

July 2, 2007

To,
All Banks Authorised to Deal in Foreign Exchange

Madam / Sir,

Master Circular on Import of Goods and Services

Import of Goods and Services into India is being allowed in terms of Section 5 of the Foreign Exchange Management Act 1999 (42 of 1999), read with Notification No. GSR 381(E) dated May 3, 2000 as amended from time to time.

2. The circular is organised into five parts as under :

Part I : Introduction

Part II : General guidelines for imports.

Part III: Operational guidelines for imports.

Part IV : Annex (notifications and the forms for imports)

Part V : List of all circulars consolidated in the Master Circular.

3. This Master Circular is being issued with a sunset clause of one year. This circular will stand withdrawn on July 1, 2008 and be replaced by an updated Master Circular on the subject.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager

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PART I

Introduction

Import trade is regulated by the Directorate General of Foreign Trade (DGFT) under the Ministry of Commerce & Industry, Department of Commerce, Government of India.

Authorised Dealer banks should ensure that the imports into India are in conformity with the Foreign Trade Policy in force and Foreign Exchange Management (Current Account Transactions) Rules, 2000 framed by Government of India vide Notification No. G.S.R.381 (E) dated May 3, 2000 and the Directions issued by Reserve Bank under Foreign Exchange Management Act from time to time.

Authorised Dealer banks should follow normal banking procedures and adhere to the provisions of Uniform Customs and Practices for Documentary Credits (UCPDC), etc. while opening letters of credit for import into India on behalf of their constituents.

Compliance with the provisions of Research & Development Cess Act, 1986 may be ensured for import of drawings and designs.

Authorised Dealer banks may also advise importers to ensure compliance with the provisions of Income Tax Act, wherever applicable.

Part II

General guidelines for imports

1. General Guidelines	Rules and regulations from the foreign exchange angle to be followed by the Authorised Dealer (AD) banks while undertaking import payment transactions on behalf of their clients are set out in the following paragraphs. Where specific regulations do not exist, AD banks may be governed by normal trade practices. AD banks may particularly note to adhere to "Know Your Customer" (KYC) guidelines issued by Reserve Bank (Department of Banking Operations & Development) in all their dealings.
2. Form A-1	Applications by persons, firms and companies for making payments, exceeding USD 500 or its equivalent, towards imports into India must be made on the appropriate Form A-1.
3. Import Licenses	Excepting for goods included in the negative list requiring licence under the Foreign Trade Policy in force, Authorised Dealer banks may freely open letters of credit and allow remittances for import. While opening letters of credit, the 'For Exchange Control purposes' copy of the licence should be called for and special conditions, if any, attached to such licences should be adhered to. After effecting remittances under the licence, AD banks may preserve the copies till they are verified by the internal auditors or inspectors.
4. Obligation of Purchaser of Foreign Exchange	i) In terms of Section 10(6) of the Foreign Exchange Management Act, 1999 (FEMA), any person acquiring foreign exchange is permitted to use it either for the purpose mentioned in the declaration made by him to an AD bank under Section 10(5) of the Act or to use it for any other purpose for which acquisition of foreign exchange is

	<p>permissible under the said Act, or Rules or Regulations framed there under.</p> <p>ii) Where foreign exchange acquired has been utilised for import of goods into India, the AD bank should ensure that the importer furnishes evidence of import viz., Exchange Control copy of the Bill of Entry, Postal Appraisal Form or Customs Assessment Certificate, etc., and satisfy himself that goods equivalent to the value of remittance have been imported.</p> <p>iii) In addition to the permitted methods of payment for imports laid down in Notification No.FEMA14/2000-RB dated 3rd May 2000, payment for import can also be made by way of credit to non-resident account of the overseas exporter maintained with a bank in India. In such cases also AD banks should ensure compliance with the instructions contained in sub-paragraphs (i) and (ii) above.</p>
<p>5. Time Limit for Settlement of Import Payments</p>	<p>A. Time limit for normal imports</p> <p>(i) In terms of the extant regulations, remittances against imports should be completed not later than six months from the date of shipment, except in cases where amounts are withheld towards guarantee of performance, etc.</p> <p>(ii) AD banks may permit settlement of import dues delayed due to disputes, financial difficulties, etc. Interest in respect of such delayed payments may be permitted in terms of the directions in para 2 of Part III below.</p> <p>B. Time limit for deferred payment arrangements</p> <p>Deferred payment arrangements, including suppliers and buyers credit, providing for payments beyond a period of six</p>

