



BANKING REGULATIONS FOR EXPORTS

Export of Goods and Services from India is governed by clause (a) of sub-section (1) and sub-section (3) of Section 7 of the Foreign Exchange Management Act 1999 (42 of 1999), read with Notification No. G.S.R. 381(E) dated May 3, 2000 viz. Foreign Exchange Management (Current Account Transactions) Rules, 2000, further read with [FEMA Notification No.23\(R\)/2015-RB dated January 12, 2016](#). These Regulations are amended from time to time to incorporate the changes in the regulatory framework and published through amendment notifications.

Within the contours of the Regulations, Reserve Bank of India also issues directions to Authorised Persons under Section 11 of the Foreign Exchange Management Act (FEMA), 1999. These directions lay down the modalities as to how the foreign exchange business has to be conducted by the Authorised Persons with their customers/ constituents with a view to implementing the regulations framed.

Instructions issued on export of goods and services from India have been compiled in this Master Direction. The list of underlying circulars/ notifications which form the basis of this Master Direction is furnished in the Appendix. Reporting instructions can be found in Master Directions on reporting (Master Direction No. 18 dated January 01, 2016)

It may be noted that, whenever necessary, Reserve Bank shall issue directions to Authorised Persons through A.P. (DIR Series) Circulars in regard to any change in the Regulations or the manner in which relative transactions are to be conducted by the Authorised Persons with their customers/ constituents. The Master Direction issued herewith shall be amended suitably simultaneously.

1. Realization and repatriation of proceeds of export of goods / software / services

It is obligatory on the part of the exporter to realize and repatriate the full value of goods / software / services to India within a stipulated period from the date of export, as under:

(i) It has been decided in consultation with the Government of India that the period of realization and repatriation of export proceeds shall be nine months from the date of export for all exporters including Units in Special Economic Zones (SEZs), Status Holder Exporters, Export Oriented Units (EOUs), Units in Electronic Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) & Bio-Technology Parks (BTPs) until further notice.

(ii) For goods exported to a warehouse established outside India, the proceeds shall be realized within fifteen months from the date of shipment of goods.



2. Manner of receipt and payment

- The amount representing the full export value of the goods exported shall be received through an AD Bank in the manner specified in the Foreign Exchange Management (Manner of Receipt & Payment) Regulations, 2016 notified vide [Notification No. FEMA.14 \(R\)/2016-RB dated May 02, 2016](#).
- When payment for goods sold to overseas buyers during their visits is received in this manner, EDF (duplicate) should be released by the AD Category – I banks only on receipt of funds in their Nostro account or if the AD Category – I bank concerned is not the Credit Card servicing bank, on production of a certificate by the exporter from the Credit Card servicing bank in India to the effect that it has received the equivalent amount in foreign exchange, AD Category – I banks may also receive payment for exports made out of India by debit to the credit card of an importer where the reimbursement from the card issuing bank/ organization will be received in foreign exchange.
- Processing of export related receipts through Online Payment Gateway Service Providers (OPGSPs)

Authorised Dealer Category – I (AD Category – I) banks have been allowed to offer the facility of repatriation of export related remittances by entering into standing arrangements with Online Payment Gateway Service Providers (OPGSPs) subject to the following conditions –

 - a) The AD Category-I banks offering this facility shall carry out the due diligence of the OPGSP.
 - b) This facility shall only be available for export of goods and services of value not exceeding USD 10,000 (US Dollar ten thousand).
 - c) AD Category-I banks providing such facilities shall open a NOSTRO collection account for receipt of the export related payments facilitated through such arrangements. Where the exporters availing of this facility are required to open notional accounts with the OPGSP, it shall be ensured that no funds are allowed to be retained in such accounts and all receipts should be automatically swept and pooled into the NOSTRO collection account opened by the AD Category-I bank.
 - d) A separate NOSTRO collection account may be maintained for each OPGSP or the bank should be able to delineate the transactions in the NOSTRO account of each OPGSP.
 - e) Under this arrangement, the permissible debits to the NOSTRO collection account are for repatriation of funds representing export proceeds to India for credit to the exporters' account, payment of fee/commission to the OPGSP as per the predetermined rates / frequency/ arrangement; and charge back to the importer where the exporter has failed in discharging his obligations under the sale contract.



f) The balances held in the NOSTRO collection account shall be repatriated and credited to the respective exporter's account with a bank in India immediately on receipt of the confirmation from the importer and, in no case, later than seven days from the date of credit to the NOSTRO collection account.

g) AD Category -I banks shall satisfy themselves as to the bona-fides of the transactions and ensure that the purpose codes reported to the Reserve Bank in the online payment gateways are appropriate.

h) AD Category -I banks shall submit all the relevant information relating to any transaction under this arrangement to the Reserve Bank, as and when advised to do so.

i) Each NOSTRO collection account should be subject to reconciliation and audit on a quarterly basis.

j) Resolution of all payment related complaints of exporters in India shall remain the responsibility of the OPGSP concerned.

k) AD Category-I banks desirous of entering into such an arrangement/s should report the details of each such arrangement as and when entered into to the Foreign Exchange Department, Central Office, Reserve Bank of India, Mumbai.

l) A start-up can realise the receivables of its overseas subsidiary and repatriate them through Online Payment Gateway Service Providers (OPGSPs).

