



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2014-15/4

Master Circular No.13/2014-15

July 01, 2014

To,

All Category – I Authorised Dealer Banks

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. G.S.R. 381(E) dated May 3, 2000 viz. Foreign Exchange Management (Current Account) Rules, 2000 as amended from time to time.

2. This Master Circular consolidates the existing instructions on the subject of "Import of Goods and Services" at one place. The list of underlying circulars consolidated in this Master Circular is furnished in Appendix.

3. This Master Circular is being updated from time to time as and when the fresh instructions are issued. The date up to which the Master Circular has been updated is suitably indicated.

4. This Master Circular may be referred to for general guidance. The Authorised Persons and the Authorised Dealer Category – I banks may refer to respective circulars/ notifications for detailed information, if so needed.

Yours faithfully,

(C.D.Srinivasan)
Chief General Manager

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Section I - Introduction

(i) 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 Category – I (AD Category – I) 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 the 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, 1999 from time to time.

(ii) AD Category – I 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.

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

(iv) AD Category – I banks may also advise importers to ensure compliance with the provisions of Income Tax Act, wherever applicable.

(v) Any reference to the Reserve Bank should first be made to the Regional Office of the Foreign Exchange Department situated in the jurisdiction where the applicant person resides, or the firm / company functions, unless otherwise indicated. If, for any particular reason, they desire to deal with a different office of the Foreign Exchange Department, they may approach the Regional Office of its jurisdiction for necessary approval.

Section II - General Guidelines for Imports

B.1. General Guidelines

Rules and regulations to be followed by the AD Category – I banks from the foreign exchange angle while undertaking import payment transactions on behalf of their clients are set out in the following paragraphs. Where specific regulations do not exist, AD Category – I banks may be governed by normal trade practices. AD Category – I 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.

B.2. Form A-1

i) Applications by persons, firms and companies for making payments, exceeding USD 5000 or its equivalent, towards imports into India must be made in Form A-1

ii) It is clarified that the ADs need not obtain any document, including Form A-1, except a simple letter from the applicant containing the basic information viz., the

name and the address of the applicant, name and address of the beneficiary, amount to be remitted and the purpose of remittance, as long as the exchange being purchased is for a current account transaction (and is not included in the Schedules I and II of the 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, as amended from time to time, the amount does not exceed USD 5,000 or its equivalent and the payment is made by a cheque drawn on the applicant's bank account or by a Demand Draft.

B.3. Import Licences

Except for goods included in the negative list which require licence under the Foreign Trade Policy in force, AD Category - I 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 Category - I banks may preserve the copies of utilised licence /s till they are verified by the internal auditors or inspectors.

B.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 Authorised Dealer Category – I bank under Section 10(5) of the Act or to use it for any other purpose for which acquisition of foreign exchange is permissible under the said Act or Rules or Regulations framed there under.

(ii) Where foreign exchange acquired has been utilised for import of goods into India, the AD Category – I 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.

(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 Category – I banks should ensure compliance with the instructions contained in sub-paragraphs (i) and (ii) above.

B.5. Time Limit for Settlement of Import Payments

B.5.1. Time limit for Normal Imports

(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.

(ii) AD Category – I banks may permit settlement of import dues delayed due to disputes, financial difficulties, etc. Interest in respect of delayed payments, usance bills or overdue interest for a period of less than three years from the date of shipment may be permitted in terms of the directions in para C.2 of Section III below.

B.5.2. Time Limit for Deferred Payment Arrangements

Deferred payment arrangements, including suppliers and buyers credit, providing for payments beyond a period of six 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.

B.5.3. Time Limit for Import of Books

Remittances against import of books may be allowed without restriction as to the time limit, provided, interest payment, if any, is as per the instructions in para C.2 of Section III of this Circular.

B.6. Import of Foreign Exchange / Indian Rupees

(i) 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. Import of foreign 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 6/2000-RB dated May 3, 2000, as amended from time to time.

(ii) 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.