	<p>months from date of shipment up to a period of less than three years, are treated as trade credits for which the procedural guidelines laid down in the Master Circular for External Commercial Borrowings and Trade Credits may be followed.</p> <p>C. Time limit for import of books</p> <p>Remittances against import of books may be allowed without restriction as to time limit, provided, interest payment, if any, is as per the instructions in para 2 of Part III below.</p>
<p>6. Import of Foreign Exchange / Indian Rupees</p>	<p>Except as otherwise provided in the regulations, no person shall, without the general or special permission of the Reserve Bank, import or bring into India, any foreign currency. Importing currency, including cheques, is governed by clause (g) of sub-section (3) of Section 6 of the Foreign Exchange Management Act, 1999, and the Foreign Exchange Management (Export and Import of Currency) Regulations 2000, made by Reserve Bank vide Notification No. FEMA 6/RB- 2000 dated May 3, 2000 as amended from time to time.</p>
<p>A. Import of Indian currency and currency notes</p>	<p>(i) Any person resident in India who had gone out of India on a temporary visit, may bring into India at the time of his return from any place outside India (other than from Nepal and Bhutan), currency notes of Government of India and Reserve Bank notes up to an amount not exceeding Rs.5,000/- per person.</p> <p>(ii) A person may bring into India from Nepal or Bhutan, currency notes of Government of India and Reserve Bank notes other than notes of denominations of above Rs.100 in either case.</p>

B. Import of foreign exchange into India

Reserve Bank may allow a person to bring into India currency notes of Government of India and / or of Reserve Bank subject to such terms and conditions as the Reserve Bank may stipulate.

A person may –

(i) send into India without limit foreign exchange in any form other than currency notes, bank notes and travelers cheques;

(ii) bring into India from any place outside India, without limit foreign exchange (other than unissued notes), which shall be subject to the condition that such person makes, on arrival in India, a declaration to the Custom authorities in Currency Declaration Form (CDF) annexed to these Regulations; provided further that it shall not be necessary to make such declaration where the aggregate value of the foreign exchange in the form of currency notes, bank notes or travelers cheques brought in by such person at any one time does not exceed USD10,000 (US Dollars ten thousands) or its equivalent and/or the aggregate value of foreign currency notes brought in by such person at any one time does not exceed USD 5,000 (US Dollars five thousands) or its equivalent.

PART III

Operational Guidelines for Imports

1. Advance Remittance

A. Advance Remittance for import of goods:

(i) AD bank may allow advance remittance for import of goods without any ceiling subject to the following conditions:

a) If the amount of advance remittance exceeds USD 100,000 or its equivalent, an unconditional, irrevocable standby Letter of Credit or a guarantee from an international bank of repute situated outside India or a guarantee of an AD bank in India, if such a guarantee is issued against the counter-guarantee of an international bank of repute situated outside India, is obtained.

b) In cases where the importer (other than a Public Sector Company or a Department/Undertaking of the Government of India/State Governments) is unable to obtain bank guarantee from overseas suppliers and the A D bank is satisfied about the track record and bonafides of the importer, the requirement of the bank guarantee / standby Letter of Credit may not be insisted upon for advance remittances up to USD 1,000,000 (US dollar one million). AD banks may frame their own internal guidelines to deal with such cases as per a suitable policy framed by the bank's Board of Directors.

c) A Public Sector Company or a Department/Undertaking of the Government of India / State Government/s which is not in a position to obtain a guarantee from an international bank of repute against an advance payment, is required to obtain a specific waiver for the bank guarantee from the Ministry of Finance, Government of India before making advance

remittance exceeding USD 100, 000.

(ii). The remittance is made directly to the supplier or manufacturer of the goods and not to any third party or to a numbered account.

(iii). 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.

(iv). In the event of non-import of goods, AD bank should ensure that the amount of advance remittance is repatriated to India or is utilised for any other purposes for which release of exchange is permissible under the FEMA, Rules or Regulations made there under.

B. Advance Remittance for Import of Rough Diamonds

(i) AD bank are permitted to allow advance remittance without any limit and without bank guarantee or standby letter of credit, by an importer (other than a Public Sector Company or a Department / Undertaking of the Government of India / State Government/s), for import of rough diamonds into India from the under noted mining companies, viz.

- a) Diamond Trading Company Pvt. Ltd., UK,
- b) RIO TINTO, UK,
- c) BHP Billiton, Australia,
- d) ENDIAMA, E. P. Angola,
- e) ALROSA, Russia, and
- f) GOKHARAN, Russia.

(ii) While allowing the advance remittance, AD bank may ensure

the following

(a) The importer should be a recognized processor of rough diamonds as per a list to be approved by Gems and Jewellery Export Promotion Council (GJEPC) in this regard and should have a good track record of export realisation;

(b) AD bank should undertake the transaction based on their commercial judgment and after being satisfied about the bonafides of the transaction;

(c) Advance payments should be made strictly as per the terms of the sale contract and should be made directly to the account of the company concerned, that is, to the ultimate beneficiary and not through numbered accounts or otherwise. Further, due caution may be exercised to ensure that remittance is not permitted for import of conflict diamonds;

(d) KYC and due diligence exercise should be done by the AD bank for the Indian importer entity and the overseas company; and

(e) AD bank should follow up submission of the Bill of Entry / documents evidencing import of rough diamonds into the country by the importer, in terms of FEMA / Rules / Regulations / Directions issued in this regard.