Settlement System under ACU Mechanism

a) In order to facilitate transactions / settlements, effective January 01, 2009, participants in the Asian Clearing Union will have the option to settle their transactions either in ACU Dollar or in ACU Euro. Accordingly, the Asian Monetary Unit (AMU) shall be denominated as 'ACU Dollar' and 'ACU Euro' which shall be equivalent in value to one US Dollar and one Euro, respectively.

b) Further, AD Category – I banks are allowed to open and maintain ACU Dollar and ACU Euro accounts with their correspondent banks in other participating countries. All eligible payments are required to be settled by the concerned banks through these accounts.

c) Relaxation from ACU Mechanism- Indo-Myanmar Trade - Trade transactions with Myanmar can be settled in any freely convertible currency in addition to the ACU mechanism.

d) In view of the difficulties being experienced by importers/exporters in payments to / receipts from Iran, it has been decided that with effect from December 27, 2010, all eligible current account transactions including trade transactions with Iran should be settled in any permitted currency outside the ACU mechanism, until further notice.



e) In view of the understanding reached among the members of the ACU during the 44th Meeting of the ACU Board in June, 2015, it has been decided to permit the use of the Nostro accounts of the commercial banks of the ACU member countries, i.e., the ACU Dollar and ACU Euro accounts, for settling the payments of both exports and imports of goods and services among the ACU countries.

- Third party payments for export / import transactions

Taking into account the evolving international trade practices, it has been decided to permit third party payments for export / import transactions can be made subject to conditions as under:

a) Firm irrevocable order backed by a tripartite agreement should be in place. However, it may not be insisted upon in cases where documentary evidence for circumstances leading to third party payments / name of the third party being mentioned in the irrevocable order/ invoice has been produced subject to:

(i) AD bank should be satisfied with the bona-fides of the transaction and export documents, such as, invoice / FIRC.

(ii) AD bank should consider the FATF statements while handling such transaction.

b) Third party payment should be routed through the banking channel only;

c) The exporter should declare the third party remittance in the Export Declaration Form and it would be responsibility of the Exporter to realize and repatriate the export proceeds from such third party named in the EDF;

d) It would be responsibility of the Exporter to realize and repatriate the export proceeds from such third party named in the EDF;

e) Reporting of outstanding, if any, in the XOS would continue to be shown against the name of the exporter. However, instead of the name of the overseas buyer from where the proceeds have to be realized, the name of the declared third party should appear in the XOS;

f) In case of shipments being made to a country in Group II of Restricted Cover Countries, (e.g. Sudan, Somalia, etc.), payments for the same may be received from an Open Cover Country; and

g) In case of imports, the Invoice should contain a narration that the related payment has to be made to the (named) third party, the Bill of Entry should mention the name of the shipper as also the narration that the related payment has to be made to the (named) third party and the importer should comply with the related extant instructions relating to imports including those on advance payment being made for import of goods.

- Settlement of Export transactions in currencies not having a direct exchange rate



To further liberalize the procedure and facilitate settlement of export transactions where the invoicing is in a freely convertible currency and the settlement takes place in the currency of the beneficiary, which though convertible, does not have a direct exchange rate, it has been decided that AD Category-I banks may permit settlement of such export transactions (excluding those put through the ACU mechanism), subject to conditions as under:

- a. Exporter shall be a customer of the AD Bank
- b. Signed contract / invoice is in a freely convertible currency,
- c. The beneficiary is willing to receive the payment in the currency of beneficiary instead of the original (freely convertible) currency of the invoice/ contract, Letter of Credit as full and final settlement,
- d. AD bank is satisfied with the bonafides of the transactions, and
- e. The counterparty to the exporter/ importer of the AD bank is not from a country or jurisdiction in the updated FATF Public Statement on High Risk & Non Co-operative Jurisdictions on which FATF has called for counter measures.

3. Exchange Earners' Foreign Currency Account (EEFC Account)

(i) A person resident in India may open with, an AD Category – I bank in India, an account in foreign currency called the Exchange Earners' Foreign Currency (EEFC) Account, in terms of Regulation 4 (D) of Foreign Exchange Management (Foreign Currency Accounts by a person Resident in India) Regulations, 2015 dated January 21, 2016.

(ii) Resident individuals are permitted to include resident close relative(s) as defined in the Companies Act 2013 as a joint holder(s) in their EEFC bank accounts on former or survivor basis.

(iii) This account shall be maintained only in the form of non-interest bearing current account. No credit facilities, either fund-based or non-fund based, shall be permitted against the security of balances held in EEFC accounts by the AD Category – I banks.

