

# 3. IMPORTS, IMPORT FINANCE & TRADE CREDITS

# IMPORTS - COMPLIANCES

- REGULATED BY DGFT
- DECLARATION UNDER FEMA
- A1 FORM
- IMPORT AS PER FOREIGN TRADE POLICY IN FORCE .
- LICENSE / OGL
- IMPORTERS OBLIGATION

# IMPORTS -BASICS

- MANNER OF SETTLEMENT -  
IN CURRENCY APPROPRIATE TO THE  
COUNTRY OF SHIPMENT OF GOODS  
- ACU / GCA
- MANNER OF PAYMENT –  
THROUGH BANK ACCOUNT
- BY CREDIT TO NON-RESIDENT A/C OF  
OVERSEAS EXPORTER HELD WITH A BANK IN  
INDIA

# IMPORTS -BASICS

- **USE FOR STATED PURPOSE OR ANY OTHER PERMITTED PURPOSE**
- **SUBMISSION OF EVIDENCE OF PHYSICAL IMPORT VIZ. EC COPY OF BOE**
- **SETTLEMENT OF IMPORT PAYMENTS NOT LATER THAN 6 MTHS FROM SHIPMENT DATE**
- **DELAYED SETTLEMENT ALLOWED WITH OD INT. – 3 YRS**
- **TRADE CREDITS**
- **NO TIME-LIMIT RESTRICTION FOR IMPORT OF BOOKS**

# IMPORT OF FOREX / INR

- NO LIMIT TO BRINGING IN FOREX. HOWEVER, IF FCN + FCTC / COINS EXCEEDS USD10000 OR ONLY CASH EXCEEDS USD 5000, CDF IS REQD. TO BE FILED BY TRAVELLER WITH CUSTOMS
- RESIDENT ON TEMP. VISIT OVERSEAS (OTHER THAN TO NEPAL & BHUTAN) CAN BRING INR UPTO INR 7500. IN CASE OF NEPAL / BHUTAN, INR CAN BE BROUGHT IN DENOMINATIONS HIGHER THAN INR 100

# ADVANCE REMITTANCES FOR IMPORTS

TO BE READ WITH LATEST RBI MASTER  
CIRCULAR & FEMA GUIDELINES

# ADVANCE REMITTANCE FOR IMPORTS

- NO CEILING. IF AMT EXCEEDS USD 200,000, UNCONDITIONAL, IRREVOCABLE SBLC OR GUARANTEE FROM REPUTED INTL. BANK OUTSIDE INDIA REQD.
- WAIVER OF THIS CONDITION FOR PS CO. / DEPTT. OR GOI / STATE GOVT. U/T CAN BE GIVEN BY MOF, GOI FOR AMTS. EXCEEDING USD 100,000, WHICH IS REQD. PRIOR TO EFFECTING REMITTANCE
- FOR OTHER IMPORTERS, CONDITION CAN BE WAIVED FOR AMTS. UPTO USD 5 MN., IF TRACK RECORD & BONAFIDES ARE SATISFACTORY AS PER POLICY LAID DOWN BY THE BOD

# ADVANCE REMITTANCE FOR IMPORT OF ROUGH DIAMONDS

NO CEILING ON AMT & NO BG / SBLC REQD. FOR  
IMPORTER ( EXCEPT PS CO. / DEPTT. OR GOI / STATE  
GOVT. U/T ) FOR IMPORT OF ROUGHS FROM FOLL.,  
SUBJECT TO CONDITIONS :

- DE BEERS UK LTD.
- RIO TINTO - UK & BELGIUM
- BHP BILLITON - AU & BELGIUM
- ENDIAMA E.P. - ANGOLA
- ALROSA & GOKHARAN – RUSSIA
- NAMIBIA DIAMOND TRADING CO. (PTY) LTD.