(iii) In case of an importer entity in the Public Sector or a Department / Undertaking of the Government of India / State Government/s, AD bank may permit advance remittance subject to the above conditions and a specific waiver of bank guarantee from the Ministry of Finance, Government of India where the

advance payments is equivalent to or exceeds USD 100,000/- (USD one hundred thousand only).

(iv) AD banks are required to submit a report (Annex-2) of all such advance remittances made without a bank guarantee or standby letter of credit, where the amount of advance payment is equivalent to or exceeds USD 5,000,000/- (USD Five million only), to The Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Trade Division, Central Office, Amar Bhawan, Sir. P. M. Road, Fort, Mumbai – 400 001, on a half yearly basis, as at the end of September and March every year, in the format annexed (Annex-2). The report should be submitted within 15 days from the close of the respective half year.

C. Advance Remittance for Import of Aircrafts, Helicopters and other Aviation Related purchases

As a sector specific measure, airline companies which have been permitted by the Directorate General of Civil Aviation to operate as a schedule air transport service, can make advance remittance without bank guarantee, up to USD 50 million. Accordingly, AD Category – I banks may allow advance remittance, without obtaining a bank guarantee or an unconditional, irrevocable standby Letter of Credit, up to USD 50 million, for direct import of each aircraft, helicopter and other aviation related purchases. The remittances for the above transactions shall be subject to the following conditions:

- i. 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.

- ii. 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.
- iii. AD Category - I bank may frame their own internal guidelines to deal with such cases, with the approval of their Board of Directors.
- iv. 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.
- v. 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.
- vi. 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.
- vii. In the event of non-import of aircraft and aviation sector related products, AD Category - I bank should

	<p>ensure that the amount of advance remittance is immediately repatriated to India.</p> <p>Prior approval of the concerned Regional Office of the Reserve Bank will be required in case of any deviation from the above stipulations.</p>
2. Interest on Import Bills	<p>(i) AD bank may allow payment of interest on usance bills or overdue interest for a period of less than three years from the date of shipment at the prescribed rates. The current all-in-cost ceilings are as under:</p> <p>Maturity period</p> <p>All-in-cost ceilings over 6 months LIBOR*</p> <p>Up to one year</p> <p>50 basis points</p> <p>More than one year but less than three years</p> <p>125 basis points</p> <p>* for the respective currency of credit or applicable benchmark.</p> <p>(ii) In case of pre-payment of usance import bills, remittances may be made only after reducing the proportionate interest for the unexpired portion of usance at the rate at which interest has been claimed or LIBOR of the currency in which the goods have been invoiced, whichever is applicable. Where interest is not separately claimed or expressly indicated, remittances may be allowed after deducting the proportionate interest for the unexpired portion of usance at the prevailing LIBOR of the currency of invoice.</p>

<p>3. Remittances against Replacement Imports</p>	<p>Where goods are short-supplied, damaged, short-landed or lost in transit and the Exchange Control copy of the import licence has already been utilised to cover the opening of a letter of credit against the original goods which have been lost, the original endorsement to the extent of the value of the lost goods may be cancelled by the AD bank and fresh remittance for replacement imports may be permitted without reference to Reserve Bank, provided the insurance claim relating to the lost goods has been settled in favour of the importer. It may be ensured that the consignment being replaced is shipped within the validity period of the licence.</p>
<p>4. Guarantee for Replacement Import</p>	<p>In case replacement goods for defective import are being sent by the overseas supplier before the defective goods imported earlier are reshipped out of India, AD banks may issue guarantees at the request of importer client for dispatch/return of the defective goods, according to their commercial judgment.</p>
<p>5. Import of Equipment by Business Process Outsourcing (BPO) Companies for their overseas sites</p>	<p>AD bank may, allow BPO companies in India to make remittances towards the cost of equipment to be imported and installed at their overseas sites in connection with the setting up of their International Call Centres (ICCs) subject to the following conditions:</p> <p>(a) The BPO company should have obtained necessary approval from the Ministry of Communications and Information Technology, Government of India and other authorities concerned for setting up of the ICC.</p> <p>(b) The remittance should be allowed based on the AD Category – I banks' commercial judgment, the bonafides of the transactions and strictly in terms of the contract.</p> <p>(c) The remittance is made directly to the account of the overseas supplier.</p>

(d) The AD Category – I banks should also obtain a certificate as evidence of import from the Chief Executive Officer (CEO) or auditor of the importer company that the goods for which remittance was made have actually been imported and installed at overseas sites.

