

FOREIGN EXCHANGE

What is Foreign Exchange?

Foreign exchange is the mechanism by which currency of one country is converted into currency of another country. Foreign exchange means any currency other than the local currency which is used in settling International transactions and includes deposits, credits and balance payable in any foreign currency, drafts, traveller cheques, LCs or bills of exchange, expressed or drawn in Indian Currency but payable in FC/ drawn by banks, institutions or persons outside India, but payable in Indian currency.

Role of Reserve Bank of India

With the introduction of Foreign Exchange Management Act (FEMA) 1999 with effect from 1st June 2000, the objective of Reserve Bank of India has shifted from conservation of foreign exchange to facilitating external trade and payment and promoting the orderly development and maintenance of foreign exchange market in India.

Reserve Bank of India issues licenses to Authorised Dealer (ADs) Banks, Full Fledged Money Changers (FFMCs) and other selected Financial Institutions to deal in foreign exchange. Amendments / Liberalisations made by RBI on FEMA guidelines are informed through AP (DIR Series) circulars.

Authorised Dealers (ADs)

Scheduled Commercial Banks currently authorized by RBI to deal in foreign exchange as Authorised Dealers (ADs) Category I. Such ADs are permitted to deal in all current and capital account transactions according to RBI directions issued from time to time. They are permitted to open and maintain accounts in foreign currencies in foreign centers. They can buy and sell foreign currencies under the powers delegated to them. They can maintain the accounts of non-residents.

FFMCs (Full Fledged Money Changers), Co-operative banks, select Regional Rural Banks (RRBs) and other entities are known as Authorised Dealer-Category II. The major activities of these authorised persons are specific non-trade related current account transactions, the activities permitted to Full Fledged Money Changers etc. Select Financial and Other Institutions are known as Authorised Dealer-Category III. The major activities permitted to them are transactions incidental to the foreign exchange activities.

Foreign Exchange Dealers' Association of India (FEDAI)

This is an Association of ADs formed with the approval of RBI. The aim of the Association is to ensure that uniformity is maintained in the handling of all forex transactions.

Following are the important functions of FEDAI:

- Issuing Guidelines and Rules for Forex Business
- Training of bank personnel in the areas of Foreign Exchange Business
- Accreditation of Forex Brokers
- Advising/Assisting member banks in settling issues/matters in their dealings
- Representing member banks with Government/RBI/Other Bodies
- Announcing various rates on a periodical basis.

Classification of Branches

As per Reserve Bank of India requirement, branches of our Bank handling foreign exchange business are classified into three categories as under:

Category A Offices and branches maintaining independent foreign currency accounts in their own names. **The Treasury Branch falls under Category A.**

Category B Offices and branches not maintaining independent foreign currency accounts but operating on the accounts maintained by Category A branches. These branches are called Forex Authorised Branches (FABs)

Category C All other offices and branches handling foreign exchange business through Category A or B offices/branches and these branches are known as Non-Authorised Branches (NABs).

FEMA – Some Important Definitions

FEMA 2 (m) 'Foreign Currency' - Means any currency other than Indian Currency.

FEMA 2 (n) – ‘Foreign Exchange’ means foreign currency & includes:

- Deposits, credits and balance payable in any foreign currency,
- Drafts, traveler cheques, LCs or bills of exchange, expressed or drawn in Indian Currency but payable in FC./ drawn by banks, institutions or persons outside India, but payable in Indian currency.

FEMA 2(o) – ‘Foreign Security’ means any security in the form of

- Shares,
- Stocks,
- Bonds,
- Debentures or any other instrument denominated or expressed in FC, but whose redemption or any form of return such as interest or dividends is payable in Indian Currency.

Section 5 of FEMA, 1999

- Release of foreign exchange to residents for various current account transactions
- Schedule I - expressly prohibited items
- Schedule II - permitted by the ADs if prior approval from the Ministry/Dept of GoI is secured
- Schedule III- prior approval of the RBI required for remittance exceeding these limits.

Opening of accounts of exporters – Compliance of KYC norms

Department of Financial Services (DFS) has informed that Enforcement Directorate (ED) has come across various cases wherein Indian parties having large export outstanding are not traceable. It is further stated that due diligence is not taken and KYC norms were not followed while opening accounts of exporters and importers.

In this connection, all branches handling Import Export transactions are hereby advised to meticulously follow the instructions as detailed below:

- All accounts opened for Import / Export transactions are fully KYC complied & due diligence has been done as per the extant guidelines of the bank from time to time.
- No transactions of Export / Import are undertaken for partially complied/non compliant accounts.
- Advance against Import payments can be made only from accounts which are in existence with the Branch at least for a period of 6 months with satisfactory operations. Unit visit of Export/Import clients before undertaking any transaction with them to specifically ascertain line of activity and scale of operations. Visit report is to be kept on-record for future verification.
- With Effect from 01.10.2022 AD-I category branches will obtain the LEI number from resident entities (non individual) undertaking capital or current account transaction of Rs 50 cr & above under FEMA.