B.6.1. Import of Foreign Exchange into India

A person may –

(i) Send into India, without limit, foreign exchange in any form other than currency notes, bank notes and travellers 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 at the Airport in the 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 travellers cheques brought in by such person at any one time does not exceed USD 10,000 (US Dollars ten thousand) or its equivalent and/or the aggregate value of foreign currency notes (cash portion) alone brought in by such person at any one time does not exceed USD 5,000 (US Dollars five thousand) or its equivalent.

B.6.2. Import of Indian Currency and Currency Notes

(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.10,000/- per person.

(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.

B.7. Third Party Payment for Import Transactions

AD banks are allowed to make payments to a third party for import of goods, subject to conditions as under:

- a. Firm irrevocable purchase order / tripartite agreement should be in place. However this requirement may not be insisted upon in case 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.
- b. AD bank should be satisfied with the bonafides of the transactions and should consider the Financial Action Task Force (FATF) statement before handling the transactions;
- c. The Invoice should contain a narration that the related payment has to be made to the (named) third party;
- d. 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;
- e. Importer should comply with the related extant instructions relating to imports including those on advance payment being made for import of goods.

Section III - Operational Guidelines for Imports

C.1. Advance Remittance

C.1.1. Advance Remittance for Import of Goods

(i) AD Category – I 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 200,000 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 Category – I 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 Government/s) is unable

to obtain bank guarantee from overseas suppliers and the AD Category – I 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 5,000,000 (US Dollar five million). AD Category – I 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) All payments towards advance remittance for imports shall be subject to the specified conditions.

C.1.2. Advance Remittance for Import of Rough Diamonds

AD category – I banks are permitted to take decision on overseas mining companies to whom an importer (other than PSC or Department / Undertaking of Government of India / State Government) can make advance payments, without any limit / bank guarantee/ stand-by letter of Credit. Banks must ensure the following:

- i. The overseas mining company should have the recommendation of GJEPC.
- ii. The importer should be a recognised processor of rough diamonds and should have a good track record.
- iii. AD Category - I banks should, undertake the transaction based on their commercial judgment and after being satisfied about the bonafides of the transaction.
- iv. 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.
- v. Further, due caution may be exercised to ensure that remittance is not permitted for import of conflict diamonds (Kimberly Certification).
- vi. KYC and due diligence exercise should be done by the AD Category - I banks as per the existing guidelines.
- vii. AD Category - I banks should follow-up submission of the Bill of Entry / documents evidencing import of rough diamonds into the country by the importer, in terms of the Act / Rules / Regulations / Directions issued in this regard.
- viii. In case of an importer entity in the Public Sector or a Department / Undertaking of the Government of India / State Government/s, AD Category - I banks may permit the 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).

C.1.3. 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 USD 100,000.
- 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 ensure that the amount of advance remittance is immediately repatriated to India.

Prior approval of the concerned Regional Office of the Reserve Bank will be required in case of any deviation from the above stipulations.

C.1.4. Advance Remittance for the Import of Services

AD Category – I bank may allow advance remittance for import of services without any ceiling subject to the following conditions:

(a) Where the amount of advance exceeds USD 500,000 or its equivalent, a guarantee from a bank of international repute situated outside India, or a guarantee from an AD Category – I bank in India, if such a guarantee is issued against the counter-guarantee of a bank of international repute situated outside India, should be obtained from the overseas beneficiary.

(b) In the case of a Public Sector Company or a Department/ Undertaking of the Government of India/ State Governments, approval from the Ministry of Finance, Government of India for advance remittance for import of services without bank guarantee for an amount exceeding USD 100,000 (USD One hundred thousand) or its equivalent would be required.

(c) AD Category – I banks should also follow-up to ensure that the beneficiary of the advance remittance fulfils his obligation under the contract or agreement with the remitter in India, failing which, the amount should be repatriated to India.

C.2. Interest on Import Bills

(i) AD – Category – I 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 rate prescribed for trade credit from time to time.

(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.

C.3. Remittances against Replacement Imports

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 Category – I 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 license.