# ADVANCE REMITTANCE FOR IMPORT OF ROUGH DIAMONDS

- **RECOGNISED PROCESSOR OF ROUGHS AS PER GJEPC APPROVED LIST**
- **COMMERCIAL JUDGEMENT & BONAFIDES.**
- **REMITTANCE DIRECTLY TO BENEFICIARY AND NOT TO NUMBERED A/C & STRICTLY AS PER SALES CONTRACT. KYC & DUE DILIGENCE TO BE COMPLETED FOR REMITTER & BENEFICIARY**
- **IMPORT OF CONFLICT DIAMONDS NOT PERMITTED**
- **FOLLOW-UP FOR BOE SUBMISSION NECESSARY**
- **ALL ADV. REMITT. EQUAL TO & EXCEEDING USD 5 MN W/O BG OR SBL TO BE REPORTED TO RBI, TRADE DIVN. ON H.Y. BASIS**

# ADVANCE REMITTANCE FOR IMPORT OF SERVICES

- NO CEILING ON AMT. BUT IF AMT EXCEEDS USD 500,000, GUARANTEE FROM REPUTED INTL.BANK OUTSIDE INDIA REQD.
- WAIVER OF THIS CONDITION FOR PS CO. / DEPTT. OR GOI / STATE GOVT. U/T, CAN BE GIVEN BY MOF, GOI FOR AMTS. EXCEEDING USD 100,000, WHICH IS REQD. PRIOR TO EFFECTING REMITTANCE
- AD I TO FOLLOW-UP TO ENSURE THAT BENEFICIARY FULFILLS OBLIGATION UNDER CONTRACT, FAILING WHICH – THE AMT. OF ADV. REMITT MADE WILL HAVE TO BE REPATRIATED BACK TO INDIA

# INTEREST ON IMPORT BILLS

➤ PAYMENT OF INTEREST ON USANCE BILLS OR OD INT. (FOR PERIOD <3 YRS FROM DT. OF SHIPMENT) @ RATE PRESCRIBED FOR TRADE CREDITS ALLOWED

➤ IN CASE OF PRE-PAYMENT, PROPORTIONATE INT. AMT. FOR UNEXPIRED PERIOD TO BE REDUCED

➤ IF INT. NOT CLAIMED SEPARATELY, THEN INVOICE AMOUNT TO BE REDUCED PROPORTIONATELY

# IMPORTS - MISC. ASPECTS

## REMITTANCE AGAINST REPLACEMENT IMPORTS :

➤ IN CASE GOODS ARE SHORT-SUPPLIED,  
DAMAGED, LOST IN TRANSIT & INS. CLAIM  
HAS BEEN SETTLED IN FAVOUR OF IMPORTER,

➤ GUARANTEE FOR SHIPMENT OF  
REPLACEMENT IMPORTS PRIOR TO RETURN OF  
DAMAGED GOODS BASED ON COMMERCIAL  
JUDGEMENT

# IMPORTS - MISC. ASPECTS

BPO COS. IN INDIA CAN MAKE REMITTANCES  
TOWARDS COST OF EQUIP. TO BE IMPORTED  
AND INSTALLED AT OVERSEAS SITES IN  
CONNECTION WITH SETTING UP ICCs SUBJECT  
TO CERTAIN CONDITIONS

# IMPORT DOCUMENTS ON COLLECTION BASIS

TO BE READ WITH LATEST RBI MASTER  
CIRCULAR & FEMA GUIDELINES

# RECEIPT OF IMPORT BILLS / DOCS.

IMPORT BILLS SHOULD BE RECD. FROM BANKER OF SUPPLIER EXCEPT IN FOLL. CASES :

- WHERE VALUE OF IMP. BILL DOES NOT EXCEED USD 300,000
- IMPORT BILLS RECD. BY WOS OF FGN. COS. FROM PRINCIPALS
- IMPORT BILLS RECD. BY STATUS HOLDER EXPORTERS , 100 EOUs / UNITS IN SEZs, PUBLIC SECTOR UNDERTAKINGS & LTD. COS., ALL LTD. COS.

