
CHAPTER 7

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IMPORT OF GOODS, CURRENCY ETC., MERCHANTING TRADE AND OTHER RELATED MATTERS

PART A - IMPORT OF GOODS

General

7A.1 (i) Import trade is regulated by the office of the Director General of Foreign Trade (DGFT) and its regional offices functioning under the Ministry of Commerce, Government of India.

Policies and procedures for import are announced by the DGFT. Sale of foreign exchange or rupee transfer to non-resident account towards payment for import of goods into India from any foreign country, except Nepal and Bhutan, permitted under the prevailing import trade control policy may be made by authorised dealers without approval of Reserve Bank subject to the conditions set out in subsequent paragraphs.

NOTE: *For Exchange Control purposes, accounts in India of Indians, Nepalese and Bhutanese resident in Nepal and Bhutan as well as Indian, Nepalese and Bhutanese firms, companies or other organisations including banks functioning in these countries are regarded as resident accounts and rupee transfers to such accounts against imports into India from these countries (or for any other purpose) may be made freely without reference to Reserve Bank. Sale of foreign currencies in payment for imports from the above countries is not permitted. Payments from India to suppliers in third countries against imports into Nepal/Bhutan are also not permitted.*

(ii) Authorised dealers are permitted to open letters of credit on behalf of their

customers who are known to be participating in the trade. While doing so, they should follow normal banking procedures, UCPDC provisions, etc. The letter of credit should, in particular, stipulate a condition requiring that the bill of lading should indicate the name and address of the importer in India as well as the authorised dealer opening the credit. Remittances for imports under letters of credit or otherwise should be made against shipping documents/lorry/railway receipts/Exchange Control copies of bills of entry/postal/courier wrappers, etc. except where it is otherwise provided in this Chapter.

(iii) In terms of item No.54 of the list of consumer goods given under paragraph 156

in Part II(A) of Chapter XV of Export and Import Policy (1992-97), import of designs and drawings is permitted without any restrictions. Remittances towards import of designs and drawings may be allowed by authorised dealers on production of (i) suppliers' invoice; and (ii) postal wrappers/exchange control copy of Bill of Entry as documentary evidence in support of import, subject to the following conditions :-

- a) Import of designs and drawings has been made strictly as per the Exim Policy in force.
- b) The transaction is as per provisions of paragraphs 7A.1(iii), [7A.10](#), [7A.11](#), [7A.20](#), [7A.21](#), [7A.22](#) [7A.23](#) & [7A.26](#) of ECM.
- c) The entire payment relates to the cost of import of designs and drawings only and does not include any

other cost.

- d) Production of undertaking/certificate regarding payment of Income-tax (cf. [Paragraph 3B.10](#)).
- e) The value of designs and drawings imported has been declared to the Customs authorities and incorporated in the Exchange Control copy of Bill of Entry.
- f) In terms of Research and Development Cess Act, 1986 a Research and Development Cess has to be paid by Industrial concerns importing technology, drawings and designs, on all payments made by such concerns which will also include payments made locally in Rupees towards fare, living expenses etc. of foreign technicians/personnel who have been deputed to India in connection with the import of technology, drawings and designs. Authorised dealers should, therefore, while allowing such remittances, obtain confirmation/ evidence from the Indian companies that Research and Development Cess has been paid. In terms of Technology Department Board Act, 1995 and amendment made to the R & D Cess Act, in 1995 by Government of India, the power of the Industrial Development Bank of India (IDBI) to call for information and impose penalty has been transferred to the newly constituted Technology Development Board. Accordingly, where such a confirmation/evidence is not produced by Indian companies, authorised dealers should immediately, but not later than 30 days from the date of remittance, report the matter to the Secretary, Technology Development Board, Technology Bhavan, Department of Science and Technology, Mehrauli Road, New Delhi 110 016 alongwith the following particulars.
 - i] Name and address of applicant industrial concern
 - ii] Name and address of the beneficiary
 - iii] Purpose of remittance(with brief details)
 - iv] Amount and currency of remittance
 - v] Date of remittance.

Authorised dealers may also open letters of credit covering imports of designs and drawings subject to the above referred conditions and also subject to the applicant's undertaking to produce documentary evidence of import within 3 months from the date of remittance.

Import Licences

7A.2 Authorised dealers should not open letters of credit or allow remittances for the import of goods included in the negative lists unless the importer submits a licence marked For Exchange

Control Purposes'. Special conditions, if any, attached to the licence should be adhered to while opening letters of credit or making remittances.

Obligations of Purchaser of Foreign Exchange for Import

7A.3 Section 8(3) of FERA 1973 makes it obligatory for any person who acquires foreign exchange for any particular purpose but does not for any reason whatsoever

use it for that purpose, to surrender the foreign exchange without delay to an authorised dealer in foreign exchange. Use of such foreign exchange for any other purpose is an offence under the Act. Furthermore, in terms of Section 8(4) *ibid*, where any person acquires foreign exchange for importing goods into India but does not at all import the goods or does not import goods of a value representing the foreign exchange acquired within a reasonable time or imports goods of a kind, quality or quantity different from that specified by him at the time of acquisition of the foreign exchange, he shall be presumed to have been unable to use the foreign exchange for the purpose for which it was acquired or, as the case may be, to have used the foreign exchange for a purpose other than the one for which it was acquired. Pursuant to the provisions of Section 9 of FERA 1973, Reserve Bank has permitted credit of rupees to non-resident accounts as one of the methods of payment to persons resident outside India for making payment towards imports. This permission is subject to the condition that payment in such manner by any person is made towards imports as declared by the importer and not for any other purpose. It is, therefore, obligatory for any such person to use the payment only for the purpose declared by him. If the payment is used for any other purpose, it will amount to a breach of the condition subject to

which permission has been granted. These provisions are also applicable in case of payments through Asian Clearing Union.

Manner of Rupee Payment

7A.4 Payments in retirement of bills drawn under letters of credit as well as bills received from abroad for collection against imports into India, must be received by authorised dealers,

irrespective of amount, by debit to the account of the importer with themselves or by means of a crossed cheque drawn by him on his other bankers. Payments against bills should not be accepted in cash. This rule also applies to private imports where the amount involved is Rs.20,000/- or more.

Letters of Authority

7A.5 Authorised dealers may open letters of credit or make remittances where the Exchange Control copy of relative import licence has been issued in the name of a

party other than the applicant, provided the applicant produces a letter of authority obtained from the import licence holder in his favour authorising him, inter alia, to open letters of credit or make remittances in payment towards import under the licence (subject to the terms and conditions, if any, stipulated in this regard in the Import Policy in force). Authorised dealers may also open letters of credit or make remittances towards imports permitted without licences on behalf of agents appointed by eligible importers, after satisfying themselves by reference to the Import Policy in force that the latter are permitted to utilise services of agents for the purpose of opening letters of credit etc. for the imports in question. In all such cases, the responsibility for production of the Customs Bills of Entry, where required, will rest on the letter of authority holder or agent and an undertaking to do this must be taken from him.