C.4. Guarantee for Replacement Import

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 Category-I banks may issue guarantees at the request of importer client for dispatch/return of the defective goods, according to their commercial judgment.

C.5. Import of Equipment by Business Process Outsourcing (BPO) Companies for their Overseas Sites

AD Category – I 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:

- (i) 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.
- (ii) 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.
- (iii) The remittance is made directly to the account of the overseas supplier.
- (iv) 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.

C.6. Receipt of Import Bills/Documents by the Importer Directly from Overseas Suppliers.

(A) Import bills and documents should be received from the banker of the supplier by the banker of the importer in India. AD Category – I 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 is less than USD 300,000.
- (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 Special Economic 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) While undertaking such transactions, the AD Category – I banks must ensure that :

- (i) The import transactions are as per the prevailing Foreign Trade Policy.
- (ii) The transactions are based on their commercial judgment and they are satisfied about the bonafides of the transactions.

(iii) AD Category - I banks should do the KYC and due diligence exercise and should be fully satisfied about the financial standing / status and track record of the importer customer. Before extending the facility, they should also obtain a report on each individual overseas supplier from the overseas banker or reputed overseas credit rating agency.

(iv) Before extending the facility, the AD Category – I bank should obtain a report on each individual overseas supplier from the overseas banker or a reputed overseas credit agency. However, such credit report on the overseas supplier need not be obtained in cases where the invoice value does not exceed USD 300,000 provided the AD Category – I bank is satisfied about the bonafides of the transaction and track record of the importer constituent.

C.7. Evidence of Import

C.7.1. Physical Imports

(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 Category – I bank through whom the relative remittance was made, to ensure that the importer submits :-

(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.

(ii) In respect of imports on D/A basis, AD Category – I 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 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.

C.7.2. Evidence of Import in Lieu of Bill of Entry

(i) AD Category – I 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 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 crore 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 Category – I bank may insist on a declaration from the auditor/CEO of such institutions that their accounts are audited by CAG.

C.7.3. Non-physical Imports

(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.

(ii) AD Category – I bank should advise importers to keep Customs Authorities informed of the imports made by them under this clause.

C.8. Issue of Acknowledgement

AD Category – I 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.

C.9. Verification and Preservation

(i) Internal inspectors or auditors (including external auditors appointed by AD Category – I 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.

(ii) Documents evidencing import into India should be preserved by AD Category – I 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.

C.10. Follow-up for Import Evidence

(i) In case an importer does not furnish any documentary evidence of import, as required under paragraph C.7. of Section III, within 3 months from the date of remittance involving foreign exchange exceeding USD 100,000, the AD Category – I bank should rigorously follow-up for the next 3 months, including issuing registered letters to the importer.

(ii) AD Category – I bank should forward a statement on half-yearly basis as at the end of June & December of every year, in form BEF 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 Category – I bank is functioning, within 15 days from the close of the half-year to which the statement relates.

(iii) AD Category – I 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 Category – I bank may set their own internal guidelines to deal with such cases.

C.11. Issue of Bank Guarantee

AD Category – I 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.

C.12. Import of Gold

C.12.1. Import of Gold by Nominated Banks / Agencies/Entities

- i. The import of gold should be strictly in accordance with the extant Foreign Trade Policy.
- ii. Import of gold in the form of coins and medallions is now prohibited.
- iii. Import of gold on consignment basis is permitted only to meet the genuine needs of exporters of gold jewellery.
- iv. All Letters of Credit (LC) to be opened by Nominated Banks for import of gold will be only on 100% cash margin basis. All imports of gold will necessarily have to be on Documents against Payment (DP) basis.
- v. All Nominated Banks/Agencies and other entities to ensure that at least 20%, of every lot of import of gold imported to the country is exclusively made available for the purpose of exports and the balance for domestic use.
- vi. Nominated Banks/ Agencies and other entities shall make available gold for domestic use only to the entities engaged in jewellery business/bullion dealers and to banks authorised to administer the Gold Deposit Scheme, against full upfront payment only.
- vii. The Nominated Banks/Agencies/Refineries and other entities shall ensure that there is no front loading of imports, particularly in the first and second lots of imports. Such imports shall be linked to normal quantities of gold supplied to the exporters by the nominated banks/agencies and shall not exceed the highest quantity supplied during any one year out of last three years. In case of nominated banks do not have previous record of having supplied gold to the

exporters; they would need to seek prior approval from RBI before placing orders for import of gold for the first lot under the 20/80 scheme.