# RECEIPT OF IMPORT BILLS / DOCS.

AD I CAN ALLOW REMITTANCES FOR IMPORTS UPTO USD 300,000 WHERE IMPORTER OF ROUGHS , PRECIOUS & SEMI-PRECIOUS STONES HAS RECD. IMPORT BILL DIRECTLY FROM OVERSEAS SUPPLIER & DOC. EVIDENCE OF IMPORTS HAS BEEN SUBMITTED SUBJECT TO :

- IMPORT AS PER FOREIGN TRADE POLICY
  - KYC / DUE DILIGENCE COMPLETION,
  - TRACK RECORD,
  - CREDIT REPORT ON SUPPLIER, :
- COMMERCIAL JUDGEMENT & BONAFIDES



# RECEIPT OF IMPORT BILLS / DOCS.

AD I CAN RECEIVE IMPORT BILLS DIRECTLY FROM  
OVERSEAS SUPPLIER PROVIDED THAT AD I IS SATISFIED  
ABOUT :

- FINANCIAL STANDING / STATUS & TRACK RECORD OF  
IMPORTER
- CREDIT REPORT ON OVERSEAS SUPPLIER IS OBTD.

( WHERE AMT. IS < USD 300,000 & AD IS SATISFIED ABOUT  
BONAFIDES OF TRANSACTION & TRACK RECORD, CREDIT  
REPORT CAN BE DISPENSED WITH)

# EVIDENCE OF PHYSICAL IMPORTS

TO BE READ WITH LATEST RBI MASTER  
CIRCULAR & FEMA GUIDELINES

# EVIDENCE OF IMPORTS

- OBLIGATORY FOR AD I TO FOLLOW-UP SUBMISSION OF :
  - EC COPY FOR HOME CONSUMPTION OF BOE BY IMPORTER
  - EC COPY OF BOE FOR WAREHOUSING IN CASE OF 100% EOU<sub>s</sub>
  - CUSTOMS ASSESSMENT CERTIFICATE OR POSTAL APPRAISAL FORM AS DECLARED BY IMPORTER, IN CASE OF POSTAL IMPORTS
- IN CASE OF DA-BILLS, BOE TO BE SUBMITTED AT TIME OF EFFECTING REMITTANCE. IN GENUINE CASES, MAX. 3 ADDL. MTHS CAN BE ALLOWED FOR SUBMISSION OF BOE

# EVIDENCE OF IMPORTS IN LIEU OF BILL OF ENTRY

CERT FROM CEO OR AUDITOR OF CO. THAT GOODS HAVE BEEN IMPORTED CAN BE ACCEPTED IN LIEU OF BOE PROVIDED THAT :

- AMT. OF REMITTANCE IS < USD 1MN.
- IMPORTER IS LISTED CO., WHOSE NET WORTH RS.100 CRS + AS ON DATE OF LAST AUD.BS OR IMPORTER IS PS CO. OR U/T OF GOI / ITS DEPTTS.
- FACILITY CAN BE EXTENDED TO AUTONOMOUS BODIES INCL. SCIENTIFIC BODIES / ACADEMIC INSTS./ IISc / IITs (WHOSE ACCOUNTS ARE AUDITED BY CAG.). DECLN. FROM CEO / AUDITOR THAT ACCOUNTS ARE SUBJECT TO CAG AUDIT, MAY BE INSISTED UPON BY AD I

# EVIDENCE OF IMPORT

- IN CASE OF IMPORTS IN NON PHYSICAL FORM I.E. THRO' INTERNET, CERTIFICATE FROM CA THAT SUCH S/W , DATA ETC. HAVE BEEN RECD. BY IMPORTER MAY BE OBTD.
- ACKNOWLEDGEMENT SLIPS CONTAINING RELEVANT PARTICULARS TO BE ISSUED FOR RECEIPT OF BOE
- INTERNAL INSPECTORS / AUDITORS TO VERIFY BOEs. SUCH BOEs TO BE PRESERVED FOR 1 YR. AFTER VERIFICATION
- IN CASES UNDER INVESTIGATION, BOE TO BE PRESERVED UNTIL CLEARANCE IS GIVEN BY THE AGENCY

# FOLLOW-UP OF IMPORT EVIDENCE

- DOC. EVIDENCE OF IMPORT WITHIN 3 MTHS FROM DATE OF REMITTANCE.
- WHERE AMT. EXCEEDS USD 100,000 AD-1 TO FOLLOW-UP RIGOROUSLY FOR NEXT 3 MTHS & REPORT DEFAULT IN BEF WHERE EVIDENCE OF IMPORT IS NOT SUBMITTED WITHIN 6 MTHS FROM DOS
- IN CASES WHEREB IMPORT VALUE IS EQUAL TO OR < USD 100,000, AD 1 NEED NOT FOLLOW-UP IF THEY ARE SATISFIED ABOUT BONAFIDES OF REMITTER. BOD TO FRAME SUITABLE POLICY

