (ii) above, Reserve Bank will make payment including commission and bank charges, if any, to the Nominated banks provided such claims are received in Reserve Bank not later than the 37th working day, viz. excluding the days on which Reserve Bank, Mumbai is closed, from the date of expiry of the LC.
- (vi) Subject to availability of balances in the Central Account of BFEA with the Reserve Bank, after earmarking of the same against LCs opened by BFEA and banks in Russia and advised to it as at (ii) above, RBI will also honour the payment instructions from BFEA in the form of demand drafts and other payment instruments for purposes of making payments for exports of goods and services for undrawn balances, retention money, by verifying with the original LCs to which the exports relate.
- (vii) Funds from repayments of State Credits are to be utilised for export of goods to Russian Federation only. No third country exports are permitted to be financed out of funds from such repayments of State Credits.

2. The revised procedure will be applicable to LCs to be opened from 1st July 1999 only. LCs opened upto 30th June 1999 will continue to be settled under the existing procedure irrespective of the date of transaction.

3. Notice to Exporters No.1 dated 19th May 1999 is enclosed, the contents of which may be brought to the notice of your constituents who are already engaged or proposed to engage in export trade with Russian Federation.

4. 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**

Encls:

Chief General Manager

**List of Nominted Banks**

1. ABN Amro Bank NV
2. Allahabad Bank
3. Andhra Bank
4. ANZ Grindlays Bank Ltd.
5. Bank of Baroda
6. Bank of India
7. Canara Bank
8. City Union Bank Ltd.
9. Citibank N.A.
10. Corporation Bank
11. Credit Lyonnais SA
12. Deutsche Bank AG
13. Indian Overseas Bank
14. IndusInd Bank Limited
15. Punjab National Bank
16. State Bank of Bikaner and Jaipur
17. State Bank of Hyderabad
18. State Bank of India
19. The Karnataka Bank Limited
20. Union Bank of India
21. United Bank of India

## **Notice to Exporters No.1 of 1999**

For implementation of the provisions of the Letters exchanged between the Government of India and Russian Federation, Reserve Bank of India (RBI) and the Bank for Foreign Economic Affairs of the USSR, Moscow (BFEA) have concluded a Banking Arrangement. As per the Arrangement repayment of State Credits will be made by way of exports of any goods and services from India to Russian Federation that are permissible for export under Export and Import Policy of the Government of India in force from time to time. In pursuance of the provisions of the Banking Arrangement and Addendum thereto, for such exports to be settled against repayment of State Credits, the following procedure is laid down :

- (i) BFEA will open Letters of Credit (LCs) or confirm LCs opened by other banks in Russia denominated in Rupees in favour of Indian exporters of goods and services carrying the notation "Reimbursement against repayment of State Credits" and send the same to the nominated banks in India and advise RBI as and when the LC is opened, the details of LC including the distinctive serial number of the LC, date of LC, amount of LC, description of goods to be shipped/services to be rendered under the LC, name of nominated bank, etc.
- (ii) The nominated bank, after receiving the LC should seek confirmation from the Chief General Manager, Reserve Bank of India, DAD, Mumbai. Such confirmation will be given by RBI subject to availability of funds in the Central Account of the BFEA with RBI and further subject to receipt and matching by it of the details of the LC with those received from BFEA in terms of (i) above.
- (iii) The names of the banks in India which will be functioning as nominated banks is given in Annexure I. The exporter will be required to approach any one of the branches of a nominated bank dealing in foreign exchange for the purpose of handling export documents, registering of LC and claiming reimbursement from RBI.
- (iv) On receipt of claims from the nominated banks for payment against LCs opened by BFEA or other banks in Russia where confirmation has been obtained from RBI in terms of (ii) above, RBI will make payment including commission and bank charges, if any, to the nominated banks provided such claims are received in RBI not later than the 37th working day, viz. excluding the days on which RBI, Mumbai is closed, from the date of expiry of the LC.
- (v) Funds from repayments of State Credits are to be utilised for export of goods to Russian Federation only. No third country exports are permitted to be financed out of funds from such repayments of State Credits.
- (vi) The revised procedure will be applicable to LCs to be opened from 1st July 1999 only. LCs opened upto 30th June 1999 will continue to be settled under the existing procedure irrespective of date of transaction.

Reserve Bank of India  
Exchange Control Department  
Central Office  
Mumbai 400001

May 19, 1999