- viii. Entities/units in the SEZ and EoUs, Premier and Star Trading Houses are permitted to import gold exclusively for the purpose of exports only.
- ix. Head Offices / International Banking Divisions of AD Category - I banks shall henceforth submit the following statements to: The Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Trade Division, Amar Building, Fort, Mumbai-400001. The statements may also be sent by email to tradedivisionimport@rbi.org.in.

(a) Statement on **half yearly** basis (end March / end September), showing the quantity and value of gold imported by the nominated banks/ agencies/ EOUs/ SEZs in Gem & Jewellery Sector, mode of payment-wise, as per **Annex-1**.

(b) Statement on **monthly basis** showing the quantity and value of gold imports by the nominated agencies (other than the nominated banks)/ EOUs/ SEZs in Gem & Jewellery sector during the month under report as well as the cumulative position as at the end of the said month beginning from the 1st month of the Financial Year, as per **Annex - 2**.

Both the statements shall be submitted, even if there is 'Nil' position and they should reach the aforesaid office of RBI by the 10th of the following month / half year, to which it relates.

C.12.2. Import of Gold under AA/DFIA Scheme

- i. Entities holding Advance Authorisation (AA) / Duty Free Import Authorisation (DFIA) need not follow the sequence of first import and then export if the export obligation has been met before August 14, 2013.
- ii. Any authorisation such as Advance Authorisation (AA) / Duty Free Import Authorization (DFIA) is to be utilised for import of gold meant for export purposes only and no diversion for domestic use shall be permitted. For any AA / DFIA issued prior to 14th August 2013, the condition of sequencing the imports prior to exports shall not be insisted upon even in case of entities/units in SEZ & EOUs, Premier & Star Trading Houses.
- iii. Notwithstanding any of the foregoing directions, entities/units in the SEZ and EoUs, Premier and Star Trading Houses (irrespective of whether they are nominated agencies or not) are permitted to import gold exclusively for the purpose of exports only. Similarly, exports towards fulfilment of obligation under AA/DFIA scheme shall not qualify as export for the purpose of the scheme of 20:80.

C.12.3. Import of Gold by STH/PTH

Star Trading Houses / Premier Trading Houses (STH/PTH) which are registered as nominated agencies by the Director General of Foreign Trade (DGFT) may import gold under 20:80 scheme subject to the following conditions:

- a) The STH/PTH should have imported gold prior to the introduction of 20:80 scheme. STH / PTH should get the required verification done by the Department of Customs at any port where they have imported gold consignment in the past.
- b) The first lot of gold under this scheme would be based on the highest monthly import during any of the last 24 months prior to the RBI's notification dated August 14, 2013, subject to a maximum of 2000 Kgs.
- c) As in the case of other nominated agencies, the eligible quantity may be imported by STH / PTHs from any port, subject to their eligibility limit / maximum quantity allowed to them.
- d) For proper compliance, before import, they must submit the import plan, port-wise and quantity-wise, to the concerned Customs office, where the verification of the figures of past performance was done. This information will be sent to all the other ports from which imports are permitted. The overall discipline of exporting 20% of each imported consignment before the next consignment is imported will be equally applicable to such STH/PTH importers.

C.12.4. Import of Gold Jewellery Including Jewellery Made of Precious Metals or/and Studded With Diamonds / Precious Stones /Semi-precious.

- i. Import of gold in form of Jewellery/ Mounting's, etc; is outside the purview of 20:80 Scheme.
- ii. Suppliers' and Buyers' credit (trade credit) including the usance period of Letters of Credit opened for import of gold in any form, including jewellery made of gold/precious metals or/and studded with diamonds/semi-precious/precious stones, should not exceed 90 days from the date of shipment.