Attestation of Invoices by Authorised Dealers

7A.6 Under Customs regulations, importers have to submit to Customs at the time of

clearance of goods a copy of the invoice attested by the authorised dealer through whom remittance has been or will be made, as corroboratory evidence of the value of the goods declared on Customs Bills of Entry. To enable the importer to comply with this requirement, authorised dealers should furnish to him a duly attested copy of the invoice in all cases where relative bills of exchange and/or shipping documents were received through their medium. Where documents were received by the importer direct, authorised dealers may also attest copy of the invoice on request by the importer, provided the remittance has been or will be made through them.

Form A1

7A.7 Applications by persons, firms and companies for making payments towards imports into India must be made on [form A1](#). Variants of this form have been devised in

different colours to be used for -

- (a) remittance in foreign currency,
- (b) transfer of rupees to non-resident bank accounts, and
- (c) remittance through Asian Clearing Union.

Care should be taken to see that appropriate [form A1](#) is used. Care should also be taken to fill in correctly the various details relating to the import as required on the form and to furnish necessary declarations/undertakings thereon.

Imports Financed in Rupees

7A.8 Regulations contained in this Chapter are also applicable to imports which are financed in

rupees and payment for which is made by crediting rupees to a non-resident account in India.

There is also no objection to proceeds of rupee bills being converted into any convertible foreign currency, if remitting bank so desires.

Import Licences for c.i.f. Value

7A.9 (i) Import licences wherever issued are for the c.i.f. value of the goods to be imported which includes commission, if any, allowed by the supplier/manufacturer. Import licences cannot be

used to the full amount in cover of f.o.b. cost of the goods leaving insurance, freight and commission to local agent of the supplier, as additional charges to be paid in rupees over the amount specified in the import licence. (See [paragraph 7A.13](#) also).

(ii) Importers sometime enter into contracts on f.o.b. terms and agree to the suppliers paying

for the freight to be reimbursed to them along with the cost of the goods. Authorised dealers in such cases should, before making the remittance of freight charges, ascertain the actual freight amount paid with reference to the original freight bill or memo issued by the shipping company or the amount stated on the relative bill of lading.

Imports by Government/Public Sector Undertakings, etc.

7A.9A As per the procedure laid down by Government of India, import contracts by Central/State Governments, Central & State Public Sector undertakings and autonomous bodies are required

to be made on FOB/FAS basis in respect of transportation of Government owned / controlled cargo by foreign flag vessels (i.e. ocean transportation of cargo) . In case of the import contracts entered into on terms other than FOB/FAS, a No Objection Certificate from the Ministry of Surface Transport (MOST), Government of India is required to be obtained. Authorised dealers, before opening import letters of credit or releasing foreign exchange for imports, should ensure that necessary No Objection Certificate is obtained by the concerned Government organisation in cases of import contracts made on terms other than FOB/FAS.

Advance Remittance

7A.10 Authorised dealers may allow advance remittances for import of goods without any ceiling subject to the following conditions :

- (a) Documentary evidence indicating the cost of the goods and the insistence of the overseas seller on advance payment should be submitted by the importer.
- (b) The importer should hold the EC copy of a valid import licence if the goods to be imported are those included in the negative list of imports given in the Export and Import Policy.
- (c) Remittance is made direct to the suppliers.
- (d) If the amount of advance remittance exceeds U.S.\$ 15,000 or its equivalent, a guarantee from an international bank of repute situated outside India or a guarantee of an authorised dealer in India, if such a guarantee is issued against the counter-guarantee of an international bank of repute situated outside India, should be obtained. An **unconditional** standby L/C from an international bank of repute situated outside India may be accepted in lieu of bank guarantee provided it is irrevocable, non-transferable and lists out full particulars of the transactions and there is a clear provision for prompt payment being received in convertible currency in an approved manner. The validity of the guarantee/letter of credit should cover adequately the period for the purpose of enforcing payment.

- (e) Physical import of goods into India should be made within three months (twelve months in case of capital goods) from the date of remittance and the importer should give an undertaking to furnish documentary evidence of import within fifteen days from the close of the relevant period. Authorised dealers may allow extension of time for import not exceeding one month (three months in the case of capital goods) provided the reasons for seeking extension of time are found convincing. In cases where the advance remittance has been made against a bank guarantee, the guarantee should be suitably amended, if need be, to cover the extended period for import of goods into India.
- (f) In case of import of capital goods, certified copy of importer's contract with the supplier or any other evidence indicating terms of payment should be submitted.
- (g) In the case of import of books, a list of books to be imported should be obtained. This should be attached to the [form A1](#) while submitting it along with the relevant R return.
- (h) Authorised dealer should ensure that in the event of non-import of goods, the amount of advance remittance is repatriated to India.

Time Limit for Settlement of Import Payments

- 7A.11** (i) The basic rule relating to remittances against imports is that they should be completed not later than six months from the date of shipment. Accordingly,

deferred payment arrangements involving payments beyond a period of six months from the date of shipment are not permissible without approval of Reserve Bank/Government of India (See [Part B](#) of this Chapter). There would, however, be no objection to importers withholding a small part of the cost of the goods not exceeding 15 per cent towards guarantee of performance etc. Authorised dealers may make remittances of amounts so withheld, provided the earlier remittance had been made through them. No interest payment should be allowed to be remitted on these withheld amounts.

- (ii) Sometimes, settlement of import dues may be delayed due to disputes,

financial difficulties, etc. Authorised dealers may make remittances in such cases even if the period of six months has expired, provided -

- (a) authorised dealer is satisfied about the bona fides of the circumstances leading to the delay in payment;
- (b) No payment of interest is involved for the additional period. However, in cases where the overseas supplier insists on payment of interest, it may be allowed in accordance with the provisions contained in [paragraph 7A.12](#) upto a maximum period of 60 days beyond 180 days from the date of shipment provided the import bill is paid within that period.

NOTES:A. *The above concession permitting remittances beyond six months from the date of shipment should not be construed as general permission for importers concluding extended payment terms with overseas suppliers of goods providing payment beyond six months from date of shipment. All cases of extended payment terms require prior approval of Reserve Bank.*

B. *In case of import bills negotiated under letter of credit and retired by importer after expiry of six months from the date of shipment of relative goods, settlement of the payment would be deemed to be completed within six months from shipment if reimbursement was given to overseas bank within that period,*

C. *Remittances against import of books may be allowed without restriction as to time limit, provided no interest payment is involved nor has the importer forgone any part of the discount/ rebate normally allowed to importers towards compensation for delay in settlement of dues.*

Interest on Import Bills

7A.12 Authorised dealers may make remittances on account of interest accrued on usance bills under 'normal interest clause' or of overdue interest paid on sight bills for a period not exceeding six

months from the date of shipment in respect of imports without prior approval of Reserve Bank. 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 the interest has been claimed or the 'prime' rate (or its equivalent) of the country in the currency of which the goods are invoiced, whichever is higher. Where interest is not separately claimed, remittances may be allowed after deducting the proportionate interest for the unexpired portion of usance at the prevailing 'prime' rate.