6. Receipt of Import Bills/Documents

A. Receipt of import documents by the importer directly from overseas suppliers

Import bills and documents should be received from the banker of the supplier by the banker of the importer in India. AD bank should not, therefore, make remittances where import bills have been received directly by the importers from the overseas supplier, except in the following cases:

- i. Where the value of import bill does not exceed USD 100,000.
- ii. Import bills received by wholly-owned Indian subsidiaries of foreign companies from their principals.
- iii. Import bills received by Status Holder Exporters as defined in the Foreign Trade Policy, 100% Export Oriented Units / Units in Free Trade Zones, Public Sector Undertakings and Limited Companies.
- iv. Import bills received by all limited companies viz. public limited, deemed public limited and private limited companies.

B Receipt of import documents by the AD Bank directly from overseas suppliers

- (i) At the request of importer clients, AD bank may receive bills directly from the overseas supplier as above, provided the AD bank is fully satisfied about the financial standing/status and track record of the importer customer.
- (ii) Before extending the facility, the AD bank should obtain a report on each individual overseas supplier from the

	<p>overseas banker or a reputed credit agency. However, such a credit report on the overseas supplier need not be obtained in cases where the invoice value does not exceed USD 100,000 provided the AD bank is satisfied about the bonafides of the transaction and track record of the importer constituent.</p>
<p>7. Evidence of Import</p>	<p>A. Physical Imports</p> <p>(i). In case of all imports, where value of foreign exchange remitted/paid for import into India exceeds USD 100,000 or its equivalent, it is obligatory on the part of the AD bank through whom the relative remittance was made, to ensure that the importer submits :-</p> <ul style="list-style-type: none"> a. The Exchange Control copy of the Bill of Entry for home consumption, or b. The Exchange Control copy of the Bill of Entry for warehousing, in case of 100% Export Oriented Units, or c. Customs Assessment Certificate or Postal Appraisal Form, as declared by the importer to the Customs Authorities, where import has been made by post, as evidence that the goods for which the payment was made have actually been imported into India. <p>(ii) In respect of imports on D/A basis, A D bank should insist on production of evidence of import at the time of effecting remittance of import bill. However, if importers fail to produce documentary evidence due to genuine reasons such as non-arrival of consignment, delay in</p>

delivery/customs clearance of consignment, etc., AD bank may, if satisfied with the genuineness of request, allow reasonable time, not exceeding three months from the date of remittance, to the importer to submit the evidence of import.

B. Evidence of import in lieu of Bill of Entry

(i) AD bank may accept, in lieu of Exchange Control copy of Bill of Entry for home consumption, a certificate from the Chief Executive Officer (CEO) or auditor of the company that the goods for which remittance was made have actually been imported into India provided :-

(a) the amount of foreign exchange remitted is less than USD 1,000,000 (USD one million) or its equivalent,

(b) the importer is a company listed on a stock exchange in India and whose net worth is not less than Rs.100 crores as on the date of its last audited balance sheet,

or

the importer is a public sector company or an undertaking of the Government of India or its departments.

(ii) The above facility may also be extended to autonomous bodies, including scientific bodies/academic institutions, such as Indian Institute of Science / Indian Institute of Technology, etc. whose accounts are audited by the Comptroller and Auditor General of India (CAG). AD bank may insist on a declaration from the auditor/CEO of such institutions that their accounts are audited by CAG.

C. Non Physical Imports

	<p>(i) Where imports are made in non-physical form, i.e., software or data through internet / datacom channels and drawings and designs through e-mail/fax, a certificate from a Chartered Accountant that the software / data / drawing/ design has been received by the importer, may be obtained.</p> <p>(ii) AD bank should advise importers to keep Customs Authorities informed of the imports made by them under this clause.</p>
<p>8. Issue of acknowledgement</p>	<p>AD bank should acknowledge receipt of evidence of import e.g. Exchange Control copy of the Bill of Entry, Postal Appraisal Form or Customs Assessment Certificate, etc., from importers by issuing acknowledgement slips containing all relevant particulars relating to the import transactions.</p>
<p>9. Verification & Preservation</p>	<p>(i) Internal inspectors or auditors (including external auditors appointed by AD bank) should carry out verification of the documents evidencing import, e.g. Exchange Control copies of Bills of Entry or Postal Appraisal Forms or Customs Assessment Certificates, etc.,</p> <p>(ii). Documents evidencing import into India should be preserved by Authorised Dealer bank for a period of one year from the date of its verification. However, in respect of cases which are under investigation by investigating agencies, the documents may be destroyed only after obtaining clearance from the investigating agency concerned.</p>