Exchange transaction

A transaction which involves conversion of one currency into that of another is a foreign exchange transaction. A foreign exchange transaction may arise out of exports or imports or remittances into or from the country. The rate at which the conversion is done is the rate of exchange the **spot exchange rate** refers to the current exchange rate.

Interbank and Merchant transaction

A foreign exchange transaction between two banks is ‘inter bank transaction’. In our bank inter bank deals are undertaken only by Treasury branch. Foreign exchange transactions between the bank and the customers is known as ‘Merchant transactions’. The discussion in this chapter focuses on Merchant Transactions.

Purchase Transaction

In a ‘Purchase Transaction’ the bank acquires foreign currency from the customer and pays him the local currency. Purchase of export bills, payment of DD drawn in foreign currency are examples of purchase transactions.

Sale Transaction

In a ‘Sale Transaction’ the bank sells foreign currency to the customer receiving from him Indian rupees. Retirement of import bills, issue of DD in foreign currency are examples of sale transactions.

Exchange Quotations

In the interbank market the exchange quotation has two rates - one for buying and the other for selling the foreign currency. Which of the two rates is for buying or for selling is to be interpreted according to the method of quotation.

Direct Quote

An exchange rate quotation where the foreign currency is the standard (fixed) unit and the rate is expressed in variable units of the home currency is called 'Direct Quotation' or 'Home Currency Quotation'. In other words, the exchange rate for a foreign currency is expressed in terms of units of local currency equal to one unit of foreign currency. Direct method of quotation is presently being used in India.

Eg : US \$ 1.00 = Rs.73.50/55.

Here buying rate is Rs.73.50 and selling rate is Rs.73.55 per dollar for the quoting bank.

Indirect Quote

If in an exchange rate quotation, the home currency is the standard (fixed) unit and the rate is expressed in variable units of the foreign currency, it is known as 'Indirect Quotation' or 'Foreign Currency Quotation'. In other words, under this type of quotation, the exchange rate is quoted in terms of the number of units of foreign currency equal to a unit of local currency.

Eg : Rs.100 = US \$ 1.3605/3595

Here buying rate is USD 1.3595 and selling rate is USD 1.3605 per Rs.100 for the quoting bank.

Ready, Tom, Spot and Forward Transactions

In a **Ready or Cash** transaction, the exchange rate is agreed upon and the exchange of currencies is done on the same day.

In a **Tom** transaction, the exchange of currencies takes place on the next business day following the day when the transaction is closed.

In a **spot** transaction the exchange of currencies take place on the second succeeding business day following the day when the transaction is closed.

In a **forward** transaction, the exchange of currencies takes place at a specified future period, at an exchange rate predetermined on the date of the contract.

Base Currency / Term Currency

An exchange system quote is given by stating the number of units of "term currency" (or "price currency" or "quote currency") that can be bought in terms of 1 "unit currency" (also called "base currency"). For example, in a quote that says the EUR/USD exchange rate is 1.4320 (1.4320 USD per EUR), the term currency is USD and the base currency is EUR.

There is a market convention that determines which is the base currency and which is the term currency. In most parts of the world, the order is: EUR – GBP – AUD – NZD – USD – others. Thus if you are doing a conversion from EUR into AUD, EUR is the base currency, AUD is the term currency and the exchange rate tells you how many Australian dollars you would pay or receive for 1 Euro. Cyprus and Malta which were quoted as the base to the USD and others were recently removed from this list when they joined the euro.

Nostro accounts:

Any bank in the world, for undertaking foreign exchange transactions have to open an account with banks in various other countries known as Nostro accounts. When banks in India open accounts with banks abroad in their currency, it is known as Nostro account.

Vostro Account

When a bank abroad is opening account with a bank in India either in INR or FCY, we call it as Vostro account

Loro Account

Loro accounts are generally held by a 3rd party bank, other than the account maintaining bank or with whom account is maintained. For example SBI's JPY account with a bank in Tokyo will be a Loro account for Indian Bank.

What is a Mirror account?

It is an internal account maintained by "A category" branch. As we saw earlier, "A category" branch maintains the Nostro account for the bank as a whole. All B category branches of the bank will be operating these accounts. To monitor the operations in the account and to make reconciliation of transactions easier, mirror account is maintained. True to its name, it will reflect all the transactions taking place in the Nostro account. All debits to the Nostro account will appear as credit in the Mirror account and all the credits to Nostro account will appear as debit in the Mirror account

Who is an NRI?

