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Annexure : Guidelines for Handling Import Bills - Operating Procedure

ANNEXURE

Guidelines for Handling Import Bills - Operating Procedure

[Paragraph 7A.21]

1. The Operating Procedure is aimed at checking the incidence of Bills, i.e., Bills which are drawn against non-existent import documents notably Invoice(s), Bills of Lading/Airway Bills and Bills From the Exchange Control perspective, the risk of fraudulent import the case of bills received on collection basis, particularly new/relatively new customers or customers who do not avail of from the authorised dealer or customers whose business-relationships by and large restricted only to the retiring of import bills. Having business bonafides of Importer-customers have to be carefully verified on the disposal/payment of import bills should be given at a sufficient the branch i.e., by Branch Manager or a Senior Officer in Scale IV should be given in writing in the Import Bills Register and the reasons taken should be clearly recorded.
2. Unless the competent senior officer of the bank i.e., Branch Manager or IV Officer, is fully satisfied about the financial status/standing (virtue of long-established track-record, the concerned authority arrange to obtain a Banker's Report on the overseas seller. The Report bankers/reputed credit Agency (like, Dun and Bradstreet) should specifically comment on whether the seller-firm is ordinarily engaged of goods sought to be exported to India and whether the seller is business engagements.

3. As a general rule import bills and documents should be received by the seller by the banker of the buyer in India. Authorised dealers should therefore, make remittances where import bills received directly from the overseas seller, except in the following cases:

(a Where the value of import bill does not exceed U.S.\$ 10,000/-
)

(b Import bills received by wholly-owned Indian subsidiaries of
) from their principals

(c Import bills received by Super Star Trading Houses, Star Trading
) Houses, Export Houses, 100% Export Oriented Units/Units in Public Sector Undertakings and Public Limited Companies.

(d Where the value of import bill does not exceed U.S.\$ 25,000 in
) of -

(i) books and magazines

(ii life saving drugs/equipments by Hospitals, etc. and
)

(iii Imports by reputed research and other development in
) Institute of Fundamental Research, C-DOT, Indian Institute of Technology, Indian Institute of Science & University.

(e) Import bills received by all limited companies viz. public limited and private limited companies.

4. In all other cases, at the request of importer clients, authorised d bills direct from the overseas seller up to U.S.\$ 25,000 (U.S. D thousand only), provided the Competent Officer i.e. Branch Manag in Scale IV is fully satisfied about the financial standing/status and importer customer. Beffore extending the facility, authorised de report on each individual overseas seller from the overseas banke agency.
5. (a As stated above, instructions on the disposal/payment of imp) given at the level of Branch Manager or a Senior Sca consideration the following aspects:
 - i) Is the Indian customer banking with the concerned bran long period of time.
 - ii) Whether the customer has availed of credit facilities from tl
 - iii) Whether the bank has at any time examined the bal customer.
 - iv) Is the customer an established dealer/trader/user of the c imported.

- v) Whether the place of business/godowns etc. of the importer visited/inspected by the bank.
- vi) Whether sales of the importing firm are regularly credited to the account or there are only occasional credits to the account ascertained whether credits are mostly by way of cash or whether non-cash deposits represent mostly pay-orders drawn on other branches/branches of other banks by the importer whether credits represent normal business funds or simple transfers from one account to another account.

Authorised dealers should maintain a separate Import Bills Register with particulars in chronological order of import bills received direct from the importer. Comments covering these points must be given in the Import Bill Register. Inspecting Officials are in a position to suitably cross-check at the Register should be scrutinised by the internal auditors during the course of their features, if any, noticed should be incorporated in their Report.

(b) Based on the above, and taking into account the track record and position of the importer, the competent officer of the bank should insist on the handling/retirement of the import bills. In case of doubtful importer, dealer should, inter-alia, insist on:

- (i) Detailed verification of the importer's books of accounts.
- (ii) Inspection of importer's place of work.

(iii Enquiries with some of the leading customers of the importer
) his business bona fides.

(iv A comprehensive and wholly satisfactory Opinion Report from
) the overseas seller.

6. Authorised dealers may consider the feasibility/desirability of restriction of handling import documents to `A' and `B' category branches where authorised dealers have a number of `A' and `B' category branches. If such restriction may not lead to operational inconvenience for customers, where import documents are received/handled by `C' category branches, the `A' category branch which has to effect the remittance must insist on a Report cum Certificate from the Branch Manager of the `C' category branch. If warranted, the `A'/'B' category Branch Manager may depute a representative to make detailed enquiries at the `C' category branch to establish bona fides.
7. Authorised dealers should not view the above procedural provisions as relevant only to import bills received on collection basis. Since fraud can be the handiwork of cash-rich persons and their front-firms, it is necessary to advise such firms to open Letters of Credit favouring overseas nominees for 100% even upto 100%. In all such cases, authorised dealers must insist on the procedural drill detailed above so that the financial antecedents of the importer and the overseas seller are clearly established.
8. Authorised dealers must instruct the operating staff to scrutinise all documents presented by importers with particular care. Though it is unlikely that such scrutiny can reveal the authenticity or otherwise of a Bill of Entry, obvious inconsistencies/inaccuracies can be noticed which should be referred for further enquiry. Branch Manager/Senior Scale IV Officer may also be required to check and particularly in respect of new/relatively new accounts through

are being routed, send copies of a few Bills of Entry at random to the concerned office of Customs and follow up promptly for correction from them. All such correspondence should be kept on records for internal auditors and inspecting officials of Reserve Bank.