<p>10. Follow up for Import Evidence</p>	<p>(i) In case an importer does not furnish any documentary evidence of import, as required under paragraph 7 of Part III, within 3 months from the date of remittance involving foreign exchange exceeding USD100, 000, the AD bank should rigorously follow-up for the next 3 months, including issuing registered letters to the importer.</p> <p>(ii) AD bank should forward a statement on half-yearly basis as at the end of June & December of every year, in form BEF (Annex 1) furnishing details of import transactions, exceeding USD 100,000 in respect of which importers have defaulted in submission of appropriate document evidencing import within 6 months from the date of remittance, to the Regional Office of Reserve Bank under whose jurisdiction the AD bank is functioning, within 15 days from the close of the half-year to which the statement relates.</p> <p>(iii) AD bank need not follow up submission of evidence of import involving amount of USD 100,000 or less provided they are satisfied about the genuineness of the transaction and the bonafides of the remitter. A suitable policy may be framed by the bank's Board of Directors and AD bank may set their own internal guidelines to deal with such cases.</p>
<p>11. Issue of Bank Guarantee</p>	<p>AD banks are permitted to issue guarantee on behalf of their importer customers in terms of Notification No. FEMA 8/2000-RB dated May 3, 2000, as amended from time to time.</p>

12. Import of Gold/Platinum/Silver by Nominated Banks/Agencies

A. Import on consignment basis

Gold may be imported by the nominated agencies/banks on consignment basis where the ownership will remain with the supplier and the importer (consignee) will be acting as an agent of the supplier (consignor). Remittances towards the cost of import shall be made as and when sales take place and in terms of the provisions of agreement entered into between the overseas supplier and nominated agency/bank. These instructions would also apply to import of platinum and silver.

B. Import on unfixed price basis

The nominated agency/bank may import gold on outright purchase basis subject to the condition that although ownership of the gold shall be passed on to the importer at the time of import itself, the price of gold shall be fixed later, as and when the importer sells the gold to the users. These instructions would also apply to import of platinum and silver.

C. Direct Import of Gold

AD bank can open Letters of Credit and allow remittances on behalf of EOUs, units in SEZs in the Gem & Jewellery sector and nominated agencies, for direct import of gold, subject to the following

- (a) The import of gold should be strictly in accordance with the Foreign Trade Policy.
- (b) Suppliers' and Buyers' Credit, including the usance period of LCs opened for direct import of gold, should

not exceed 90 days.

(c) Banker's prudence should be strictly exercised for all transactions pertaining to import of gold. AD bank should ensure that due diligence is undertaken and all Know-Your-Customer (KYC) norms and the Anti-Money-Laundering guidelines, issued by Reserve Bank from time to time are adhered to while undertaking such transactions. AD bank should closely monitor such transactions. Any large or abnormal increase in the volume of business of the importer should be closely examined to ensure that the transactions are bonafide trade transactions.

(d) In addition to carrying out the normal due diligence exercise, the credentials of the supplier should also be ascertained before opening the LCs. The financial standing, line of business and the net worth of the importer customer should be commensurate with the volume of business turnover. Apart from the above, in case of such transactions banks should also make discreet enquiries from other banks to assess the actual position. Further, in order to establish audit trail of import/export transactions, all documents pertaining to such transactions must be preserved for at least five years.

(e) AD bank should follow up submission of the Bill of Entry by the importers as stipulated.

(f) Head Offices/International Banking Divisions, of AD bank undertaking gold import transactions are required to submit as per the format enclosed at

Annex-3, a monthly statement thereof, to the Trade Division, Foreign Exchange Department, Amar Building, Central Office, Reserve Bank of India, Sir P.M. Road, Fort, Mumbai 400001.

D. Gold Loans

(i) Nominated agencies / approved banks can import gold on loan basis for on lending to exporters of jewellery under this scheme.

(ii) EOUs and units in SEZ who are in the Gem and Jewellery sector can import gold on loan basis for manufacturing and export of jewellery on their own account only.

(iii) The maximum tenor of gold loan would be as per the Foreign Trade Policy 2004-2009, or as notified by the Government of India from time to time in this regard.

(iv) AD bank may open Standby Letters of Credit (SBLC), for import of gold on loan basis, where ever required, as per FEDAI guidelines dated April 1, 2003. The tenor of the SBLC should be in line with the tenor of the gold loan.

(v) SBLC can be opened only on behalf of entities permitted to import gold on loan basis, viz. nominated agencies and 100% EOUs/units in SEZ, which are in the Gem and Jewellery sector.

(vi) SBLC should be in favour of internationally renowned bullion banks only. AD bank can obtain a detailed list of internationally renowned bullion banks from the Gem & Jewellery Export Promotion Council.

(vii) All other existing instructions on import of gold and opening of Letters of Credit, with usance period not

	<p>exceeding 90 days, will continue to be applicable.</p> <p>(viii) AD banks must maintain adequate documentation with them to uniquely link all imports with the SBLC issued for the import of gold on loan basis.</p>
<p>13. Import factoring</p>	<p>(i) AD bank may enter into arrangements with international factoring companies of repute, preferably members of Factors Chain International, without the approval of Reserve Bank.</p> <p>(ii) They will have to ensure compliance with the extant foreign exchange directions relating to imports, Foreign Trade Policy in force and any other guidelines/directives issued by Reserve Bank in this regard.</p>
<p>14. Merchanting Trade</p>	<p>AD bank may take necessary precautions in handling bonafides merchanting trade transactions or intermediary trade transactions to ensure that:</p> <p>(a) goods involved in the transactions are permitted to be imported into India, all rules, regulations and directions applicable to export (except Export Declaration Form) and import (except Bill of Entry) are complied with for the export leg and import leg, respectively.</p> <p>(b) The entire merchant trade transaction is completed within a period of 6 months.</p> <p>(c)The transactions do not involve foreign exchange outlay for a period exceeding three months.</p> <p>(d) Payment is received in time for the export leg.</p> <p>(e) Where the payment for export leg of the transaction <i>precedes</i> the payment for import leg, AD banks should ensure that the terms of payment are such that the liability for the import leg of the transaction is extinguished by the payment received for the export leg of the transaction, without any delay.</p>