As per FEMA NRI is a person who has gone out of India or who stays outside India, in either case

- for the purpose of gain full employment outside India,
- for undertaking business or vocation outside India,
- for education abroad,
- for any other purpose, in such circumstances as would indicate his intention to stay outside the country for an uncertain period

As per IT act, NRI is a resident who had stayed outside the country for a period of more than 182 days during the previous financial year. As per FEMA, intent to stay abroad is important factor for deciding the NRI status. In the case of IT act, physical stay is the important factor in deciding the status.

Who is a PIO?

PIO is a foreign citizen:

Who has ever held an Indian passport, or

The person's parents, grandparents or great grandparents were born in and were permanent residents of India and never moved to (i.e. were never nationals of) Bangladesh and Pakistan, or

The person is the spouse of a citizen of India or of a PIO and has been so for two years or more, and the person and his/her parents, grandparents or great grandparents must not have been a national of Bangladesh or Pakistan at any point of time.

What are types of accounts that can be opened by NRIs?

NRIs are permitted to open NRE, NRO & FCNR (B) accounts

What are the different types of NRE Accounts?

NRE account can be opened in the form SB/RD/Term Deposit and denominated in INR. The rate of interest on SB is as applicable to domestic deposit. The minimum period of Term deposit is 1 year & Maximum period of deposit is 10 years. Short Term Deposit cannot be opened as the minimum period of deposit is 1 year. Only the following credits are permitted in to NRE accounts:

- Foreign Inward remittance
- DD/Cheques drawn in foreign currency
- Tendering of Foreign currency / Travellers Cheque during personal visit
- Transfer from FCNR(B) / Other NRE accounts

Joint account is permitted. Joint account holder can be NRI or Resident Indian. If resident Indian, the joint account holder should be a close relative as defined in Companies Act 2013 and the mode of operation of the account should be F or S. Nomination is allowed and POA can also operate the account. But POA can transfer the funds outside the country only in favour of the account holder. No TDS on interest earned on the deposits as they are exempted from Tax and therefore no form 15G / 15H should be obtained from NRE account holders.

Funds held in these accounts can be freely repatriated. Also funds can be transferred from NRE to FCNR(B) and Vice Versa. Funds from NRE can also be transferred to NRO account. But transfer of

NRO to NRE is restricted to a maximum of equivalent of USD 1 million per financial year subject to payment of applicable taxes in India.

What are the conditions relating to Interest on NRE term deposits

- NRE term deposits should be opened for a minimum term of one year.
- No interest is payable on NRE term deposits pre-closed before one year from the date of opening of the said deposit.
- Interest rates on NRE and NRO deposits cannot be higher than those offered on comparable domestic rupee deposits.
- Interest rates applicable to deposits for 3 years period will be applicable for deposits for terms more than 3 years also.
- Additional interest rate of one % per annum payable to Bank's own staff is not available in respect of NRE/NRO deposits.

NRO - CAPITAL GAINS DEPOSIT

To facilitate NRIs to derive benefits under the above scheme & also to broad-base our NRO Deposits portfolio, it has been decided to introduce NRO-Capital Gains Deposit scheme for NRIs also with immediate effect

Salient features of the scheme

Eligible Branches to open NRO-Capital Gains Deposits.

All branches **except rural** branches are authorised to accept deposits under the Scheme. However rural branches are also requested to mobilise deposits from their customers for the benefit of nearby semi-urban branches.

Eligible Persons to apply

NRIs who are eligible for Tax exemption under Section 54, 54 B, 54 D, 54 F, or 54 G, of the Income Tax Act 1961 (43 of 1961) can deposit under this scheme.

Types of Account

NRO-Savings Bank A/c
NRO-Term Deposit A/c

Interest rates

As applicable for regular NRO-SB & NRO-MMD accounts.

Income-Tax /TDS on interest earned on the deposit.

As applicable for regular NRO-SB & NRO-MMD Accounts.

Additional interest rate for Staff members opening a/c.

Not Applicable.

Loan Facility

No Loan facility is permitted against the pledge of this deposit.

What is FCNR (B) Deposit

This deposit is denominated in foreign currency. Only term deposit can be opened – FD & MMD. No Short Term Deposit can be opened as minimum period of deposit is 1 year. Maximum period of deposit is 5 years .

As per RBI guidelines this deposit can be opened in any permitted currency. In our Bank this deposit can be opened in eight currencies – USD, GBP, EUR, JPY, AUD, CAD, SGD & CHF.

Even resident can be joint account holder, provided resident joint account holder should be a close relative as defined in Companies Act 2013 & mode of operation should be F or S. No tax on interest earned on FCNR (B) Deposit. No interest rate concession to staff/ex-staff/senior citizen. Transfer of fund is permitted from FCNR to NRE and vice versa. Loan against FCNR (B) is permitted and loan to third party against FCNR deposit is also permitted

*** Pre-closure of FCNR (B) Deposits:**

For Closure of FCNR (B) deposits if the deposit is closed before due date, interest rate for the period run without penalty or the contracted rate without penalty, whichever is less, is applicable

What are the features of NRO deposit?