C.12.5. Replenishment Scheme for Gold Imports

The Nominated Banks / Agencies / Entities may make available gold to the exporters (other than AA/DFIA holders) operating under the Replenishment Scheme. They can resort to import of gold for the purpose, if considered necessary. However, such import will be accounted for separately and will not entitle them for any further import.

C.12.6. Import of Gold Dore

- i. The refiners are allowed to import Gold Dore equal to 15% of their licence for each of the first two months.

- ii. In case, the quantity has already been identified by DGFT for first two lots, import of such quantity will be in compliance with the guidelines issued vide (A.P. (DIR Series) Circular No. 82 dated December 31, 2013.)
- iii. DGFT, through a notification, may include new refiners, and fix licenced quantity for them.
- iv. Before the next import, not more than 80% shall be allowed to be sold domestically.
- v. The dore so imported shall be refined and shall be released based on FIFO basis following 20:80 principle. This would be monitored by CBEC.
- vi. The imports, thereafter, shall be allowed only up to 5 times the quantum for which proof of export has been submitted. This shall be on accrual basis.
- vii. Import of gold in the third lot onwards will be lesser of the two:
 - a. Five times the export for which proof has been submitted; or
 - b. Quantity of gold permitted to a Nominated Agency in the first or second lot.

C.12.7. Import of Gold by SEZ and EOUs

AD Category – I bank can open Letters of Credit and allow remittances on behalf of EOUs, units in SEZs in the Gem & Jewellery Sector and the nominated agencies / banks, for direct import of gold, subject to the following:

(i) The import of gold should be strictly in accordance with the extant Foreign Trade Policy.

(ii) Banker's prudence should be strictly exercised for all transactions pertaining to import of gold. AD Category – I 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 Category – I 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.

(iii) 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.

(iv) AD Category – I bank should follow up submission of the Bill of Entry by the importers as stipulated.

C.12.8. Import of Gold on Loan Basis

(i) Nominated Agencies / Authorised Banks can import gold on loan basis only for on lending to exporters of gold jewellery.

(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 2009-2014, 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 Category – I bank can obtain a detailed list of internationally renowned bullion banks from the Gem & Jewellery Export Promotion Council.

All other existing instructions on import of gold and opening of Letters of Credit, with usance period not exceeding 90 days, will continue to be applicable.

C.12.9. Import of Gold on Unfixed Price basis

Nominated Agency/Bank may import gold on unfixed price 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 but within the permissible time period for settling the transaction.

C.13. Import of Other Precious Metals

C.13.1. Import of Platinum /Palladium/Rhodium/ Silver/ Rough, Cut & Polished Diamonds / Precious and Semi-precious Stones.

(a) Suppliers' and Buyers' Credit, including the usance period of Letters of Credit opened for import of Platinum, Palladium, Rhodium and Silver and rough, cut and polished Diamonds, Precious and semi-precious stones; should not exceed 90 days from the date of shipment.

(b) AD Category – I banks should ensure that due diligence is undertaken and Know Your Customer (KYC) norms and Anti-Money Laundering (AML) guidelines, issued by the Reserve Bank are adhered to while undertaking import of the metals and rough, cut and polished diamonds. Further, any large or abnormal increase in the volume of business should be closely examined to ensure that the transactions are bonafide and are not intended for interest / currency arbitrage.

C.13.2. Import of / Platinum / Silver on Unfixed Price Basis

The nominated agency/bank may import platinum and silver, on outright purchase basis subject to the condition that although ownership of the same shall be passed on to the importer at the time of import itself, the price of shall be fixed later, as and when the importer sells to the users but within the permissible time period for settling the transaction.

C.13.3. Import of Gold in Any Form Including Jewellery Made of Gold/Precious Metals Or/And Studded with Diamonds/ Precious /Semi-precious Stones

The usance period of Letters of Credit opened for import of gold in any form including jewellery made of gold/precious metals or/and studded with diamonds/semi precious/precious stones should not exceed 90 days from the date of shipment and only on 100 per cent cash margin basis.