(iv) All categories of foreign exchange earners are allowed to credit 100% of their foreign exchange earnings to their EEFC Accounts subject to the condition that

- a) The sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments.
- b) The facility of EEFC scheme is intended to enable exchange earners to save on conversion/transaction costs while undertaking forex transactions. This facility is not intended to enable exchange earners to maintain assets in foreign currency, as India is still not fully convertible on Capital Account.



(v) The eligible credits represent –

a) inward remittance received through normal banking channel, other than the remittance received pursuant to any undertaking given to the Reserve Bank or which represents foreign currency loan raised or investment received from outside India or those received for meeting specific obligations by the account holder.

b) payments received in foreign exchange by a 100 per cent Export Oriented Unit or a unit in Export Processing Zone, Software Technology Park or Electronic Hardware Technology Park for supply of goods to similar such unit or to a unit in Domestic Tariff Area and also payments received in foreign exchange by a unit in Domestic Tariff Area for supply of goods to a unit in Special Economic Zone (SEZ);

(vi) AD Category – I banks may permit their exporter constituents to extend trade related loans/ advances to overseas importers out of their EEFC balances without any ceiling subject to compliance of provisions of [Notification No. FEMA 3/2000-RB dated May 3, 2000](#) as amended from time to time.

(vii) AD Category – I banks may permit exporters to repay packing credit advances whether availed in Rupee or in foreign currency from balances in their EEFC account and / or Rupee resources to the extent exports have actually taken place.

(viii) Where a part of the export proceeds are credited to an EEFC account, the export declaration (duplicate) form may be certified as: “Proceeds amounting to representing percent of the export realization credited to the EEFC account maintained by the exporter with.....”

4. Exports to neighboring countries by road, rail or river

The following procedure should be adopted by exporters for filing original copies of EDF where exports are made to neighboring countries by road, rail or river transport:

(i) In case of exports by barges/country craft/road transport, the form should be presented by exporter or his agent at the Customs station at the border through which the vessel or vehicle has to pass before crossing over to the foreign territory. For this purpose, exporter may arrange either to give the form to the person in charge of the vessel or vehicle or forward it to his agent at the border for submission to Customs.

(ii) As regards exports by rail, Customs staff has been posted at certain designated railway stations for attending to Customs formalities. They will collect the EDF for goods loaded at these stations so that the goods may move straight on to the foreign country without further formalities at the border. The list of designated railway stations can be obtained from the Railways. For goods loaded at stations other than the designated stations, exporters must arrange to present EDF to the Customs Officer at the Border Land Customs Station where Customs formalities are completed.



5. **Border trade with Myanmar**

In supersession of instructions contained in A.P. (DIR Series) Circular No. 17 dated October 16, 2000, barter system of trade at the Indo-Myanmar border has been discontinued and replaced with normal trade with effect from December 1, 2015. Accordingly, all trade transactions with Myanmar, including those at the Indo-Myanmar border with effect from December 1, 2015 shall be settled in any permitted currency in addition to the Asian Clearing Union mechanism.

6. **Project Exports and Service Exports**

(i) Export of engineering goods on deferred payment terms and execution of turnkey projects and civil construction contracts abroad are collectively referred to as 'Project Exports'. Indian exporters are required to obtain the approval of the AD Category – I banks/ Exim Bank at post-award stage before undertaking execution of such contracts. Regulations relating to 'Project Exports' and 'Service Exports' are laid down in the revised Memorandum of Instructions on Project and Service Exports (PEM-July 2014).

(ii) Accordingly, AD banks / Exim Bank may consider awarding post-award approvals without any monetary limit and permit subsequent changes in the terms of post award approval within the relevant FEMA guidelines / regulations. Project and service exporters may approach AD banks / Exim Bank based on their commercial judgment. The respective AD bank / Exim Bank should monitor the projects for which post-award approval has been granted by them.

(iii) In order to provide greater flexibility to project & service exporters in conducting their overseas transactions, facilities have been provided as under:

a) Inter-Project transfer of machinery - The stipulation regarding recovery of market value (not less than book value) of the machinery, etc., from the transferee project has been withdrawn. Further, exporters may use the machinery / equipment for performing any other contract secured by them in any country subject to the satisfaction of the sponsoring AD Category – I bank(s) / Exim Bank and also subject to the reporting requirement and would be monitored by the AD Category – I bank(s) / Exim Bank.

b) Inter-Project transfer of funds - AD Category – I bank(s) / Exim Bank may permit exporters to open, maintain and operate one or more foreign currency account/s in a currency/currencies of their choice with inter-project transferability of funds in any currency or country. The Inter-project transfer of funds will be monitored by the AD Category – I bank(s) / Exim Bank.

c) Deployment of temporary cash surpluses - Subject to monitoring by the AD Category – I bank(s) / Exim Bank, Project / Service exporters may deploy their temporary cash surpluses, generated outside India investments in short-term paper abroad including treasury bills and other monetary instruments with a maturity or remaining maturity of one year or less and the rating of which should be at least A-1/AAA by Standard & Poor or P-1/-AAA by Moody's or F1/AAA by Fitch IBCA etc., and as deposits with branches / subsidiaries outside India of AD Category – I banks in India.



d) Repatriation of funds in case of On-site Software Contracts - The requirement of repatriation of 30 per cent of contract value in respect of on-site contracts by software exporter company / firm has been dispensed with. They should, however, repatriate the profits of on-site contracts after completion of the contracts.