NOTE : *Interest under 'normal interest clause' would mean interest at the 'prime' rate (or its equivalent) of the country in the currency of which the goods are invoiced.*

Appointment of Buying Agents Abroad

7A.13 Authorised dealers may, on application and supported by particulars including relevant correspondence/buying agency agreement, allow remittance of

commission to overseas buying agents of Indian importers provided the rate of commission does not exceed 2.5 per cent of f.o.b. value of imports. The amount remitted should be endorsed on Import Licence [See [paragraph 7A.9\(i\)](#) also].

War Risk Insurance/Bunker/Congestion Surcharge/ Premium for Extended Insurance

7A.14 Authorised dealers may make remittances towards war risk insurance premium, bunker/congestion surcharges at foreign ports, premia for extended insurance cover

etc. which are incidental to imports provided the amounts are reasonable and adequate and satisfactory documentary evidence therefor have been submitted.

Endorsement on Import Licences

7A.15 (i) Authorised dealers should note to endorse on import licences, under their stamp

and signature, the details of letters of credit opened or forward contracts booked or remittances made in foreign currency as also the amount of insurance, freight and commission paid by the importer locally in rupees [See [paragraph 7A.9](#)].

(ii) Authorised dealers may likewise endorse the value of the back-to-back inland letters of credit opened by them on behalf of duty free licence holders (including transferees) as required in terms of the relevant provisions of the Export Import Policy.

Imports under Penalty

7A.16 Authorised dealers may make remittances against goods imported without authority, but later allowed to be cleared by the Customs Authorities against payment of penalty,

to the extent of c.i.f. value of the goods indicated on the relative Exchange Control copy of Customs Bill of Entry evidencing imports of goods to India.

Imports into Bond

7A.17 (i) Goods are frequently imported into bond by merchants for purpose of re-export.

No import licence is required for such imports. Sales of foreign exchange against such

imports are not permitted.

(ii) Reserve Bank grants special facility to firms and companies in India to import goods into

bond without import licences, for supply to foreign going vessels and sale to diplomatic missions/personnel etc. subject to certain conditions. The procedure to be followed in regard to opening of letters of credit/making remittances towards cost of import of goods into bond in such cases is as follows :-

- (a) The importer who has been granted the facility should advise the concerned office of Reserve Bank the name and address of the authorised dealer (designated authorised dealer) through whom letters of credit will be opened/remittances will be effected covering cost of import of goods into bond, under advice to the concerned authorised dealer.
- (b) The designated authorised dealer may thereafter open letters of credit/make remittances on behalf of the importer concerned in accordance with the regulations covering import of goods into India. The importer should alongwith the application for opening remittance furnish a declaration to the designated authorised dealer that he will submit the Exchange Control copy of bill of entry for bond within three months from the date of remittance. In case of non-submission of the bills of entry designated authorised dealer should follow up with the matter with importer.
- (c) While opening the letter of credit/making remittance for import of goods into bond, the designated authorised dealer should ensure that
 - (i) the importer holds a valid permission from Reserve Bank for import of goods into bond.
 - (ii) the goods sought to be imported do not fall under the list of 'Prohibited Items' for import as per the Exim Policy.
- (d) The designated authorised dealer should maintain a separate register to record the details of letters of credit opened/remittances effected (importer wise) in respect of such imports. The authorised dealer should also furnish to the concerned importer a monthly statement under his stamp and signature giving the following details of letters of credit opened/remittances effected during the calendar month for import of goods into bond for submission by the importer alongwith the monthly statements to Reserve Bank.
 - (i) Date of opening of letter of credit/remittances
 - (ii) Description of goods
 - (iii) Name & address of the supplier
 - (iv) Value of goods

Remittances against Replacement Imports

7A.18 Where goods are short-supplied, damaged, short-landed or lost in transit, the procedure laid down below should be followed for payment against replacement goods:

- (a) In cases where no letter of credit has been opened or remittances made, Exchange Control copy of the import licence may be automatically treated as valid for the replacement consignment, provided it is shipped within the validity period of the licence.
- (b) If the Exchange Control copy 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 authorised dealers without reference to Reserve Bank, provided the insurance claim relating to the lost goods has been settled in favour of the importer by remittance from abroad through an authorised dealer if insurance was covered abroad and by local payment in rupees if insurance was covered in India. Payment for the replacement goods may then be made against suitable endorsement on the import licence subject to the conditions that the replacement consignment is shipped within the validity period of the licence.

- (c) If replacement goods are to be shipped after the expiry of import licence, the importer should be asked to apply to ITC Authorities for replacement or for revalidation of the expired licence.

Surrender of Import Licences to Exchange Control

7A.19 Exchange Control copy of import licence submitted by importer for opening letters of credit or making remittances should be retained by authorised dealer and

forwarded to Reserve Bank after it has been fully utilised along with R Returns pertaining to the period during which the last remittances under the licences were made.

Evidence of Import

7A.20 (i) It is obligatory on the part of importers to submit Exchange Control copy of Bills of Entry for Home Consumption/Postal/Wrappers to the authorised

dealer through whom remittance was made as evidence that the goods for which the payment was made have actually been imported into India. Authorised dealer should ensure that in all cases, including cases of advance remittances permitted vide [paragraph 7A.10](#), these are submitted by their importer customers and are verified. In respect of imports made on D/A basis, since goods would normally be cleared before the due date of payment, authorised dealers should insist on production of documentary evidence of import i.e. Exchange Control copy of Bill of Entry for Home Consumption/Postal/Wrappers at the time of effecting remittance of the import bill. Authorised dealers should also advise this requirement to their importer customers in writing while delivering the documents against acceptance.

- NOTES:** A. *In case of goods imported and stored by 100% Export Oriented Units/Units in Export Processing Zones and Free Trade Zones in bonded warehouses, it will be in order for authorised dealers to accept Exchange Control (quadruplicate) copy of Into Bond Bill of Entry for Warehousing as evidence of import.*
- B. *As regards submission of evidence in respect of imports by courier services, please see [paragraph 7A.23](#).*
- C. *In respect of imports on D/A basis 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. authorised dealers may, on merits, allow reasonable time not exceeding three months from the date of remittance to the importer to submit the evidence of import.*
- (ii) Authorised dealers should in all cases acknowledge receipt of Exchange

Control copy of bill of entry/postal/wrappers from importers by issuing acknowledgement slips containing the following particulars:

- (a) Importer's full name and address with code number.
- (b) Import licence number and date (wherever applicable)
- (c) Bank's reference of letter of credit number etc., if any.
- (d) Number and date of Exchange Control copy of bill of entry/postal wrapper and the amount of import.