# IMPORT OF GOLD & PRECIOUS METALS

TO BE READ WITH LATEST RBI MASTER  
CIRCULAR & FEMA GUIDELINES

# IMPORT OF GOLD / PLATINUM / SILVER BY NOMINATED BANKS / AGENCIES

GOLD / PLATINUM /SILVER MAY BE IMPORTED BY NOM.  
AGENCIES / BANKS ON :

- CONSIGNMENT BASIS - REMITTANCES AS & WHEN SALE TAKES PLACE & AS PER AGREED TERMS.
- UNFIXED PRICE BASIS - ON OUTRIGHT PURCHASE BASIS SUBJECT TO OWNERSHIP PASSING ON TO IMPORTER AT TIME OF IMPORT & PRICE TO BE FIXED LATER WHEN IMPORTER SELLS GOLD TO USERS.



# DIRECT IMPORT OF GOLD

AD I CAN OPEN LCs / ALLOW REMITTANCES ON BEHALF OF EOUs, UNITS IN SEZs IN THE GEM & JEWELLERY SECTOR & NOMINATED AGENCIES/ BANKS FOR DIRECT IMPORT OF GOLD, SUBJECT TO :

- IMPORT AS PER FOREIGN TRADE POLICY
- TOTAL USANCE ( INCL.SUPPL. /BUYERS' CREDIT ) < 90 DAYS
- DUE DILIGENCE / KYC COMPLETION / MONITORING
- CREDENTIALS OF SUPPLIER,
- FIN. STANDING / LINE OF BUSINESS, NET WORTH OF IMPORTER COMMENSURATE WITH BUSINESS
- ATLEAST 20% OF LOT OF IMPORT TO BE SOLD TO EXPORTERS
- FOLLOW-UP FOR BOE SUBMISSION BEING MADE BY AD

TO BE READ WITH LATEST RBI MASTER  
CIRCULAR & FEMA GUIDELINES

# GOLD LOANS

- NOMINATED AGENCIES / AUTHORISED BANKS CAN IMPORT GOLD ON LOAN BASIS FOR ON-LENDING TO EXPORTERS OF JEWELLERY
- EOUs / UNITS IN SEZ IN GEM & JEW. SECTOR CAN IMPORT GOLD ON LOAN BASIS FOR MFGR. & EXPORT OF JEWELLERY ON THEIR OWN ACCOUNT
- MAX. TENOR OF GOLD LOAN AS PER FTP ( PRESENTLY 270 DAYS )
- SBLC CAN BE OPENED FOR IMPORT OF GOLD ON LOAN BASIS ONLY ON BEHALF OF PERMITTED AGENCIES FVG. INTERNATIONALLY RENOWNED BULLION BANKS (AS PER LIST OF GJEPC)
- OTHER CONDITIONS REG. IMPORT OF GOLD TO APPLY
- DOCUMENTATION TO LINK IMPORTS WITH THE SBLC ISSUED FOR IMPORT OF GOLD ON LOAN BASIS

TO BE READ WITH LATEST RBI MASTER  
CIRCULAR & FEMA GUIDELINES

# IMPORT OF PLATINUM, PALLADIUM, RHODIUM, SILVER & ROUGH, CUT & POLISHED DIAMONDS

- MAX. PERIOD ( INCL. USANCE UNDER LC & SUPPLIERS' , BUYERS' CREDIT) NOT TO EXCEED 90 DAYS FROM DT. OF SHIPMENT
- DUE DILIGENCE, KYC / AML GUIDELINES TO BE COMPLIED WITH

# MERCHANTING TRADE

TO BE READ WITH LATEST RBI MASTER  
CIRCULAR & FEMA GUIDELINES

# MERCHANTING TRADE

INTERMEDIARY TRADE TRANSACTIONS CAN BE HANDLED  
SUBJECT TO :