7. Export of goods through Customs ports

(i) Customs shall certify the value declared and give running serial number on the two copies of Export Declaration Form (EDF), submitted by exporter at Non- Electronic Data Interchange (EDI) port.

(ii) Customs shall retain the original EDF for transmission to the Reserve Bank and return the duplicate copy to the exporter.

(iii) At the time of shipment of goods, exporters shall submit the duplicate copy of the EDF to Customs. After examining the goods, Customs shall certify the quantity in the form and return it to the exporter for submission to AD for negotiation or collection of export bills.

(iv) Within 21 days from the date of export, exporter shall lodge the duplicate copy together with relative shipping documents and an extra copy of the invoice to the AD named in the EDF.

(v) After the documents have been negotiated / sent for collection, the AD shall report the transaction through Export Data Processing and Monitoring System (EDPMS) to the Reserve Bank and retain the documents at their end.

(vi) In case of exports made under deferred credit arrangement or to joint ventures abroad against equity participation or under rupee credit agreement, the number and date of the Reserve Bank approval and/or number and date of the relative RBI circular shall be recorded at the appropriate place on the EDF.

(vii) Where duplicate copy of EDF is misplaced or lost, AD may accept copy of duplicate EDF duly certified by Customs.

8. Export of goods/ software done through EDI ports

(i) The shipping bill shall be submitted in duplicate to the authority concerned (Commissioner of Customs or the SEZ, if the export is made through it).

(ii) After verifying and authenticating, the authority concerned shall hand over to the exporter, one copy of the shipping bill marked 'Exchange Control (EC) Copy' for being submitted to the AD bank within 21 days from the date of export for collection/negotiation of shipping documents. However, in cases where EC copy of shipping bill is not printed in terms of CBEC's Circular No. 55/2016-Customs dated November 23, 2016 and data of shipping bill is integrated with EDPMS, requirement of submission of EC copy of shipping bill with the AD bank would not be there.



(iii) The manner of disposal of EC copy of Shipping Bill shall be the same as that for EDF. The duplicate copy of the form together with a copy of invoice etc. shall be retained by ADs and may not be submitted to the Reserve Bank. The question of disposal of EC copy of shipping bill will, however, not arise where EC copy of shipping bill is not printed in terms of CBEC's Circular No.55/2016-Customs dated November 23, 2016 and data of shipping bill is integrated with EDPMS.

Note: - In cases where ECGC/private insurance companies regulated by Insurance Regulatory and Development Authority (IRDA) initially settles the claims of exporters and the export proceeds are subsequently received from the buyer/buyer's country, the share of exporters in the amount so received is disbursed through the AD which had handled the shipping documents post receipt of certificate issued by ECGC/ private insurance companies. The certificate will indicate the number of declaration form, name of the exporter, name of the AD, date of negotiation, bill number, invoice value and the amount actually received by ECGC/private insurance company.

9. Export of goods through Post

Postal Authorities shall allow export of goods by post only if the original copy of the EDF has been countersigned by an AD. Therefore, EDF which involve sending goods by post should be first presented by the exporter to an AD for countersignature. The procedure is as under:

(i) AD shall countersign EDF after ensuring that the parcel has been addressed to their branch or correspondent bank in the country of import and return the original copy to the exporter, who shall then submit the EDF to the post office with the parcel.

(ii) The duplicate copy of EDF shall be retained by the AD to whom the exporter shall submit relevant documents together with an extra copy of invoice for negotiation/collection, within the prescribed period of 21 days.

(iii) The concerned overseas branch or correspondent shall be instructed to deliver the parcel to consignee against payment or acceptance of relative bill.

(iv) AD may, however, countersign EDF covering parcels addressed direct to the consignees, provided:

- An irrevocable letter of credit for the full value of export has been opened in favor of the exporter and has been advised through the AD concerned.
Or
- The full value of the shipment has been received in advance by the exporter through an AD.
Or
- The AD is satisfied, on the basis of the standing and track record of the exporter and the arrangements made for realization of the export proceeds.



In such cases, particulars of advance payment/letter of credit / AD's certification of standing, etc., of the exporter should be furnished on the form under proper authentication.

(v) Any alteration in the name and address of consignee on the EDF form should also be authenticated by AD under its stamp and signature.