	<p>ADs may note that short-term credit either by way of suppliers' credit or buyers' credit is not available for merchanting trade or intermediary trade transactions.</p>
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PART IV

Annex (notifications and the forms for imports)

Annex-1

BEF

(See paragraph 10 (ii) of Part III of Master Circular)

Statement showing the details of remittances effected towards import in respect of which documentary evidence has not been received despite reminders

Name and address of AD branch.....

Name of Controlling Office of AD branch

Statement for the half-year ended

NOTES:

i. The statement should be submitted in duplicate, to the Regional Office of Reserve Bank under whose jurisdiction the AD branch is functioning.

ii. Details of transactions where the amount of remittance exceeds USD 100,000 or its equivalent should only be included in the statement.

iii. In cases where, at the time of advance remittance, purpose of remittance was as import and subsequently the exchange has been used for other purpose for which sale of exchange is permissible, and a document to the satisfaction of Authorised Dealer bank has been produced, such cases should not be treated as default and hence be excluded from the BEF statement.

iv. Authorised Dealer bank may accept 'Into Bond Bill of Entry' as a provisional evidence of import into India. However, they may ensure submission of Exchange Control copy of the Bill of Entry for Home consumption within a reasonable period of time. Where EDI system has been implemented by customs and the importer receives only one copy of the "ex-Bond Bill of Entry" from the customs, Authorised Dealer bank may advise importer to submit a photocopy of the "ex-Bond Bill of Entry" for home consumption after clearance of the goods from the warehouse / bond, which may be duly verified by the Authorised Dealer bank and accepted as final evidence of import. Cases where 'Into Bond Bill of Entry' has been submitted need not be reported in BEF statement.

v. The statement should include details of all remittances, exceeding USD 100,000

Part II

Information regarding subsequent receipt of documentary evidence of Import from importers whose names were reported in Part I of earlier BEF statement/s

Sr.No.	Name and address of the importer	Period of the BEF statement and Sr, No. of this transactions reported earlier in Part I of the BEF statement	Date of receipt	Amount of remittance		Remarks
				Currency and Amount	Rupee equivalent	
1	2	3	4	5	6	7
A. Import by parties other than Public Sector Undertakings/Government Departments						
1						
2						
3						
4						
Etc						
B. Import by Public Sector Undertakings/Government Departments						

Note : The transactions reported in Part II of BEF statement of earlier half-year should not be repeated in Part II of the current half-year.

CERTIFICATE

- i. We certify that the particulars furnished above are true and correct as per our records.
- ii. We further certify that the statement includes all cases which are required to be reported under the prescribed procedure.
- iii. We undertake to continue to pursue the cases with the importers reported in Part I of the statement.

(Signature of the Official)

Stamp

Place

Date

Name

Designation

Annex - 2

[A. P. (DIR Series) Circular No. 34 dated March 02, 2007]
 { see paragraph 1 of Part III of Master
 Circular}

Statement of Advance Remittance without bank guarantee or standby letter of credit where the amount of advance is equivalent to or more than USD 5 million for import of Rough Diamonds for the period ended

Name of the AD Category – I Bank :

AD Code (14 digit) :

Sl. No.	Name of the Company	Name of the Importer Entity and IEC No.	Amount of Advance Payment made without BG / Standby LC	Whether document for evidence of import submitted
1.	Diamond Trading Company Pvt. Ltd., UK			
2.	RIO TINTO, UK			
3.	BHP Billiton, Australia			
4.	ENDIAMA E. P. Angola			
5.	ALROSA, Russia			
6.	GOKHARAN, Russia			

Signature of the authorised official of the bank :

Date :

Stamp :

Annex-3

[A.P.(DIR Series) Circular No.2 dated July 9,
2004]
{ see paragraph 12C of Part III of Master Circular}

Statement of Gold Imported during the month ended

Name of the Bank :

Date of Statement :

	Number of Transactions		Value of Gold Imported			
	EOU/SEZ	Nom.Agency/ Bank	(USD million)		(Rs. Crore)	
			EOU/SEZ	Nom.Agency / Bank	EOU/SEZ	Nom.Agency /Bank
<u>Gold</u> (i) Delivery Against Payment Basis (ii) Suppliers' Credit Basis (iii) Consignm ent Basis (iv) Unfixed Price Basis						

Note: 1. Full details of transactions may be provided in cases where the number of transactions in respect of a single importer exceeds ten transactions in a month or the aggregate value of imports exceeds US Dollar 50 million.