(e) Particulars of goods imported.

(iii) Internal inspectors or auditors (including external auditors appointed by

authorised dealers) should carry out 100% verification of all the Exchange Control copies of bills of entry/postal/wrappers and a certificate to that effect should be forwarded, on half-yearly basis, to the office of Reserve Bank under whose jurisdiction the authorised dealer is situated.

(iv) In case an importer does not furnish the Exchange Control copy of Bill of

Entry within three months from the date of remittance (or within prescribed period as provided in [paragraph 7A.10](#)), the authorised dealer should issue a reminder to the importer asking him to produce it forthwith. If there is still no response, a reminder by registered post with acknowledgement due should be issued not later than one month from the date of the first reminder.

(v) Authorised dealers should forward to Reserve Bank a statement as at the end

of each calendar quarter in [form BEF](#) furnishing details of import transactions in respect of which the importers have defaulted in submission of Exchange Control copies of Bills of Entry within a period of 21 days from the date of issue of registered (acknowledgement due) reminder. The quarterly statement should be submitted to Reserve Bank within 15 days from the end of the quarter to which the statement relates.

(vi) Exchange Control copy of Bill of Entry for Home Consumption/postal wrappers

should be preserved by authorised dealers for a period of one year from the date of its verification as required under paragraph (iii) above. However, in respect of cases which are under investigation by investigating agencies, the Exchange Control copy of Bill of Entry for Home Consumption/postal wrappers should be preserved till the investigating agency concerned gives clearance for destruction.

Precautions for Handling Import Documents

7A.21 Authorised dealers should exercise due care while handling import documents on collection basis on behalf of importer customers with reference to their line of business, financial standing,

frequency of import, etc. to establish the genuineness of the import. In the case of bills involving large values, authorised dealers should satisfy themselves that the importer is known to be trading in items mentioned in the shipping documents or that the items are required for his actual use. In case of importers who are not their constituents, authorised dealers should, at the time of acceptance of the documents/making payment, call for detailed Certificate-cum-Report from their bankers in support of the genuineness of imports. Authorised dealers should comply with the detailed procedural precautions laid down in [Annexure](#) to this chapter while handling import documents.

Postal Imports

7A.22 (i) Remittances against bills received for collection in respect of imports by post parcel may be made by authorised dealers, provided the goods imported are such as

are normally despatched by post parcel. In these cases, the relative parcel receipts must be produced as evidence of despatch through the post and an undertaking to submit post parcel wrappers within three months from the date of remittance should be furnished by importers. If the parcel has already been received in India, the parcel wrapper should be produced in support of the remittance application. Where goods to be imported are not of a kind normally imported by post parcel or where authorised dealer is not satisfied about the bona fides of the application, the case should be referred to Reserve Bank for prior approval with full particulars together with relative parcel receipt/s (or wrapper/s).

Imports through Post

7A.22(ii) Authorised dealers may allow remittance towards import of books, samples, etc. through post parcel, on

production of original invoice by the importer, without insisting on submission of parcel receipt/postal wrappers, where the amount of the bill does not exceed U.S.\$ 250, or its equivalent provided the import is made in accordance with the current EXIM policy and a declaration is furnished by the applicant that the goods have been imported through post parcel.

NOTE Authorised dealers may make remittances towards import of books by post parcel by book-sellers/publishers against bills received for collection, irrespective of the amounts involved, without prior approval of Reserve Bank against endorsement on the import licence where applicable in the normal course. They may also make remittances even if import licences covering the imports have been issued subsequent to the date of import subject to endorsement on such licences.

Imports through Courier

7A.23 Under the current Exim Policy, import of goods through courier is permitted, in accordance with the Courier Imports (Clearance) Regulations, 1995, as amended by

the Courier Imports (Clearance) Amendment Regulations, 1997, notified by the Government of India, Department of Revenue, Central Board of Excise & Customs (CBEC), New Delhi. Where the C.I.F. value of the consignment imported through courier service, does not exceed Rupees one lakh, the relative Bill of Entry is required to be filed by the registered courier service. However, where the value of the consignment is Rupees one lakh or more, importers are required to file separate Bill of Entry, as in the case of other imports. Accordingly, in respect of remittances for imports through courier services, authorised dealers should ensure submission of Exchange Control Copy of Bill of Entry for home consumption in the case of imports valued at Rupees one lakh or more. Where the value of import is less than Rupees one lakh, authorised dealers may obtain from the importer, a copy of Bill of Entry in the prescribed Form, issued by the Customs in the name of the registered courier, duly certified by the courier company, indicating thereon the particulars of the consignment for which the copy has been issued.

Supply of Books in Domestic Tariff Area (DTA) by EOUs/EPZs

7A.24 EOUs and Units in EPZs undertaking printing of books in India on behalf of overseas publishers are sometimes required to supply books to Indian booksellers

as per instructions from the overseas publishers. The cost (less discount) of such books is remittable to overseas publishers. Authorised dealers may allow such remittances by Indian booksellers to overseas publishers on application from the Indian bookseller subject to the production of the following documents:

- (a) A letter from the overseas publisher that the books will be supplied by EOU/unit in EPZ which had undertaken the job of printing of books on its behalf.
- (b) Original invoice from the publisher indicating the description and price of books and the discount allowed.
- (c) A letter/certificate from the Development Commissioner conveying his approval to the EOU/ unit in EPZ for the supply of books in DTA, indicating therein the description of books and number of copies.
- (d) Evidence regarding customs duty, if any, payable on release of books from EOU/EPZ to DTA.

Legal Expenses Connected with Imports

7A.25 Authorised dealers may effect, on behalf of their importer constituents, remittances towards legal expenses relating to import transactions subject to submission of suitable documentary

evidence and satisfying themselves about the chances of success of the case by calling for legal opinion and an estimate of the total likely expenses to be incurred to satisfy themselves with the reasonableness of the charges. However, where the amount of remittance exceeds U.S.\$ 100,000 or its equivalent, full details of such remittances should be reported to

Reserve Bank on a quarterly basis.

Import of Software through Datacom.Channels/Internet

7A.26 Authorised dealers may allow remittances towards import of software through Datacom channels/Internet and also for import of drawings and designs through E-Mail/Fax, on production of the following documents by the applicant, as applicable.