It is similar to domestic deposits. Local rupee also can be deposited into this account. SB/TD/RD can be opened. Minimum period of deposit is 7 days and maximum 10 years. Transfer from one NRO to another NRO account of the same person or others are permitted. Staff/Ex-staff members and senior citizen/Ex-staff senior citizen are not eligible for concessional rate of interest. Interest on SB and RD is also subject to TDS. TDS is 30% (under Sec.80TTA). No Form 15G/15H to be obtained in respect of NRI Customers. Foreclosure as applicable to domestic term deposit.

Whether NRIs can be Joint Holders in Resident's SB/EEFC/RFC Accounts?

Individual residents in India are now permitted to include non-resident close relative(s) as joint holder(s) in their resident bank accounts, namely, Savings (SB), Exporter Earners' Foreign Currency (EEFC) and Residents' Foreign Currency (RFC) accounts, on 'Former or Survivor' basis.

Whether Residents can be Joint Holders in NRE/FCNR Accounts

Non-Resident Indians (NRIs)/Person of Indian Origin (PIO), are now permitted to open Non-Resident (External) (NRE) Rupee Account / Foreign Currency (Non-Resident) (FCNR) Account (Banks) Scheme with their resident close relatives(s) as Joint Holder(s) on 'Former or Survivor' basis only, w.e.f 01.09.2016.

Whether loan to NRI can be given against securities in India?

Banks may grant loans against NRE and FCNR (B) term deposits either to the depositors or third parties.

- The term "loan" shall include all types of fund based/non-fund based facilities.
- Rupee loans in India to be allowed to depositor / third party without any ceiling to the extent of balance outstanding in the NRE/FCNR (B) accounts, subject to usual margin requirements.
- Foreign currency loans in India / outside India to be allowed to depositor / third party without any ceiling to the extent of balance outstanding in the NRE / FCNR (B) accounts, subject to usual margin requirements.
- In case of FCNR (B) deposits the margin requirement shall be notionally calculated on the rupee equivalent of the deposits in accordance with para 9(2) of Schedule-2 of Foreign Exchange Management (Deposit) Regulations, 2000.
- The facility of Premature Withdrawal of NRE / FCNR (B) Deposits shall not be available where loans against such deposits have been availed.
- The existing loans which are not in conformity with the above instructions shall continue for their existing term and shall not be rolled over / renewed. As roll over in CBS is automated, branches are instructed to identify such accounts where roll over is not to be permitted and take up well in advance with Project Office to ensure compliance in this regard.

Whether residents can repay the loans given to NRI Close Relatives

Resident individuals are now granted general permission to repay loans availed of in Rupees from banks in India by their NRI close relatives. Earlier, repayment of loans by close relative in respect of Rupee loan availed by NRIs was restricted only to housing loans.

Whether residents can bear Medical Expenses of NRIs

Residents will now be allowed to bear the medical expenses of visiting NRI/PIO close relatives. Earlier, residents were allowed to make payment in rupees towards meeting expenses on account of boarding, lodging and services related to it or travel to and from and within India of a person resident outside India and who is on a visit to India.

What are different types of Foreign Currency Accounts that a Residents can open?

Exchange Earner's Foreign Currency Account (EEFC) Enables exporters and other exchange earners to retain a portion of their receipts (at present 100%) in foreign exchange with an AD. Only current account - No credit facilities, either fund or non-fund based, should be permitted against the security of

the EEFC balances. Balance can be transferred to NRE/FCNR account on change of status from Resident to Non Resident. Export packing credit can be allowed to be adjusted out of such funds. **As per the latest guidelines, the funds credited to the EEFC account during a calendar month should be utilized in full by end of succeeding calendar month.**

RFC Account: A resident in India who was earlier an NRI (One year stay abroad) and became resident on or after 18/04/92 can hold (Resident Foreign Currency) RFC account. This deposit is denominated in Foreign Currency. Any foreign exchange acquired from abroad can be credited. SB and Fixed Deposit permitted. No restrictions including investment overseas. Banks are free to determine interest rates.

RFC (Domestic) Account: A resident in India who acquired foreign exchange while on a visit abroad, from a person on visit to India or by way of gift or honorarium etc. can open RFC (Domestic) account Held in Foreign currency. Only Current account permitted. No interest payable. Repatriation permissible for current and capital account

What is FCRA?

FCRA – Foreign Contribution Regulation Act, 2010 - The Act stipulates that no foreign contribution shall be accepted by a candidate for election; correspondent, columnist, cartoonist, editor, owner, printer or publisher of a registered newspaper; judge, government servant or employee of any Corporation; member of any legislature; political party or office bearer thereof; and individuals or associations specifically notified under section 10 (a) of Foreign Contribution (Regulation) Act, 2010 who have been prohibited from receiving foreign contribution.