- GOODS INVOLVED CAN BE EXPORTED FROM / IMPORTED INTO INDIA AS PER FGN. TRADE POLICY
- ENTIRE TRANSACTION TO BE COMPLETED WITHIN 6 MTHS
  - FOREX OUTLAY PERIOD CANNOT EXCEED 3 MTHS
- PAYMENT IS RECD. IN TIME FROM EXPORT LEG. WHERE EXPORT PAYMENT PRECEDES IMPORT PAYMENT,
- TERMS SHOULD BE SUCH THAT LIABILITY FOR IMPORT LEG IS MET THROUGH EXPORT PROCEEDS

# IMPORTS UNDER LETTERS OF CREDIT

TO BE READ WITH LATEST RBI MASTER  
CIRCULAR & FEMA GUIDELINES

# IMPORTS -BASICS

IMPORT LETTERS OF CREDIT –

IRREVOCABLE

DOCUMENTARY

SUBJECT TO UCP 600

TYPES OF LCs – CONFIRMED /

UNCONFIRMED / REVOLVING/RED CLAUSE

# IMPORTS - LCs

IMPORT LC – PARTIES

IMPORTER

SUPPLIER

LC OPENING BANK

LC ADVISING BANK

LC CONFIRMING BANK

NEGOTIATING BANK

NOMINATED BANK



# IMPORTS –TRADE CREDITS

## BUYERS / SUPPLIERS CREDIT

- MECHANISM
- UNIQUE ID FOR EACH TRADE CREDIT
- MAX. AMT. – USD 20 MN. PER IMPORT TRANSACTION
- AB-INITIO PERIOD – 6 MTHS
- PERIOD – 1 YR. ( 5 YRS. FOR CAPITAL GOODS ) TO BE LINKED TO OPERATIONAL CYCLE & TRADE TRANSACTION
- INTEREST RATE - L + 350 bps.
- ALL IN COST-CEILING – L + 350 bps.
- ISSUANCE OF LCs / GUARANTEES / LoUs/ LoCs BEYOND 3 YRS NOT PERMITTED

TO BE READ WITH LATEST RBI MASTER  
CIRCULAR & FEMA GUIDELINES

# IMPORTS – REPORTING OF TRADE CREDITS

- CONSOLIDATED MONTHLY STATEMENT COVERING ALL BRANCHES CONTAINING DETAILS OF APPROVALS, DRAWALS, UTILISATION & REPAYMENT OF TRADE CREDITS IN FORM TC TO RBI
- QRTRLY STAT. OF DATA ON ISSUANCE OF LCs / GUARANTEES / LoUs/ LoCs AS PER ANNEX-V TO RBI

# FEDAI RULES

- IMPORT LCs – STIPULATION OF AGE OF VESSEL / SEAWORTHINESS ( LLYOD'S REGISTER )
- INTEREST ON IMPORT BILLS
- STANDARDISATION OF BANK RELEASE ORDER
- RETIREMENT OF IMPORT BILLS
- STAMPING OF BILLS / DOCUMENTS

# IMPORT COMPLIANCES

- KYC OF IMPORTER
- AI FORM & FEMA DECLARATION
- IMPORT AS PER FTP
- D& B REPORT ON SUPPLIER
- CREDIT ANGLE – ESTABLISHMENT OF LC
- SCRUTINY OF IMPORT DOCUMENTS & ACCEPTANCE BY IMPORTER
- ISSUANCE OF SHIPPING GUARANTEE / BANK RELEASE ORDER
- RETIREMENT OF IMPORT BILLS
- CLEARANCE OF IMPORT CONSIGNMENT
- SUBMISSION OF BOE & FOLLOW-UP
- FOLLOW-UP OF OVERDUE IMPORT BILLS
- UPTO 25% OF CANCELLED FWD. CONTRACTS CAN BE REBOOKED

# IMPORTS - CONCEPTS

- IMPORTS ON SIGHT / DA BASIS
- PAYMENT TERMS / INCOTERMS
- ADV. PAYMENT / COLLECTION DOCS.
- LC MECHANISM – LC ADVISING / CONFIRMATION / NEGOTIATION / SILENT CONFIRMATION / LC TYPES
- TRADE CREDIT / BUYERS' / SUPPLIERS' CREDIT
- UCP 600 / ARBITRATION
- STAND-BY LCs
- RULES / REGULATIONS