2. Details of EOUs/Units in SEZ and Nominated Agencies should be given separately.

Annex- 4

Foreign Exchange Management (Current Account Transactions) Rules, 2000

Notification No. G.S.R.381(E) dated 3rd May 2000 (as amended from time to time)* : In

exercise of the powers conferred by Section 5 and sub-section (1) and clause (a) of sub-section (2) of Section 46 of the Foreign Exchange Management Act, 1999, and in consultation with the Reserve Bank, the Central Government having considered it necessary in the public interest, makes the following rules, namely :--

1. Short title and commencement.---(1) These rules may be called the Foreign Exchange Management (Current Account Transactions) Rules, 2000;

(2) They shall come into effect on the 1st day of June 2000.

2. Definitions.---In these rules, unless the context otherwise requires :

- (a) "Act" means the Foreign Exchange Management Act, 1999 (42 of 1999);
- (b) "Drawal" means drawal of foreign exchange from an authorised person and includes opening of Letter of Credit or use of International Credit Card or International Debit Card or ATM Card or any other thing by whatever name called which has the effect of creating foreign exchange liability;
- (c) "Schedule" means a schedule appended to these rules;
- (d) The words and expressions not defined in these rules but defined in the Act shall have the same meanings respectively assigned to them in the Act.

3. Prohibition on drawal of Foreign Exchange.---Drawal of foreign exchange by any person for the following purpose is prohibited, namely:

- a. a transaction specified in the Schedule I; or
- b. a travel to Nepal and/or Bhutan; or
- c. a transaction with a person resident in Nepal or Bhutan.

Provided that the prohibition in clause (c) may be exempted by RBI subject to such terms and conditions as it may consider necessary to stipulate by special or general order.

4. Prior approval of Govt. of India.---No person shall draw foreign exchange for a transaction included in the Schedule II without prior approval of the Government of India;

Provided that this Rule shall not apply where the payment is made out of funds held in Resident Foreign Currency (RFC) Account of the remitter.

5. Prior approval of Reserve Bank

No person shall draw foreign exchange for a transaction included in the Schedule III without prior approval of the Reserve Bank;

Provided that this Rule shall not apply where the payment is made out of funds held in Resident Foreign Currency (RFC) Account of the remitter.

6. (1) Nothing contained in Rule 4 or Rule 5 shall apply to drawal made out of funds held in Exchange Earners' Foreign Currency (EEFC) account of the remitter.

(2) Notwithstanding anything contained in sub-rule (1), restrictions imposed under rule 4 or rule 5 shall continue to apply where the drawal of foreign exchange from the Exchange Earners Foreign Currency (EEFC) Account is for the purpose specified in items 10 and 11 of Schedule II, or item 3, 4, 11, 16 & 17 of Schedule III as the case may be.

7. Use of International Credit Card while outside India

Nothing contained in Rule 5 shall apply to the use of International Credit Card for making payment by a person towards meeting expenses while such person is on a visit outside India.

Schedule I
Transactions which are Prohibited
(see rule 3)

1. Remittance out of lottery winnings.
2. Remittance of income from racing/riding etc. or any other hobby.
3. Remittance for purchase of lottery tickets, banned/proscribed magazines, football pools, sweepstakes, etc.
4. Payment of commission on exports made towards equity investment in Joint Ventures/ Wholly Owned Subsidiaries abroad of Indian companies.
5. Remittance of dividend by any company to which the requirement of dividend balancing is applicable.
6. Payment of commission on exports under Rupee State Credit Route, except commission upto 10% of invoice value of exports of tea and tobacco.
7. Payment related to "Call Back Services" of telephones.
8. Remittance of interest income on funds held in Non-Resident Special Rupee (Account) Scheme.

Schedule II
Transactions which require prior approval of the Central Government
(see Rule 4)

Purpose of Remittance	Ministry/Department of Govt. of India whose approval is required
1. Cultural Tours	Ministry of Human Resources Development, (Department of Education and Culture)
2. Advertisement in foreign print media for the purposes other than promotion of tourism, foreign investments and international bidding (exceeding USD 10,000) by a State Government and its Public Sector Undertakings	Ministry of Finance, (Department of Economic Affairs)
3. Remittance of freight of vessel chartered by a PSU	Ministry of Surface Transport, (Chartering Wing)
4. Payment of import by a Govt. Department or a PSU on c.i.f. basis (i.e. other than f.o.b. and f.a.s. basis)	Ministry of Surface Transport, (Chartering Wing)
5. Multi-modal transport operators making remittance to their agents abroad	Registration Certificate from the Director General of Shipping
6. Remittance of hiring charges of transponders by (a) TV Channels (b) Internet Service providers	Ministry of Information and Broadcasting Ministry of Communication and Information Technology
7. Remittance of container detention charges exceeding the rate prescribed by Director General of Shipping	Ministry of Surface Transport (Director General of Shipping)
8. Remittances under technical collaboration agreements where payment of royalty exceeds 5% on local sales and 8% on exports and lump-sum payment exceeds USD 2 million	Ministry of Industry and Commerce
9. Remittance of prize money/sponsorship of sports activity abroad by a person other than International / National / State Level sports bodies, if the amount involved exceeds USD 100,000.	Ministry of Human Resources Development (Department of Youth Affairs and Sports)
10. Omitted	
11. Remittance for membership of P&I Club	Ministry of Finance, (Insurance Division)