- i. A declaration from the importer that the software/drawings and designs in question, have been actually received by him from the overseas licensor/supplier.
- ii. Invoice stating the details of software/drawings and designs supplied, in support of the amount to be remitted.
- iii. User's licence authorising the importer to use the software/drawings and designs.
- iv. Copies of E-mail/Fax certified by the officials of the remitter, at the level of Company Secretary/Financial Director/ Adviser.

NOTE:- Authorised dealers should advise importers to keep Custom authorities informed of the imports made by them under this paragraph.

Import of Second-hand Goods

7A.27 In terms of Export-Import Policy presently in force, second hand capital goods are allowed to be imported freely subject to certain conditions. Such imports sometimes involve payment against

delivery of second hand plant and machinery abroad on "as is where is basis". In the absence of shipping documents, it will not be possible for authorised dealers to open letters of credit or make remittances against such imports.

Applications for opening of Letters of Credit or for making remittances in regard to imports with such payment conditions should, therefore, be referred to Reserve Bank for prior approval with full details.

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

7A.28 Under the liberalised policy of import, Government of India has permitted import of gold by certain nominated agencies viz. MMTC, HHEC, STC, SBI and a few banks

authorised by Reserve Bank for sale to jewellery manufacturers, exporters, NRIs, holders of Special Import licences and domestic users. Accordingly, Reserve Bank would permit the nominated agencies/banks to import gold under different arrangements, besides outright purchase on D/P basis, as follows:

(i) Import of Gold on loan basis

Gold loan may be availed of by nominated agencies/banks, where the loan is denominated on the basis of the quantity of gold, subject to the following conditions -

- (a) The loan shall be obtained directly from the overseas supplier.
- (b) The period of loan shall not be more than 180 days from the date of shipment. Extension of period beyond 180 days will require prior approval of Central Office of Reserve Bank (Imports Division)
- (c) Rate of interest on loan shall be as per the prevailing international practice.
- (d) Metal account in the books of the overseas supplier, if required by the supplier, may be maintained by the nominated agency/bank for the purpose of routing the import transactions only. No deposits will be permitted.
- (e) Guarantee for the loan, if required by the supplier may be furnished by the nominated agency/bank.

(ii) **Import of gold on Suppliers' credit/ Buyers' credit basis**

Suppliers' credit up to a period of 180 days may be availed of by the nominated agencies/banks subject to the provisions of [paragraph 7A.12](#). Prior approval of Reserve Bank will be required if the period of credit exceeds 180 days. However, buyers' credit will require prior approval of Reserve Bank, irrespective of the period of credit.

(iii) **Import of Gold on Consignment basis**

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

(iv) **Import of gold on unfixed price basis**

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

NOTE: *Instructions contained in this paragraph would also apply to import of platinum and silver.*

Import of films on lease/rental basis

7A.29 Authorised dealers may allow remittance of rent, royalty, licence fee, profit, etc. in connection with import of cinematograph feature films and video films subject to the following conditions :

- (i) Import has been made in accordance with provisions of Exim Policy in force.
- (ii) A 'No Objection Certificate' from Central Board of Film Certification, wherever required, has been submitted.
- (iii) Exchange Control copy of Bill of Entry for Home Consumption has been submitted as evidence of import.
- (iv) The remittance is in accordance with the agreement entered into between the overseas supplier and importer. A certified copy of the contract/agreement should be retained by authorised dealer for record.
- (v) A Chartered Accountant's certificate is produced indicating that the payment to overseas supplier is due and the amount sought to be remitted is as per the terms of contract.
- (vi) Undertaking/Certificate regarding payment of income-tax has been submitted (cf. paragraph 3B.10).

PART B - IMPORTS UNDER FOREIGN LOANS/CREDITS

General

- 7B.1** (i) Proposals for raising foreign currency loans/credits viz. Buyer's Credits, Supplier's Credits or lines of credits by firms/companies/lending institutions, banks, etc. for financing cost of

import of goods, technology or for any other purposes other than those considered by Reserve bank in terms of paragraph 7B.8 and 7B.8A should first be submitted to Government of India, Ministry of Finance (Department of Economic Affairs), ECB Division, New Delhi for necessary clearance. The proposals are considered by the Government on merits and in light of prevailing Government policy.

- (ii) In terms of Section 8(1) of FERA 1973 no person resident in India can borrow any

foreign exchange from any person resident in or outside India without prior permission of Reserve Bank. Similarly, Section 9(1) of the Act places certain restrictions on persons resident in India receiving payments from or making payments to persons resident outside India. Consequently, all loans or credits secured by persons resident in India from non-residents as also repayment of such loans/credits and payment of interest and other charges thereon, require prior permission of Reserve Bank.

NOTE: *The above procedure is also applicable for import of capital goods on financial lease basis.*

Procedure for Obtaining Reserve Bank Approval

7B.2 On receipt of letter indicating the terms and conditions regarding amount of loan/credit, rate of interest, period of repayment, etc. from the Ministry of Finance, the borrower firm/company

should make an application in [form ECB1](#) to the concerned office of Reserve Bank within whose jurisdiction its Head/Registered Office is situated. On receipt of Reserve Bank approval, the borrower firm/company may conclude the loan/credit agreement with the overseas lender, taking care to ensure that no liability, direct or indirect, other than that specifically approved by Government/Reserve Bank is assumed by the borrower through the loan/credit agreement. The borrower should file the requisite number of copies of loan/credit agreement with Government. Government will take the agreement on record under advice to the borrower if it is found to be strictly in conformity with the approved terms. Thereafter, the borrower should apply to Reserve Bank along with two copies of the loan agreement for permission to effect drawal of the loan amount for utilisation towards approved purpose/s.

Registration Number

7B.3 Reserve Bank will allot a registration number to each foreign currency loan/credit which should invariably be quoted on all returns/statements submitted to Reserve Bank. The number should also

be quoted on [Form A-2](#) covering remittance of foreign exchange or rupee transfer towards repayment of the loan/credit.

Opening of Bank Accounts in India/Abroad

7B.4 Reserve Bank may, on application, permit opening of foreign currency bank accounts in India/abroad for retention of the loan funds pending disbursement/utilisation. Borrowers

should approach Reserve Bank giving details of loan, name and address of the overseas bank, type of account and rate of interest, etc.

Issue of Bank Guarantee

7B.5 Issue of guarantees in favour of foreign lenders or suppliers (in the case of Supplier's Credits) requires approval of Reserve Bank. While granting approval for raising the foreign currency

loan/credit, Reserve Bank will grant the required permission to the concerned authorised dealer. In the event of invocation of the guarantee, the concerned authorised dealer may make the necessary remittance without reference to Reserve Bank. A report should, however, be sent to Reserve Bank giving full details citing reference to the approval for furnishing the guarantee. A copy of the claim received from the overseas party should be enclosed with such report.