Ministry of Home Affairs (MHA), Government of India have made some important amendments in FCRA 2010 and Foreign Contribution (Regulation) Rules 2015 through amendments (FCRR)

- government may prohibit / stipulate prior permission for accepting any foreign contribution
- association having definite cultural, economic, educational, religious, and social program should get themselves registered with the Ministry of Home Affairs, Govt. of India, New Delhi

Before crediting any inward receipt of funds, received in favour of any of the above mentioned associations, banks to meticulously observe –

- To insist upon permission of Central Govt. (Ministry of Home Affairs).
- Obtain copy of permission letter, if prior permission obtained.
- Not to afford credit to the account of such associations which are not registered with MHA under FCRA, 2010.
- To afford credit to the account of such associations as have been directed to receive foreign contributions only after obtaining permission of the Central Govt.
- Not to allow the credit of the proceeds of the cheques / demand drafts etc. to the organizations of political parties (including their branches and units) unless a letter containing the prior permission of Central Government under the FCRA, 2010 is submitted.
- FCRA account will be maintained at SBI new Delhi branch.

Amendments to the Foreign Contribution (Regulation) Act and Rules 2015

Some of the important changes are explained in the short note below for the use of Non Profit Organisations and their functionaries for proper compliance of the law of FCRA and the rules made.

For some of the following changes, previously prior approvals were required but such permissions are done away with in the recently amended FCRR 2015. Now, it is sufficient to give intimation online for the following events and changes:

- Change of Association name
- For change in designated bank account
- For opening utilisation accounts
- For more than 50% change in board members
- For change in aims and objectives
- For change in address within the State

For all of the above changes, the form in which intimation has to be given is Form No. FC 6 which is online.

Acceptance of donation from foreign source

Organizations / associations can accept contributions from a “foreign source” only if they are registered with the MHA / GOI. It is to be noted that the account opened for the purpose of receiving contribution / donation should not pass any other regular credits.

In a relief to thousands of NGOs the Home ministry has relaxed the mandatory requirement of getting themselves registered on Niti Aayog-run online platform to receive foreign donations. NGOs will no longer need to have the unique ID generated through the Darpan portal to get such donations. The Home Ministry has issued orders that registration on Darpan will be made optional.

What is Export Finance?

Export Finance is a short term working capital finance allowed to an exporter for manufacturing, processing, packing and after shipment of goods / rendering service to the date of realization of export proceeds.

Export Finance consists of two stages viz., Stage 1 : Pre-Shipment Credit and Stage 2 : Post-Shipment Credit.

Who are eligible to avail export Finance?

Eligible borrowers for Export Finance: Exporter of goods & Service, indirect exporters, exporters of agri products, sub-suppliers, contractors and deemed exporters

Indirect Exporters: Rupee Export Packing Credit to Manufacturer Suppliers who do not have export orders / letters of credit in their own name and goods are exported through the State Trading Corporation/Minerals and Metal Trading Corporation or other export houses, agencies etc.

Sub-Suppliers: Packing credit can be shared between an Export Order Holder (EOH) and sub-supplier of raw materials, components etc. of the exported goods as in the case of EOH and manufacturer suppliers.

Deemed Export: Transactions in which the goods supplied do not leave the country and the payment for such supplies is received either in Indian Rupees or in free foreign exchange refers to deemed export. It includes supply of goods against licenses issued under duty exemption scheme, EPZ, STP, EOU, EHTP and projects funded by UN agencies etc.,

What is pre-shipment Credit?

Pre-Shipment Credit:

Pre-Shipment Credit refers to any loan or advance granted or any other credit provided by the bank to an exporter for financing the purchase, processing, manufacturing or packing of goods prior to shipment for export of goods / services from India.

Types of Pre-Shipment Credit

- Packing Credit – (for financing the purchase, processing, manufacturing or packing of goods prior to shipment for export of goods / services)
- Advance against receivables from the Government like duty drawback etc.
- Advance against Cheques / drafts representing advance payment.
- Foreign Currency Pre-shipment Finance (Foreign Currency Packing Credit - FCPC)

What is quantum of Advance under pre shipment finance?

Pre-shipment finance should not exceed the FOB value (Free On Board) of the goods or domestic cost of production, whichever is less. Margin as stipulated must be maintained. Where the order / LC is on CIF ‘basis’ and ‘its’ amount should be reduced to FOB value before deducting the margin

What is the Period of Advance for Pre-shipment Finance?

Period, for which the pre-shipment finance can be extended at concessional rates, as determined by RBI, is 360 days for all types of commodities, from the date of advance. If pre-shipment advances are not adjusted by submission of export documents within 360 days from the date of advance, the advances will cease to qualify for prescribed rate of interest for export credit to the exporter ab initio.