C.14. Import Factoring

(i) AD Category – I bank may enter into arrangements with international factoring companies of repute, preferably members of Factors Chain International, without the approval of Reserve Bank.

(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.

C.15. Merchanting Trade

C.15.1. For a trade to be classified as Merchanting Trade following conditions should be satisfied:

- a. Goods acquired should not enter the Domestic Tariff Area and
- b. The state of the goods should not undergo any transformation.

C.15.2. AD Category – I bank may handle bonafide Merchanting Trade Transactions and ensure that:

- (a) Goods involved in the transactions are permitted for export / import under the prevailing Foreign Trade Policy (FTP) of India as on the date of shipment and all the 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,
- (b) Both the legs of a Merchanting Trade Transaction are routed through the same AD bank. The bank should verify the documents like invoice, packing list, transport documents and insurance documents (if originals are not available, Non-negotiable copies duly authenticated by the bank handling documents may be taken) and satisfy itself about the genuineness of the trade.

- (c) The entire Merchanting Trade Transactions should be completed within an overall period of nine months and there should not be any outlay of foreign exchange beyond four months.
- (d) The commencement of Merchanting Trade would be the date of shipment / export leg receipt or import leg payment, whichever is first. The completion date would be the date of shipment / export leg receipt or import leg payment, whichever is the last;
- (e) Short-term credit either by way of suppliers' credit or buyers' credit will be available for Merchanting Trade Transactions, to the extent not backed by advance remittance for the export leg, including the discounting of export leg LC by an AD bank, as in the case of import transactions ;
- (f) In case advance against the export leg is received by the Merchanting Trader, AD bank should ensure that the same is earmarked for making payment for the respective import leg. However, AD bank may allow short-term deployment of such funds for the intervening period in an interest bearing account;
- (g) Merchanting Traders may be allowed to make advance payment for the import leg on demand made by the overseas seller. In case where inward remittance from the overseas buyer is not received before the outward remittance to the overseas supplier, AD bank may handle such transactions by providing facility based on commercial judgement. It may, however, be ensured that any such advance payment for the import leg beyond USD 200,000/- per transaction, the same should be paid against Bank Guarantee / LC from an international bank of repute, except in cases and to the extent where payment for export leg has been received in advance;
- (h) Letter of Credit to the supplier is permitted against confirmed export order keeping in view the outlay and completion of the transaction within nine months;
- (i) Payment for import leg may also be allowed to be made out of the balances in Exchange Earners Foreign Currency Account (EEFC) of the Merchant Trader.
- (j) AD bank should ensure one-to-one matching in case of each Merchanting Trade transaction and report defaults in any leg by the traders to the concerned Regional Office of RBI, on half yearly basis in the format as given in **Annex 3**, within 15 days from the close of each half year, i.e. June and December.
- (k) The names of defaulting Merchanting Traders, where outstanding reaches 5% of their annual export earnings, would be Caution-listed.
- (l) The KYC and AML guidelines should be observed by the AD bank while handling such transactions.

The Merchanting Traders have to be genuine traders of goods and not mere financial intermediaries. Confirmed orders have to be received by them from the overseas buyers. AD banks should satisfy themselves about the capabilities of the Merchanting Trader to perform the obligations under the order. The overall Merchanting Trade should result in reasonable profits to the Merchanting Trader.