10. Third party export proceeds

Realization of export proceeds in respect of export of goods / software from third party should be duly declared by the exporter in the appropriate declaration form

11. Grant of EDF waiver

AD Category – I banks may consider requests for grant of EDF waiver from exporters as under:

Status holders shall be entitled to export freely exportable items (excluding Gems and Jewellery, Articles of Gold and precious metals) on free of cost basis for export promotion subject to an annual limit of Rupees One Crore or 2% of average annual export realisation during preceding three licensing years, whichever is lower. For export of pharma products by pharmaceutical companies, the annual limit would be 2% of average annual export realisation during preceding three licensing years. In case of supplies of pharmaceutical products, vaccines and lifesaving drugs to health programmes of international agencies such as UN,WHO-PAHO and Government health programmes, the annual limit shall be upto 8% of the average annual export realisation during preceding three licensing years. Such free of cost supplies shall not be entitled to Duty Drawback or any other export incentive under any export promotion scheme.

Exports of goods not involving any foreign exchange transaction directly or indirectly requires the waiver of EDF procedure from the Reserve Bank.

12. Receipt of advance against exports

(1) In terms of Regulation 15 of Notification No. FEMA 23 (R)/2015-RB dated January 12, 2016, where an exporter receives advance payment (with or without interest), from a buyer outside India, the exporter shall be under an obligation to ensure that the shipment of goods is made within one year from the date of receipt of advance payment; the rate of interest, if any, payable on the advance payment does not exceed London Inter-Bank Offered Rate (LIBOR) + 100 basis points; and the documents covering the shipment are routed through the AD Category – I bank through whom the advance payment is received.

Provided that in the event of the exporter's inability to make the shipment, partly or fully, within one year from the date of receipt of advance payment, no remittance towards refund of unutilized portion of advance payment or towards payment of interest, shall be made after the expiry of the said period of one year, without the prior approval of the Reserve Bank.

EDPMS will capture the details of advance remittances received for exports in EDPMS. Henceforth, AD Category – I banks will have to report all the inward remittances including advance as well as old



outstanding inward remittances received for export of goods/ software to EDPMS. Further, AD Category – I banks need to report the electronic FIRC to EDPMS wherever such FIRCs are issued against inward remittances.

The quarterly return being submitted for delay in utilization of advances received for export stands discontinued.

(2) AD Category- I banks can also allow exporters having a minimum of three years' satisfactory track record to receive long term export advance up to a maximum tenor of 10 years to be utilized for execution of long term supply contracts for export of goods subject to the conditions as under:

(i) Firm irrevocable supply orders and contracts should be in place. The contract with the overseas party/ buyer should be vetted and the same shall clearly specify the nature, amount and delivery timelines of the products over the years and penalty in case of non-performance or contract cancellation. Product pricing should be in consonance with prevailing international prices.

(ii) Company should have capacity, systems and processes in place to ensure that the orders over the duration of the said tenure can actually be executed.

(iii) The facility is to be provided only to those entities, which have not come under the adverse notice of Enforcement Directorate or any such regulatory agency or have not been caution listed.

(iv) Such advances should be adjusted through future exports.

(v) The rate of interest payable, if any, should not exceed LIBOR plus 200 basis points.

(vi) The documents should be routed through one Authorized Dealer bank only.

(vii) Authorised Dealer bank should ensure compliance with AML / KYC guidelines

(viii) Such export advances shall not be permitted to be used to liquidate Rupee loans classified as NPA.

(ix) Double financing for working capital for execution of export orders should be avoided.

(x) Receipt of such advance of USD 100 million or more should be immediately reported to the Trade Division, Foreign Exchange Department, Reserve Bank of India, Central Office, Mumbai.

(xi) In case Authorized Dealer banks are required to issue bank guarantee (BG) / Stand by Letter of Credit (SBLC) for export performance, then the issuance should be rigorously evaluated as any other credit proposal keeping in view, among others, prudential requirements based on board approved policy.



a) BG / SBLC may be issued for a term not exceeding two years at a time and further rollover of not more than two years at a time may be allowed subject to satisfaction with relative export performance as per the contract.

b) BG / SBLC should cover only the advance on reducing balance basis.

c) BG / SBLC issued from India in favor of overseas buyer should not be discounted by the overseas branch / subsidiary of bank in India.

Note: AD Category – I banks may also be guided by the Master Circular on Guarantees and Co-acceptances issued by Department of Banking Regulation.

(xii) AD Category – I banks may allow the purchase of foreign exchange from the market for refunding advance payment credited to EEFC account only after utilizing the entire balances held in the exporter's EEFC accounts maintained at different branches/banks.

(3) AD Category- I banks may allow exporters to receive advance payment for export of goods which would take more than one year to manufacture and ship and where the 'export agreement' provides for shipment of goods extending beyond the period of one year from the date of receipt of advance payment subject to the following conditions:-

(i) The KYC and due diligence exercise has been done by the AD Category – I bank for the overseas buyer;

(ii) Compliance with the Anti-Money Laundering standards has been ensured;

(iii) The AD Category-I bank should ensure that export advance received by the exporter should be utilized to execute export and not for any other purpose i.e., the transaction is a bonafide transaction;

(iv) Progress payment, if any, should be received directly from the overseas buyer strictly in terms of the contract;

(v) The rate of interest, if any, payable on the advance payment shall not exceed London Inter-Bank Offered Rate (LIBOR) + 100 basis points;

(vi) There should be no instance of refund exceeding 10% of the advance payment received in the last three years;

(vii) The documents covering the shipment should be routed through the same authorised dealer bank; and

(viii) In the event of the exporter's inability to make the shipment, partly or fully, no remittance towards refund of unutilized portion of advance payment or towards payment of interest should be made without the prior approval of the Reserve Bank.