Submission of Utilisation Statements

7B.6 (i) Borrowers in India are required to submit to Reserve Bank quarterly statements in

[form ECB 2](#), in duplicate, about drawal and utilisation of the loan amount. The statements should

also contain details of all the repayments/payments made under the loan/credit during the quarter under report [cf. paragraph [7B.7\(ii\)](#)] and submitted to Reserve Bank duly certified by an authorised dealer by the 10th day of the month following the quarter to which they relate. The statements in [form ECB 2](#) should continue to be submitted to Reserve Bank until such time the loan/credit is fully repaid and in case of financial lease the period of lease is over. In case there are no drawals/repayments during a particular quarter a 'NIL' statement should be submitted. In the event of default in timely submission of the statement in [form ECB 2](#), the borrowers shall be liable for such action as may be deemed necessary by Reserve Bank under FERA 1973. The borrowers are also required to submit to Reserve Bank a supplementary statement by way of an annexure to ECB 2 in the prescribed form giving details of utilisation of the

loan/credit duly certified by the statutory auditors/chartered accountants and supported by a complete set of documents such as Exchange Control copy/ies of the import licence/s (where applicable), original invoices and Exchange Control copy/ies of bill/s of entry for home consumption evidencing import into India of goods for which the loan/credit in question was obtained. This supplementary statement should be submitted by the borrowers till the loan/credit is fully utilised and the supporting documents are submitted to Reserve Bank.

(ii) On receipt of the statements in [form ECB 2](#), Reserve Bank will issue an

acknowledgement for receipt of the statement. It should be noted that no remittances towards repayment of the loan/credit would be allowed by authorised dealers/Reserve Bank until the statement in [form ECB 2](#) has been submitted to Reserve Bank for the last quarter and an acknowledgement obtained therefor from Reserve Bank.

Repayment of Loan/Credit and Payment of Other Charges

7B.7 (i) Application for repayment of the loan/credit and/or any other charges connected

with the loan/credit is required to be made by the borrower in [form ECB 3](#) to the

authorised dealer. The authorised dealer in turn should refer the application to Reserve Bank, together with appropriate supporting documents, sufficiently in advance to avoid payment of additional charges by way of overdue/penal interest.

(ii) Reserve Bank has been granting general permission to the authorised dealer designated by

the borrower to effect remittances towards repayment of the loan where it is satisfied that the loan amount has been fully utilised and the required documentary evidence regarding utilisation of the loan has been submitted. Under the revised procedure effective June 1997, Reserve Bank would grant general permission for repayment of the loan/credit to the branch of the authorised dealer i.e. designated bank indicated by the borrower in the application in [form ECB 1](#), at the time of granting permission to effect drawal of the loan ([cf. paragraph 7B.2](#)). The borrowers should approach the same designated branch for making all future remittances connected with the loan as per terms approved by Reserve Bank/Government of India. In cases where Reserve Bank has granted such general permission, applications for repayment of loan and interest thereon should be made to the designated authorised dealer and the designated authorised dealer may make the remittance subject to compliance with the conditions stipulated in the letter of approval issued by the Government/Reserve Bank and after ensuring that the borrower has submitted the statement in [form ECB 2](#) to Reserve Bank for the last quarter and obtained the acknowledgment therefor ([cf. paragraph 7 B.6](#))

(b) The penal interest may be allowed as per the rate indicated in the approval letters issued by the Government/Reserve Bank. In case no rate is mentioned in such approval letters, the authorised dealers may allow the payment of penal interest based on the rate indicated in relative debit note/invoice raised by the lender subject to the ceiling of 2% per annum, besides the normal approved interest provided the relative loan agreement taken on record by the Government/Reserve Bank contains the provision for payment of penal interest. In case the default period exceeds one month from the due date or the borrower has defaulted on more than two occasions, the request for payment of penal interest should be referred to the concerned Regional Office of Reserve Bank with full details for approval.

(c) The borrower should report the payment of penal interest in [form ECB 2](#) to be submitted to Reserve Bank on quarterly basis against column marked "others" in item No.7.

(d) The authorised dealer should allow the remittances of interest, penal interest and other charges only after the borrower has submitted an Undertaking and Accountant's certificate in compliance with Income-tax provisions([cf. paragraph 3B.10](#))

(iv) Applications for remittance towards prepayment of outstanding ECB which was earlier approved by the Government of India, should be made to the designated branch of authorised dealer through whom the borrower is making debt servicing payments, together with the Government approval in original for prepayment of outstanding ECB. The designated branch of authorised dealer may effect the remittance on behalf of their constituent borrower based on the

Government approval, under advice to the concerned Regional Office of Reserve Bank quoting the Registration number of the loan.

In case of prepayment of outstanding ECB approved by Reserve Bank, the borrower is required to submit an application for prepayment of loan to the Reserve Bank of India, Exchange Control Department, Central Office (ECB Division), Mumbai through the designated branch of an authorised dealer together with the following documents:-

- a. A certificate from Statutory Auditor to the effect that the ECB proceeds have been utilised for the purpose for which ECB was sanctioned.
- b. Acknowledgement from the concerned Regional Office of Reserve Bank for having received ECB-2 statement for the last quarter.

The designated authorised dealer may effect the remittance towards prepayment of ECB based on the approval granted by Reserve Bank under advice to the concerned Regional Office of Reserve Bank quoting the Registration number allotted for the loan.

- (v) The borrowers of foreign currency loan/credit are not permitted to use balances in

their foreign currency accounts maintained in India or abroad as per Reserve Bank's specific/general permission for repayment/payment of principal/interest and any other charge connected with the loan/credit unless (a) specific application for the proposed repayment/payment in [form ECB 3](#) has been made to Reserve Bank and approval obtained from Reserve Bank (where necessary) or to the authorised dealer, as the case may be, (b) a statement in [form ECB 2](#) for the last calendar quarter has been submitted to Reserve Bank and its acknowledgement obtained and (c) Reserve Bank has granted approval for debt servicing out of funds held in the foreign currency account.

- (vi) The designated bank should maintain proper records for each foreign currency

loan/credit handled by it and record therein all essential particulars of the amount of loan/credit raised, repaid and outstanding including those remittances made through other authorised dealers. Head Offices of authorised dealers should evolve a suitable system for maintenance of records and supervision over remittances under foreign currency loan/credit.