Annex 1
Annex 2
Annex 3

Appendix

Consolidated List of Circulars on Import of Goods and Services

| Sr. No | Circular No | Subject | Date of Circular |
|---------------|---|---|-------------------------|
| 1 | AP(DIR Series) Circular No. 106 | Import of goods and services into India. | June 19, 2003 |
| 2 | AP(DIR Series) Circular No. 4 | Merchanting Trade Transactions – Clarifications - Short term credit | July 19, 2003 |
| 3 | AP(DIR Series) Circular No. 9 | Evidence of Import – Liberalisation | August 18, 2003 |
| 4 | AP(DIR Series) Circular No. 15 | Advance Remittance for Imports | September 17, 2003 |
| 5 | AP(DIR Series) Circular No. 49 | Advance Remittance for Imports | December 15, 2003 |
| 6 | AP(DIR Series) Circular No. 66 | Imports into India – Direct Receipt of Import Bills/Documents | February 6, 2004 |
| 7 | AP(DIR Series) Circular No. 72 | Foreign Exchange Management Act, 1999 - Import of Goods into India – Evidence of Import | February 20, 2004 |
| 8 | AP(DIR Series) Circular No. 2 | Import of Gold by (i) Export Oriented Units (EOUs), (ii) Units in SEZ/EPZ, and (iii) Nominated Agencies | July 9, 2004 |
| 9 | AP(DIR Series) Circular No. 34 | Import of Gold on Loan Basis – Tenor of Loan and Opening of Stand-By Letter of Credit | February 18, 2005 |
| 10 | AP(DIR Series) Circular No. 1 | Import of Goods of Value USD 100,000 and Less -Clarification on Follow up for Evidence of Import | July 12, 2005 |
| 11 | AP(DIR Series) Circular No. 33 | Liberalisation of Export and Import procedures | February 28, 2007 |
| 12 | AP(DIR Series) Circular No. 34 | Import of Goods of Value USD 100,000 and Less -Clarification on Follow up for Evidence of Import | March 2, 2007 |
| 13 | AP(DIR Series) Circular No. 63 | Import of Equipments by BPO Companies in India for International Call Centre | May 25, 2007 |
| 14 | AP(DIR Series) Circular No. 77 | Advance Remittance for Import of aircrafts / helicopters / other | June 29, 2007 |

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|----|---|--|-------------------|
| | | aviation related purchases | |
| 15 | AP(DIR Series) Circular No. 18 | Direct Receipt of Import Bills / Documents - Liberalisation | November 7, 2007 |
| 16 | AP(DIR Series) Circular No. 37 | Direct Receipt of Import Bills / Documents for Import of Rough Precious & Semi-Precious Stones | April 16, 2008 |
| 17 | AP(DIR Series) Circular No. 03 | Advance Remittance for Import of Rough Diamonds | August 4, 2008 |
| 18 | AP(DIR Series) Circular No. 08 | Advance Remittance for Import of Rough Diamonds | August 21, 2008 |
| 19 | AP(DIR Series) Circular No. 09 | Foreign Exchange Management Act, 1999- Advance Remittance for Import of Goods - Liberalisation | August 21, 2008 |
| 20 | AP(DIR Series) Circular No. 12 | Foreign Exchange Management Act, 1999 – Import of Platinum / Palladium / Rhodium / Silver | August 28, 2008 |
| 21 | AP(DIR Series) Circular No. 13 | Direct Receipt of Import Bills / Documents - Liberalisation | September 1, 2008 |
| 22 | AP(DIR Series) Circular No. 15 | Foreign Exchange Management Act, 1999 – Advance Remittances for Import of Services | September 8, 2008 |
| 23 | AP(DIR Series) Circular No.21 | Advance Remittance for Import of Rough Diamonds | December 29, 2009 |
| 24 | AP(DIR Series) Circular No.56 | Advance Remittance for Import of Goods – Liberalisation | April 29, 2011 |
| 25 | AP(DIR Series) Circular No. 59 | Import of rough, cut and polished diamonds | May 06, 2011 |
| 26 | AP(DIR Series) Circular No. 82 | Release of Foreign Exchange for Imports – Further Liberalisation | February 21, 2012 |
| 27 | AP(DIR Series) Circular No. 83 | Import of Gold on Loan Basis - Tenor of Loan and Opening of Stand - By Letter of Credit | February 27, 2012 |
| 28 | AP(DIR Series) Circular No. 103 | Data on import of Gold – Statements – Modification | April 03, 2012 |
| 29 | AP(DIR Series) Circular No.83 | <u>Import of precious and semi precious stones- Clarification</u> | February 20, 2013 |
| 30 | AP(DIR Series) Circular No.103 | Import of Gold by Nominated Banks/Agencies | May 13, 2013 |
| 31 | AP(DIR Series) Circular No.107 | Import of Gold by Nominated Banks/Agencies | June 4, 2013 |
| 32 | AP(DIR Series) Circular No. 122 | <u>Import of Gold by Nominated Banks/Agencies</u> | June 27, 2013 |
| 33 | AP(DIR Series) Circular No.15 | Import of Gold by Nominated Banks /Agencies/Entities | July 22, 2013 |
| 34 | AP(DIR Series) Circular No.39 | Export import of Currency | September 6, 2013 |