(4) (i) As it has been observed that there is substantial increase in the number and amount of advances received for exports remaining outstanding beyond the stipulated period on account of non-performance of such exports (shipments in case of export of goods), AD Category –I banks are advised to efficiently follow up with the concerned exporters in order to ensure that export performance (shipments in case of export of goods) are completed within the stipulated time period.

(ii) It is further reiterated that AD category –I banks should exercise proper due diligence and ensure compliance with KYC and AML guidelines so that only bonafide export advances flow into India. Doubtful cases as also instances of chronic defaulters may be referred to Directorate of Enforcement (DoE) for further investigation. A quarterly statement indicating details of such cases may be forwarded to the concerned Regional Offices of RBI within 21 days from the end of each quarter.

13. EDF Approval for Trade Fair/Exhibitions abroad

Firms / Companies and other organizations participating in Trade Fair/Exhibition abroad can take/export goods for exhibition and sale outside India without the prior approval of the Reserve Bank. Unsold exhibit items may be sold outside the exhibition/trade fair in the same country or in a third country. Such sales at discounted value are also permissible. It would also be permissible to 'gift' unsold goods up to the value of USD 5000 per exporter, per exhibition/trade fair. AD Category – I banks may approve EDF of export items for display or display-cum-sale in trade fairs/exhibitions outside India subject to the following:

(i) The exporter shall produce relative Bill of Entry within one month of re-import into India of the unsold items.

(ii) The exporter shall report to the AD Category – I banks the method of disposal of all items exported, as well as the repatriation of proceeds to India.

(iii) Such transactions approved by the AD Category – I banks will be subject to 100 per cent audit by their internal inspectors/auditors.

14. Delay in submission of shipping documents by exporters

In cases where exporters' present documents pertaining to exports after the prescribed period of 21 days from date of export, AD Category – I banks may handle them without prior approval of the Reserve Bank, provided they are satisfied with the reasons for the delay.

15. Direct dispatch of documents by the exporter

(i) AD Category – I banks should normally dispatch shipping documents to their overseas branches/correspondents expeditiously. However, they may dispatch shipping documents direct to the consignees or their agents resident in the country of final destination of goods in cases where:

a) Advance payment or an irrevocable letter of credit has been received for the full value of the export shipment and the underlying sale contract/letter of credit provides for dispatch



of documents direct to the consignee or his agent resident in the country of final destination of goods.

b) The AD Category – I banks may also accede to the request of the exporter provided the exporter is a regular customer and the AD Category – I bank is satisfied, on the basis of standing and track record of the exporter and arrangements have been made for realization of export proceeds.

(ii) AD Category – I banks may also permit 'Status Holder Exporters' (as defined in the Foreign Trade Policy), and units in Special Economic Zones (SEZ) to dispatch the export documents to the consignees outside India subject to the terms and conditions that:

a) The export proceeds are repatriated through the AD banks named in the EDF.

b) The duplicate copy of the EDF is submitted to the AD banks for monitoring purposes, by the exporters within 21 days from the date of shipment of export.

(iii) AD Category – I banks may regularize cases of dispatch of shipping documents by the exporter direct to the consignee or his agent resident in the country of the final destination of goods, up to USD 1 million or its equivalent, per export shipment, subject to the following conditions:

a) The export proceeds have been realized in full.

b) The exporter is a regular customer of AD Category – I bank for a period of at least six months.

c) The exporter's account with the AD Category – I bank is fully compliant with the Reserve Bank's extant KYC / AML guidelines.

d) The AD Category – I bank is satisfied about the bonafides of the transaction.

e) In case of doubt, the AD Category – I bank may consider filing Suspicious Transaction Report (STR) with FIU_IND (Financial Intelligence Unit in India).

16. Change of buyer/consignee

Prior approval of the Reserve Bank is not required if, after goods have been shipped, they are to be transferred to a buyer other than the original buyer in the event of default by the latter, provided the reduction in value, if any, involved does not exceed 25 per cent of the invoice value and the realization of export proceeds is not delayed beyond the period of 9 months from the date of export. Where the reduction in value exceeds 25%, all other relevant conditions stipulated in paragraph C.17 should also be satisfied.



17. Export of goods by Special Economic Zones (SEZs)

(i) Units in SEZs are permitted to undertake job work abroad and export goods from that country itself subject to the conditions that:

- a) Processing / manufacturing charges are suitably loaded in the export price and are borne by the ultimate buyer.
- b) The exporter has made satisfactory arrangements for realization of full export proceeds subject to the usual EDF procedure.