What are the means by which Packing Credit can be adjusted / liquidated?

Liquidation of Packing Credit refers to adjustment of packing credit. The liquidation can be by

- Proceeds of bills drawn for the exported commodities on its purchase, discount etc.
- Repaid / prepaid out of balances in Exchange Earners Foreign Currency A/c (EEFC)
- From rupee resources of the exporter to the extent exports have actually taken place.
- Packing credit in excess of export value can be permitted to liquidate the excess PC by export bills drawn in respect of by-product to be adjusted either in cash or by sale of residual by – product, like oil, within a period not exceeding 30 days from the date of advance to be eligible for concessional rate of interest.

What is Substitution?

Repaying / liquidating packing credit with proceeds of export documents relating to any other order / shipment covering the same or any other commodity exported by the exporter is known as substitution. Substitution is permitted only to exporter clients who have a good track record.

What is 'Running Account' Facility?

Pre-shipment Credit 'Running Account' facility in respect of any commodity, without insisting on prior lodgement of letters of credit / firm export orders may be extended, depending on the judgment regarding the need to extend such a facility to exporters whose track record has been good as also to Export Oriented Units (EOUs) / Units in Free Trade Zones / Export Processing Zones (EPZs) and Special Economic Zones (SEZs). Running account facility should not be granted to sub-suppliers.

What is a Post-Shipment Credit and what is different type of post shipment finance

Post shipment Credit means any loan or advance granted or any other credit provided by the bank to an exporter after shipment of goods / rendering services to the date of realization of export proceeds. Types of Post-Shipment Credit are:

- Export Bill Purchased / Negotiated / Discounted
- Advance against bill sent on collection basis
- Advance against undrawn balance
- Advance against Duty Drawback receivable from Government.
- Post Shipment Credit in Foreign Currency (FCFBD)

What is Period for post shipment finance?

Demand bills - Normal Transit Period (NTP) as specified by FEDAI – 25 days for all bills drawn in FC

Usance bills - Maximum duration of 270 days from date of shipment inclusive of Normal Transit Period (NTP) and grace period, if any.

Fixed Due Date - Due date is reckoned from the date of shipment or date of Bill of Exchange, NTP shall not be applicable

How Post-shipment finance can be liquidated?

Liquidation of Post Shipment Credit refers to adjustment of FBN / FBP. The liquidation can be by

- Proceeds of export bills received from abroad in respect of goods exported / services rendered.
- Repaid / prepaid out of balances in Exchange Earners Foreign Currency Account (EEFC a/c)
- From the proceeds of any other unfinanced (collection) bills.

Whether Export Credit can be availed in Foreign Currency

Exporter can avail, both pre-shipment and post-shipment credit in foreign currency in one of the convertible currencies viz USD, GBP, JPY, EUR etc. PCFC (Packing Credit in Foreign Currency) can also be availed in one convertible currency in respect of order invoiced in another convertible currency. The risk and cost of cross currency transaction will be that of exporter. The instructions with regard to rupee export credit applies to export credit in foreign currency, unless otherwise specified. The lending rate should not exceed 3.5% over LIBOR/EURO LIBOR/EURIBOR. Customers are allowed to book forward contract in any permitted currency of their choice to hedge the transactions.

What is an Import License?

Except for goods included in the restricted item which require license under the Foreign Trade Policy in force, AD banks can freely open letters of credit and allow remittances for import. The earlier name "license" is now termed as "authorization". Import authorizations are issued by Regional Offices of DGFT. While opening letters of credit, the 'For Exchange Control purposes' copy of the license should be called for and special conditions, if any, attached to such licenses should be adhered to. After effecting remittances under the license, Authorised Dealer may preserve the copies of utilised license/s till they are verified by the internal auditors or inspectors.

What is the time limit for normal imports?

In terms of the extant regulations remittances against imports should be completed no later than six months from the date of shipment, except in cases where amounts are withheld towards guarantee of performance, 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.

What is the time limit for import of books?

Remittances against import of books may be allowed without restriction as to the time limit.

What is the amount of advance remittance for import of goods

Advance remittance for import of goods may be allowed upto USD200000 or its equivalent. If the amount of advance remittance exceeds USD200,000 or its equivalent, standby Letter of Credit or a guarantee from an international bank of repute situated outside India or 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.

What is the amount of advance remittance for import of services?

Advance remittance for import of services may be allowed upto USD500000 or its equivalent. If the amount of advance remittance exceeds USD500,000 or its equivalent, 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.

RBI has issued operational guidelines to banks in respect of the following:

- Advance remittance for import of goods.
- Advance remittance for import of rough diamonds.
- Advance remittance for import of Aircrafts/Helicopters and other Aviation related purchases.
- Advance remittance for import of services.

Advance Remittance for Import of Goods

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

- If the amount 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.