| | | | |
|----|---|--|-------------------|
| 35 | AP(DIR Series) Circular No.70 | Third party payments for export / import transactions | November 8 , 2013 |
| 36 | AP(DIR Series) Circular No.71 | Advance Remittance for Import of Rough Diamonds | November 8, 2013 |
| 37 | AP(DIR Series) Circular No.73 | Import of Gold by Nominated Banks /Agencies/Entities | November 11, 2013 |
| 38 | AP(DIR Series) Circular No. 75 | Trade Credit for imports into India- Online submission of data on issuance of Guarantee/Letter of Undertaking (LoU)/Letter of Comfort (LoC) by ADs | November 19, 2013 |
| 39 | AP(DIR Series) Circular No.82 | Import of Gold by Nominated Banks/Agencies/Entities | December 31, 2013 |
| 40 | AP(DIR Series) Circular No.95 | Merchanting Trade Transactions | January 17, 2014 |
| 41 | AP(DIR Series) Circular No.100 | Third party payments for export / import transactions | February 04, 2014 |
| 42 | AP(DIR Series) Circular No.103 | Import of Gold / Gold Dore by Nominated Banks /Agencies /Entities - Clarifications | February 14, 2014 |
| 43 | AP(DIR Series) Circular No.115 | Merchanting Trade Transactions - Revised guidelines | March 28, 2014 |
| 44 | A P (DIR Series)Circular No.116 | Advance Remittance for Import of Rough Diamonds | April 01, 2014 |
| 45 | AP(DIR Series) Circular No.122 | Trade Credits for Imports into India – Review of all-in-cost ceiling | April 10, 2014 |
| 46 | AP(DIR Series) Circular No.133 | Import of Gold by Nominated Banks / Agencies / Entities | May 21, 2014 |

Statement on Import of Gold for the half year ended _____

Name of the Bank:

| Mode of payment | Quantity of Gold imported (in kgs) | | Value of Gold imported | | | |
|------------------------------------|------------------------------------|---------|----------------------------|---------|----------------------------|---------|
| | Nominated banks / Agencies | EOU/SEZ | USD million | | ₹ million | |
| | | | Nominated Banks / Agencies | EOU/SEZ | Nominated Banks / Agencies | EOU/SEZ |
| (i) Delivery against payment basis | | | | | | |
| (ii) Suppliers Credit basis | | | | | | |
| (iii) Consignment basis | | | | | | |
| (iv) Unfixed Price basis | | | | | | |

Note: Full details of transactions may be provided in cases where the aggregate value of export exceeds USD 50 million in respect of single importer.

Name of the AD bank:

Data for import of the gold by non-bank nominated /other agencies for the month of during the FY

| Sr. No. | Name of the nominated agencies | For the current month | | Up to the current month for the FY | | Remarks, if any |
|---|--------------------------------|-----------------------|--------------|------------------------------------|--------------|-----------------|
| | | Quantity in Kg | Value in USD | Quantity in Kg | Value in USD | |
| I. Import of Gold by non-bank nominated agencies | | | | | | |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| | Sub-total | | | | | |
| II. Import of gold by EOUs in Gems & Jewellery Sector | | | | | | |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| | Sub-total | | | | | |
| III. Import of gold by SEZs in Gems & Jewellery Sector | | | | | | |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| | Sub- total | | | | | |
| | Grand Total | | | | | |