(ii) AD Category – I banks may permit units in DTAs to purchase foreign exchange for making payment for goods supplied to them by units in SEZs. Authorised Dealer Banks are permitted to sell foreign exchange to a unit in the DTA for making payment in foreign exchange to a unit in the SEZ for the services rendered by it (i.e. a unit in SEZ) to a DTA unit. It must be ensured that in the Letter of Approval (LoA) issued to the SEZ unit by the Development Commissioner(DC) of the SEZ, the provisions pertaining to the goods / services supplied by the SEZ unit to the DTA unit and for payment in foreign exchange for the same should be mentioned.

18. Extension of time

(i) The Reserve Bank of India has permitted the AD Category – I banks to extend the period of realization of export proceeds beyond stipulated period of realization from the date of export, up to a period of six months, at a time, irrespective of the invoice value of the export subject to the following conditions:

- a) The export transactions covered by the invoices are not under investigation by Directorate of Enforcement / Central Bureau of Investigation or other investigating agencies,
- b) The AD Category – I bank is satisfied that the exporter has not been able to realize export proceeds for reasons beyond his control,
- c) The exporter submits a declaration that the export proceeds will be realized during the extended period,
- d) While considering extension beyond one year from the date of export, the total outstanding of the exporter does not exceed USD one million or 10 per cent of the average export realizations during the preceding three financial years, whichever is higher.
- e) In cases where the exporter has filed suits abroad against the buyer, extension may be granted irrespective of the amount involved / outstanding.

(ii) Cases which are not covered by the above instructions would require prior approval from the concerned Regional Office of the Reserve Bank.

(iii) Reporting should be done in EDPMS.



19. Write-off of unrealized export bills

(i) An exporter who has not been able to realize the outstanding export dues despite best efforts, may either self-write off or approach the AD Category – I banks, who had handled the relevant shipping documents, with appropriate supporting documentary evidence. The limits prescribed for write-offs of unrealized export bills are as under:

Self “write-off” by an exporter (Other than Status Holder Exporter)	5%*
Self “write-off” by Status Holder Exporters	10%*
‘Write-off” by Authorized Dealer Bank-	10%*
*of the total export proceeds realized during the previous calendar year.	

(ii) The above limits will be related to total export proceeds realized during the previous calendar year and will be cumulatively available in a year.

(iii) The above write-off will be subject to conditions that the relevant amount has remained outstanding for more than one year, satisfactory documentary evidence is furnished in support of the exporter having made all efforts to realize the dues, and the case falls under any of the undernoted categories:

- a) The overseas buyer has been declared insolvent and a certificate from the official liquidator indicating that there is no possibility of recovery of export proceeds has been produced.
- b) The overseas buyer is not traceable over a reasonably long period of time.
- c) The goods exported have been auctioned or destroyed by the Port / Customs / Health authorities in the importing country.
- d) The unrealized amount represents the balance due in a case settled through the intervention of the Indian Embassy, Foreign Chamber of Commerce or similar Organization;
- e) The unrealized amount represents the undrawn balance of an export bill (not exceeding 10% of the invoice value) remaining outstanding and turned out to be unrealizable despite all efforts made by the exporter;
- f) The cost of resorting to legal action would be disproportionate to the unrealized amount of the export bill or where the exporter even after winning the Court case against the overseas buyer could not execute the Court decree due to reasons beyond his control;
- g) Bills were drawn for the difference between the letter of credit value and actual export value or between the provisional and the actual freight charges but the amounts have remained unrealized consequent on dishonor of the bills by the overseas buyer and there are no prospects of realization.



(iv) The exporter has surrendered proportionate export incentives if any, availed of in respect of the relative shipments. The AD Category – I banks should obtain documents evidencing surrender of export incentives availed of before permitting the relevant bills to be written off.

(v) In case of self-write-off, the exporter should submit to the concerned AD bank, a Chartered Accountant's certificate, indicating the export realization in the preceding calendar year and also the amount of write-off already availed of during the year, if any, the relevant EDF to be written off, Bill No., invoice value, commodity exported, country of export. The CA certificate may also indicate that the export benefits, if any, availed of by the exporter have been surrendered.

(vi) However, the following would not qualify for the write off facility:

a) Exports made to countries with externalization problem i.e. where the overseas buyer has deposited the value of export in local currency but the amount has not been allowed to be repatriated by the central banking authorities of the country.

b) EDF which are under investigation by agencies like, Enforcement Directorate, Directorate of Revenue Intelligence, Central Bureau of Investigation, etc. as also the outstanding bills which are subject matter of civil / criminal suit.

vii) AD banks should report write off of export bills through EDPMS to the Reserve Bank.

viii) AD banks are advised to put in place a system under which their internal inspectors or auditors (including external auditors appointed by authorised dealers) should carry out random sample check / percentage check of write-off outstanding export bills.

ix) Cases not covered by the above instructions / beyond the above limits, may be referred to the concerned Regional Office of Reserve Bank of India.