- 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 bonafide of the importer, the requirement of the bank guarantee / standby Letter of Credit may not be insisted upon for advance remittances up to USD5,000,000 (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.
- 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 for 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
- Advance remittance for import of goods may be allowed upto USD200000 or its equivalent and standby LC or guarantee is not mandatory.
- Above USD200,000/- or its equivalent and up to USD 5 Million or its equivalent (Maximum permitted by RBI for remittance without standby LC/guarantee) separate internal guidelines to be approved by Board of Directors

If the amount of advance remittance exceeds USD 200,000 or its equivalent, 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.

Import of rough diamonds - Any amount can be remitted without any limit and without standby LC/guarantee, subject to adherence to the RBI specified conditions.

Import of aircrafts / helicopters and other aviation related purchases

Up to USD 50 Million or its equivalent can be remitted without standby LC/guarantee - Separate internal guidelines to be approved by Board of Directors

Import of services

Up to USD 500,000/- or its equivalent can be remitted without standby LC/guarantee.

What is Bill of Entry Form?

The Reserve Bank of India had launched a comprehensive IT- based system called Import Data Processing and Monitoring System (IDPMS) from 10th October 2016 for monitoring of import of goods and software and facilitating AD banks to report various returns through a single platform.

The purpose:

- Paperless secure transmission of data relating to imports through from customs, to authorized dealers and vice versa. Ensure better regulatory compliance
- Easier tracking / generation of import transactions /data/ history
- Do away with or minimize manual data entry work, reporting, follow-up and communication procedures at AD banks

In our Bank, all trade related transactions are handled through EXIM Module which was introduced in 2008, much before introduction of IDPMS Portal by Reserve Bank of India. The following outward remittance transactions are included while reporting ORM file

- Advance Payment against Imports.
- Payment of Import collection bills
- Payment of Import Bills under LC The input files (containing the ORM data)

are generated for transactions handled in EXIM Module and these files are uploaded in IDPMS Portal. Upon successful validation of the files in IDPMS Portal, acknowledgement files are available for upload and updating the status of ORM in EXIM Module. Bill of entry (BOE) data (evidence for goods imported in a country) captured at Customs / SEZ would be transmitted through Secured File Transfer Protocol (SFTP) server to RBI. The same will be segregated bank wise based on the AD code declared by the

importers in BOE and shared with the respective banks for subsequent follow up. The BOE master file is downloaded from the IDPMS portal and is uploaded in Exim module on a daily basis. For non-EDI ports, AD banks of the importer shall upload in the EXIM bill package the BoE data in IDPMS as per message format “Manual BoE reporting” on daily basis on receipt of BoE from the customer/customs office.

- AD banks will enter BOE details and mark off ORMs as per the message format “BOE Settlement”
- In case of payment after receipt of BoE, the AD bank shall generate ORM for import payments made by the importer customer as per the message format “BOE Settlement”
- Multiple ORMs can be settled against single BoE and also multiple BoEs can be settled against one ORM.

Verification of documents online in order to prevent processing of documents with forged and bogus paper is necessary as given below as per Ministry of Finance

Import and export documentation in Customs takes place through Indian Customs EDI System. The banks can have access to information in the Indian Customs EDI Systems (ICES) through ICEGATE (www.icegate.gov.in) portal which all stake holders use regularly. The status of any Shipping Bill or Bill of Entry can be checked by giving the Shipping Bill or Bill of Entry number, date and port of export and banks are requested to ensure the following to prevent frauds in future.

- To verify every Shipping Bill online through www.icegate.gov.in before discounting relevant export bills.
- To verify the Shipping Bills in cases where relevant export bills have been discounted and amount is outstanding.
- To report all cases of Bill Discounting frauds in exports so that the patterns and modus operandi can be studied and gaps and loopholes either in regulation or in practice can be identified or fixed.

What is a Letter of Credit?

Letter of Credit - an undertaking by a bank, in the importing country, on behalf of the importer/buyer, to the exporter/seller, stipulating that if specified documents conforming to LC are presented within a stipulated date the bank establishing the credit will pay the amount.

What are the Types of LCs?

- Irrevocable Credit – Cannot be cancelled / amended without the consent of all the parties (As per Article 3 of UCP 600, in the absence of any indication to the effect that it is revocable or irrevocable, the credit shall be deemed to be irrevocable).
- Confirmed LC - additional undertaking (only irrevocable LC) by confirming bank normally in the exporter’s country, that payment will be made to the exporter if the terms of the credit are met
- Payment Credit (sight credit /payment / against presentation of requisite documents to the nominated paying bank / the draft to be drawn on the paying bank mentioned in the credit.
- Deferred Payment Credit - Payment to be made by the nominated bank on due dates as per the terms of the credit / No Bill of Exchange
- Negotiation Credit - Allow negotiation by any bank / Restrict negotiation to a particular bank → Restricted LCs
- Acceptance Credit - Usance bill of exchange is mandatory / BOE shall be drawn on a specified bank indicating the tenor / The drawee bank will accept the drafts and honor the same by making payment on the determined due date.
- Revolving LC - amount availed is reinstated and is available for negotiation again
- Transferable LC - original beneficiary can transfer to one/many other beneficiaries. Cannot be transferred to third beneficiary. A credit can be transferred only if it is specifically indicated on the LC.
- Back-to-Back LC- against the security of another credit, may be a local credit, another LC is opened based on export LC.