- (vii) At times borrowers desire to make remittance towards repayment of the loan or

interest through an authorised dealer other than the designated one in order to take advantage of the finer exchange rate available in the forex market. In such cases, the borrower should submit his application for remittance to the designated bank in [form ECB 3](#) together with all the relevant documents and obtain a letter from it in favour of the authorised dealer through whom he proposes to effect the remittance, along with [form A 2](#) under proper authentication by the designated bank. The borrower may then submit the letter and [form A 2](#) to the remitting bank for making the remittance. The remitting bank should certify the [form A 2](#) after effecting the remittance and forward the same to Reserve Bank along with the relevant R Return. It should also separately send a certificate to the designated bank indicating complete details of the remittance (the name of the remitter and the beneficiary, currency and amount remitted as also date and the purpose of the remittance) to enable the latter to maintain proper record of remittances made. On receipt of the certificate from the remitting bank, the designated bank should verify the particulars of the remittance made and retain the certificate for its record. The designated branch should not allow any subsequent remittance either by itself or through another authorised dealer, if a proper certificate from the remitting bank has not been received for the previous remittance.

- (viii) The applicant borrowers who are permitted to remit the principal amount and

interest in connection with their foreign currency borrowings through designated bank should submit the statement in [form ECB 2](#) to the office of Reserve Bank positively within the prescribed period. In case of failure of submission of statement as stated above, Reserve Bank may be constrained to withdraw the facility of general permission granted for remittances to be made through the designated bank and the applicant would have to seek specific permission each time from Reserve Bank.

(ix) Reserve Bank attach great importance to statement in [form ECB 2](#) with a view to monitoring etc. of foreign currency borrowings. In the case of persistent default in timely submission of statement in [form ECB 2](#) to Reserve Bank on more than one occasion by the applicant, Reserve Bank would take suitable action against the defaulting borrowers.

Short Term Loans/Credits

7B.8 (i) Short term foreign currency loans/credits with maturities less than three years for the purpose of financing imports into India do not require prior clearance from

Government of India. Applications for raising such loans/credits should be made in [form ECB 4](#) through an authorised dealer to the Chief General Manager, Exchange Control Department, Central Office (IMD-II), Reserve Bank of India, Mumbai 400 001. The proposals shall be considered by Reserve Bank on merits of each case and in the light of prevailing policy.

(ii) In approved cases, Reserve Bank will issue a letter of approval indicating the terms and conditions under advice to the concerned authorised dealer. The borrowers, should thereafter, report the details of drawals, utilisation, repayments and outstandings under the foreign currency loan/credit in respect of each approval granted by Reserve Bank, every month in [form ECB 5](#), (in duplicate); one copy of [ECB 5](#) alongwith the Annexure thereto duly countersigned by the concerned authorised dealer and supported by a complete set of documents such as Exchange Control copy of the import licence/s [where applicable], original invoice and Exchange Control copy/ies of Bill/s of Entry for home consumption evidencing import of goods for which the loan/credit was obtained should be submitted to the concerned Regional Office of Reserve Bank, and another copy without the Annexure/documents should be submitted to the Chief General Manager, Exchange Control Department, (IMD), Reserve Bank of India, Central Office, Mumbai 400 001, by the 10th of the month following the month to which it relates. In case the loan/credit has not been drawn, a "NIL" statement in [form ECB 5](#) should be submitted. In the event of default in timely submission of the statement in [form ECB 5](#), the borrowers shall be liable for such action as may be deemed necessary by Reserve Bank under FERA, 1973.

(iii) Authorised dealers may allow remittances towards loan instalments and interest strictly in accordance with the terms and conditions indicated in the letter of approval issued by Reserve Bank. For this purpose, the borrower should make an application to authorised dealer on [form A2](#).

Foreign Currency Loans under US\$ 5 million/ USD 10 million Schemes

7B.8A (i) Proposals from corporates/institutions for raising external commercial borrowings (ECBs) will be considered under the following schemes:

(a) **USD 5 million Scheme**

Raising of ECB under the scheme will be considered provided (a) the amount to be raised does not exceed USD 5 million or its equivalent and (b) the borrowing should be for a minimum simple maturity of three years. Corporates/institutions may utilise the proceeds of such borrowings for their business related expenditure (including rupee expenditure) subject to the caveat that only one such loan should be outstanding at any point of time.

(b) **USD 10 million Scheme**

Raising of ECBs under this scheme will be considered provided (a) the amount to be raised does not exceed USD 10 million or its equivalent and (b) the minimum average maturity of the loan should be of three years under various windows i.e. Exporters/Foreign Exchange Earners Scheme, Infrastructure Project Scheme, Long

Term Borrowers Scheme and others. The proceeds of the ECB raised under the scheme may be utilised for the purpose for which it has been sanctioned.

Applications for raising ECB under USD 5 million Scheme or under USD 10 million Scheme should be submitted in [form ECB 6](#) through an authorised dealer to the Chief General manager, Exchange Control Department, ECB Division, Central Office, Reserve Bank of India, Mumbai, 400 001.

(ii) In approved cases, Reserve Bank will issue a letter of approval indicating the terms

and conditions of the proposed loan and allot a loan key number. On receipt of Reserve Bank's approval, the borrower firm/company may conclude the loan agreement with the overseas lender taking care to ensure that no condition or financial liability, direct or indirect, other than that specifically approved by Reserve Bank is accepted in terms of the said loan agreement. The borrower, after concluding the loan agreement, should file a certified true copy thereof with the concerned Regional Office of Reserve Bank. Reserve Bank will take the agreement on record, allot a registration number for the proposed foreign currency loan and advise the borrower accordingly if the agreement is found to be in conformity with approved terms. The borrower should draw the foreign currency loan amount for utilisation towards approved purpose(s) only after the loan agreement has been taken on record by Reserve Bank. The Registration Number should be quoted on all returns/statements including [form A2](#) to be submitted to Reserve Bank.

(iii) As regards drawal of foreign currency loan, utilisation and repayments

there against, the borrowers should follow the instructions contained in [paragraphs 7B.6](#) and [7B.7](#).

Sub-loans out of Lines of Credits/Loans obtained by Term Lending Institutions

7B.9 Term lending institutions viz. IDBI, ICICI and IFCI have been granted general permission for signing Heads of Agreements with their sub-borrowers in India, without prior approval of

Reserve Bank in individual cases, in respect of sub-loans in foreign currency sanctioned to the latter to cover the cost of capital funds and the net amount of technical know-how fees payable, out of foreign currency loans/lines of credit arranged by the former from overseas institutions with the prior permission of Reserve Bank. Full details of the documents and particulars required to be furnished by the sub-borrowers should be ascertained from the financial institution concerned. IDBI, ICICI and IFCI have been granted general permission to accept personal guarantees of directors/promoters/partners/ associates of sub-borrower companies/firms by way of collateral/ interim security, without prior permission of Reserve Bank in each case, provided such guarantees do not involve any direct or indirect outgo of foreign exchange by way of guarantee commission or otherwise. It will not be necessary for sub-borrowers to approach Reserve Bank separately for permission for obtaining foreign currency loans through IDBI, ICICI and IFCI or for executing personal guarantees by way of collateral/interim security.