20. Export claims

(i) AD Category – I banks may remit export claims on application, provided the relative export proceeds have already been realized and repatriated to India and the exporter is not on the caution list of the Reserve Bank.

(ii) In all such cases of remittances, the exporter should be advised to surrender proportionate export incentives, if any, received by him

21. Write off in cases of payment of claims by ECGC and private insurance companies regulated by Insurance Regulatory and Development Authority (IRDA)

(i) AD Category – I banks shall, on an application received from the exporter supported by documentary evidence from the ECGC and private insurance companies regulated by IRDA confirming that the claim in respect of the outstanding bills has been settled by them, write off the relative export bills in EDPMS.



- (ii) Such write-off will not be restricted to the limit of 10 per cent indicated above.
- (iii) Surrender of incentives, if any, in such cases will be as provided in the Foreign Trade Policy.
- (iv) The claims settled in rupees by ECGC and private insurance companies regulated by IRDA should not be construed as export realization in foreign exchange.

22. Write-off – relaxation

As announced in the Foreign Trade Policy (FTP), 2015-20, realization of export proceeds shall not be insisted upon under any of the Export Promotion Schemes under the said FTP, subject to the following conditions:

- a) The write off on the basis of merits is allowed by the Reserve Bank or by AD Category – I bank on behalf of the Reserve Bank, as per extant guidelines;
- b) The exporter produces a certificate from the Foreign Mission of India concerned, about the fact of non-recovery of export proceeds from the buyer; and
- c) This would not be applicable in self write off cases.

23. Exporters' Caution List

1) Caution Listing/ de-caution Listing of exporters is automated in EDPMS. The updated list of caution listed exporters can be accessed through EDPMS on a daily basis. Criteria laid down for cautioning/ de-cautioning of exporters in EDPMS are as under:

- (a) The exporters would be caution listed if any shipping bill against them remains open for more than two years in EDPMS provided no extension is granted by AD Category –I bank / RBI. Date of shipment will be considered for reckoning the realisation period.
- (b) Once related bills are realised and closed or extension for realisation is granted, the exporter will automatically be de-caution listed.
- (c) The exporters can also be caution listed even before the expiry of two years period based on the recommendation of AD banks. The recommendation may be based on cases where exporter has come to adverse notice of the Enforcement Directorate (ED)/ Central Bureau of Investigation (CBI)/ Directorate of Revenue Intelligence (DRI)/ any such other law enforcement agency or the case where exporter is not traceable or not making any serious efforts for realisation of export proceeds. In such cases, AD may forward its findings to the concerned regional office of RBI recommending inclusion of the name of the exporter in the caution list.
- (d) Reserve Bank will caution / de-caution the exporters in such cases based on the recommendation of AD Category – I banks.



2) AD Category – I banks should follow the procedure mentioned below while handling shipping documents in respect of caution listed exporters:

(a) They will intimate the exporters about their caution listing, giving the details of outstanding shipping bills. When caution listed exporters submit shipping documents for negotiation / purchase/ discount/ collection, etc. the AD Category – I bank may accept the documents subject to following conditions:-

- The exporters concerned should produce evidence of having received advance payment or an irrevocable letter of credit in their favour covering the full value of the proposed exports;
- In case of usance bills, the relative letter of credit should cover full export value and also permit such drawings. Besides, the usance bills should also mature within prescribed realisation period reckoned from date of shipment.
- Except under the above mentioned conditions given in 2 (a) (i) and (ii), AD banks should not handle the shipping documents of caution listed exporters.

(b) AD Category – I banks should obtain prior approval of the Reserve Bank for issuing guarantees for caution-listed exporters.

24. Issue of Guarantees by an Authorised Dealer

(i) AD Category – I banks may allow payment of commission, either by remittance or by deduction from invoice value, on application submitted by the exporter. The remittance on agency commission may be allowed subject to conditions as under:

a) Amount of commission has been declared on EDF/SOFTEX form and accepted by the Customs authorities or Ministry of Information Technology, Government of India / EPZ authorities as the case may be. In cases where the commission has not been declared on EDF/SOFTEX form, remittance may be allowed after satisfying the reasons adduced by the exporter for not declaring commission on Export Declaration Form, provided a valid agreement/written understanding between the exporters and/or beneficiary for payment of commission exists.

b) The relative shipment has already been made.

(ii) AD Category – I banks may allow payment of commission by Indian exporters, in respect of their exports covered under counter trade arrangement through Escrow Accounts designated in US Dollar, subject to the following conditions:

a) The payment of commission satisfies the conditions as at (a) and (b) stipulated in (i) above.

b) The commission is not payable to Escrow Account holders themselves.

c) The commission should not be allowed by deduction from the invoice value.

(iii) Payment of commission is prohibited on exports made by Indian Partners towards equity participation in an overseas joint venture / wholly owned subsidiary as also exports under Rupee Credit Route except commission up to 10 per cent of invoice value of exports of tea & tobacco