Schedule III
(See Rule 5)

1. Omitted
 2. Release of exchange exceeding USD 10,000 or its equivalent in one calendar year, for one or more private visits to any country (except Nepal and Bhutan).
 3. @Gift remittance exceeding USD 5,000 per remitter/donor per annum.
 4. # Donation exceeding USD 5000 per remitter/donor per annum.
 5. Exchange facilities exceeding USD 100,000 for persons going abroad for employment.
 6. Exchange facilities for emigration exceeding USD 100,000 or amount prescribed by country of emigration.
 7. Remittance for maintenance of close relatives abroad,
 - i. exceeding net salary (after deduction of taxes, contribution to provident fund and other deductions) of a person who is resident but not permanently resident in India and –
 - (a) is a citizen of a foreign State other than Pakistan; or
 - (b) is a citizen of India, who is on deputation to the office or branch or subsidiary or joint venture in India of such foreign company.
 - ii. exceeding USD 100,000 per year, per recipient, in all other cases.
- Explanation:*** For the purpose of this item, a person resident in India on account of his employment or deputation of a specified duration (irrespective of length thereof) or for a specific job or assignment; the duration of which does not exceed three years, is a resident but not permanently resident.
8. Release of foreign exchange, exceeding USD 25,000 to a person, irrespective of period of stay, for business travel, or attending a conference or specialised training or for maintenance expenses of a patient going abroad for medical treatment or check-up abroad, or for accompanying as attendant to a patient going abroad for medical treatment/check-up.
 9. Release of exchange for meeting expenses for medical treatment abroad exceeding the estimate from the doctor in India or hospital/doctor abroad.
 10. Release of exchange for studies abroad exceeding the estimate from the institution abroad or USD 100,000, per academic year, whichever is higher.

11. Commission, per transaction, to agents abroad for sale of residential flats or commercial plots in India exceeding USD 25,000 or 5% of the inward remittance whichever is more.

12. Omitted

13. Omitted

14. Omitted

15.\$ Remittance exceeding USD 1,000,000 per project, for any consultancy service procured from outside India.

16. Omitted

17. * Remittance exceeding USD 100,000 by an entity in India by way of reimbursement of pre-incorporation expenses.

18. Omitted

***(Amendments)**

(Notification GSR.663 (E) dated August 9,2000,S.O.301(E) dated March 30,2001, GSR.442 dated October 22,2002, GSR.831(E) dated December 17,2002, GSR.33(E) dated January 15,2003,GSR.397(E) dated May 1,2003, GSR.731(E) dated September 5,2003, GSR.849 (E) dated October 27,2003, GSR.608(E) dated September 13,2004), G.S.R.512(E) dated July 28,2005 and G.S.R.412(E) dated July 10,2006.

Please Note:

@ Stands amended vide A. P.(DIR Series) Circular No. 24 dated December 20,2006

Stands amended vide A. P.(DIR Series) Circular Nos. 24 and 45 dated December 20,2006 and April 30,2007

\$ Stands amended vide A. P.(DIR Series) Circular No. 46 dated April 30,2007

* Stands amended vide A. P.(DIR Series) Circular No. 47 dated April 30,2007

PART V

APPENDIX

List of all circulars consolidated in the Master Circular

Sl. No.	A. P. (DIR Series) Circular No.	Date
1.	AP (DIR Series) circular no 106	June 19, 2003
2.	AP (DIR Series) circular no 4	July 19, 2003
3.	AP (DIR Series) circular no 9	August 18,2003
4.	AP (DIR Series) circular no 15	September 17,2003
5.	AP (DIR Series) circular no 49	December 15,2003
6.	AP (DIR Series) circular no 66	February 06,2004
7.	AP (DIR Series) circular no 72	February 20,2004
8.	AP (DIR Series) circular no 2	July 09 ,2004
9.	AP (DIR Series) circular no 34	February 18, 2005
10	AP (DIR Series) circular no 01	July 12, 2005
11	AP (DIR Series) circular no 33	February 28, 2007
12	AP (DIR Series) circular no 34	March 2, 2007
13	AP (DIR Series) circular no 63	May 25, 2007
14	AP (DIR Series) circular no 77	June 29, 2007