Loans for Purchase of Aircraft/Ships

7B.10 Airline/Shipping companies desirous of raising foreign currency loans/credits for financing purchase of aircraft/ships should follow the procedure outlined in [paragraph 8B.12](#).

Import under Foreign Loans/Credits arranged by Government of India from Foreign Governments/Institutions

7B.11 (i) Import of goods under foreign loans/credits arranged by Government of India would be governed by the detailed instructions set out in Public Notices issued by the Director General of Foreign Trade/AD Circulars issued by Reserve Bank.

(ii) Generally, one of the two methods viz. letter of commitment method or reimbursement

method is followed for payment for imports under foreign loans/credits. Under letter of commitment method (also called direct payment method), payment is made direct by the loan/credit disbursing agency to foreign suppliers whereas under reimbursement method payment to supplier is made in the first instance by remittance through normal banking channels and reimbursement subsequently claimed by Government of India by submitting prescribed documents. Remittances in foreign exchange from India or rupee transfers to non-resident accounts are not permitted in case of imports covered by licences issued under letter of commitment method. The manner of converting the foreign currency payments made under letter of commitment method into rupees, and of transferring the funds for credit of Government of India and other regulations incidental thereto will be advised to authorised dealers from time to time. At the time of opening letters of credit against import licences where the reimbursement method applies, authorised dealers should make appropriate stipulations to ensure that the prescribed documents are submitted to them without fail. In cases where bills are received for collection in respect of such import licences, authorised dealers should not allow remittances until the required documents are furnished.

PART C - MERCHANTING TRADE

General

7C.1 The basic requirements to be fulfilled from the Exchange Control angle in the case of merchanting trade or intermediary trade transactions are that the transactions should not involve foreign exchange outlay from India except for the normal transit period not exceeding one month; both the legs of the intermediary trade transaction are financed through the opening of Letters of Credit (with drafts drawn under them being of even tenor) and such credits are on back to back terms. If the Letter of Credit to be opened in favour of the overseas supplier is not backed up by a letter of credit from the overseas buyer, an advance remittance for the full value should have been received from the overseas buyer. Authorised dealers are accordingly authorised to open letters of credit on behalf of their clients, who should be genuine traders in goods and not mere financial intermediaries, in accordance with the basic requirements spelt out in this paragraph and to effect remittances under such letters of credit. They should watch foreign currency receipts from these transactions and for this purpose should maintain suitable records.

Advance Remittances to Overseas Suppliers

7C.2 Authorised dealers may allow advance remittances by Indian merchant exporters who are their customers to the overseas suppliers, provided (a) confirmed orders have been received by them from the overseas buyers, (b) authorised dealer is satisfied about the capabilities of the merchant exporter to perform the obligations under the order, (c) the transactions would result in adequate profit to the merchant exporter and (d) the other conditions stipulated in [paragraph 7C.1](#) are satisfied. Where the amount of advance remittance exceeds US \$ 15,000, a guarantee from an international bank of repute outside India should be obtained from the overseas seller. The concerned authorised dealer should also monitor such transactions to ensure that they are completed and proceeds representing cost of goods supplied to the foreign buyer are repatriated to India by the merchant exporter within a period of six months from the date of advance payment.

PART D - IMPORT OF GOLD, SILVER, SECURITIES, CURRENCY ETC.

Import of Gold, Silver & Jewellery

7D.1 Bringing in of personal jewellery by the traveller is regulated by the Customs under the Customs Act/Baggage Rules. Bringing in of gold and silver would be subject to the Export and Import

Policy announced by the Government of India from time to time. Government of India has permitted the bringing into India gold and silver upto certain stipulated quantity by persons of Indian nationality or origin while coming into India, subject to certain conditions and on payment of the prescribed duty in foreign exchange. Gold/silver so brought to the country is permitted to be sold to residents against payment in rupees. General permission has been granted by Reserve Bank vide its [Notification No.FERA 167/95-RB](#) dated 30th May 1995 to persons resident in India to make payment in Indian rupees to NRIs selling gold/silver imported by them by means of a crossed cheque in India towards the cost of gold/silver purchased by them. Authorised dealers should credit the amounts so received only to ordinary non-resident rupee (NRO) accounts of the concerned NRI seller.

Import of Cheques, etc.

7D.2 There are no restrictions on the import of foreign currency cheques, drafts, bills of exchange, postal orders and

such other financial instruments but the foreign exchange so received in India should be offered by the person receiving it for sale to an authorised dealer in India within seven days from the date of receipt.

Import of Securities

- 7D.3** (i) There are no restrictions on the import into India of any security, whether Indian or foreign.
- (ii) It is obligatory on the part of persons resident in India (other than foreign nationals not permanently resident in India) to obtain Reserve Bank's permission to acquire or hold foreign securities.

NOTE: *This will not apply to a person who has been resident outside India for a continuous period of not less than one year, in respect of securities acquired/held as provided in [Notification No. FERA 118/92-RB](#) dated 7th September 1992 [See also [paragraph 12.6\(i\)](#)].*

Import of Indian Currency

7D.4 In exercise of the powers conferred by Section 13(1) of FERA 1973, Government of India have issued [Notification No. F1/107/EC/73](#) dated 1st January 1974 in terms of which no person shall bring into India any Indian currency notes or coins except with the general or special permission of Reserve Bank. Reserve Bank by its [Notification No. FERA.81/89](#)-RB dated 9th August 1989 (as amended) has permitted import of Indian currency subject to the conditions as under:

- | | | |
|-----|---|---|
| (a) | From Nepal by any person | Currency notes of Government and Reserve Bank of India notes other than notes of the denominations of above Rs. 100/-) |
| (b) | From other countries by Indian travellers | Currency notes of Government of India and Reserve Bank of India notes up to an amount not exceeding Rs.1000 per resident Indian, provided the amount sought to be brought into India had earlier been taken out while proceeding abroad on a temporary visit. |

NOTE: *The above restrictions apply to import of Indian currency notes and coins. There are no restrictions on the import of cheques, drafts, etc. drawn on banks and expressed in Indian rupees.*

Import of Foreign Exchange

7D.5 Reserve Bank has granted general permission to any person to bring foreign currency into India from any place outside India without limit, provided he declares to Customs authorities on arrival

the particulars of all such foreign currency brought in by him on the Currency Declaration Form (CDF). However, if the aggregate value of foreign currency brought in by him in the form of currency notes, bank notes or travellers cheques does not exceed U.S.\$ 10,000 or its equivalent, and/or the value of foreign currency notes does not exceed U.S.\$ 5,000 or its equivalent, CDF is not required to be completed.

NOTE: *Bringing in or sending into India of foreign coins is exempt from the prohibition contained in Section 13(1) of FERA 1973 by virtue of Central Government [Notification No. F1/107/EC/73](#) dated 1st January 1974.*