- Red/Green-Clause Credit - enables the beneficiary to avail pre-shipment credit (Red Clause) up to warehousing stage (Green Clause). Beneficiary defaulting LC opening bank to reimburse the lending bank
- Standby LC - A substitute for guarantee and issued to cover situations of non-performance - Normally issued in countries where regulations PROHIBIT the issue of guarantees by the banks— e.g. USA, Japan
- Any discrepancy to be notified to the negotiating bank within 5 banking days, as per UCP 600.

What are the important regular Statements submitted to RBI

- R>Returns
- Authorised dealers may forward a statement in Form EBW, every half year, to the Regional Office of Reserve Bank under whose jurisdiction they are functioning, indicating details of write offs allowed under their delegated powers.
- ENC- statement of Export Bills negotiated / sent for collection during fortnightly period

What is the premium for Export Credit Insurance-Whole-Turnover Pre- Shipment Credit (ECIB-WT-PC)?

The ECGC premium on pre shipment credit is 8.50 paise per Rs 100/- on a daily product basis. The premium is to be borne by the exporter

What is the premium for Export Credit Insurance-Whole-Turnover Post- Shipment Credit (ECIB-WT-PS)?

The ECGC premium on post shipment credit is borne by the bank and the premium is 11.50 paise per Rs 100/- on a daily product basis.

Letter of credit has been excluded from WT-PS cover. Branches to note the same while remitting the ECGC premium to ECGC (circular No FX-16/2017-18 dated 26/10/2017)

Maximum Liability (ML) - WT-PC: Rs 500 Crores WT-PS: Rs 350 Crores
(Circular Ref FX 41/2020-21 dated 27.11.2020)

What is SWIFT?

SWIFT – Stands for Society for Worldwide Interbank Financial Telecommunications. It is a co-operative society registered in Belgium having its headquarters at Brussels. The first message was sent over the SWIFT network in May 1977 and all 15 founder countries became live on the system. Main objective of SWIFT is standardization, processing and transmission of international financial messages like payment orders, letters of credit, documentary collections etc. The main advantage of message standardization is that SWIFT messages are computer readable and hence can be easily processed.

As an additional measure to tighten control over SWIFT environment, the following measures are implemented from 15th November 2018 through which we seek to centralise all outward messaging of SWIFT, irrespective of Message Type.

Verification and authorization of all outward SWIFT messages will be by SWIFT Centre. Irrespective of the amount, branches to send details of MT 103 and MT 202, EEFC debts, the credit to FC Holding account, signed by BM under his SS No. A scanned copy will be sent to branches etc this is in addition to the existing systems followed.

A uniform cut-off time of 6.00 PM is stipulated for all branches so that SWIFT Centre can process all outward messages before 7.00 PM beyond which SWIFT Server will not process any message. SWIFT Centre has to send a list of transactions beyond threshold limit to Nostro correspondents before 6.00 pm.

This is a major step in enhancing SWIFT security. This replaces the verification and authorisation function at branches with a simple reporting to SWIFT Centre on the details of transactions for the day. Branches are advised to ensure full compliance and also to judiciously utilise the man hours released on simplification of the process, once the system stabilises.

What is Form 15CA & Form 15CB?

A person making a remittance (a payment) to a Non Resident or a Foreign Company has to submit Form 15CA. This form is submitted online. In some cases, a certificate from a Chartered Accountant in Form 15CB is required before uploading Form 15CA online. In Form 15CB, a CA certifies details of the payment,

Here are the details regarding these forms –

- In some cases Form 15CA and certificate from CA in Form 15CB are not required. This is when remittance is towards the list of 28 items mentioned in Rule 37BB.
- Certificate in Form 15CB is not required when remittance does not exceed Rs 50,000 (single transaction) and Rs 2,50,000 (in total in a financial year). Only Form 15CA is has to be submitted in this case.
- Certificate in Form 15CB is not required if lower TDS has to be deducted and a certificate is received under section 197 for it or lower TDS has to be deducted by order of the AO. Only Form 15CA is to be uploaded in such a case.
- In all other cases, if there is a remittance outside India, the person who is making the remittance will take a CA's certificate in Form 15CB and after receiving the certificate submit Form 15CA to the government online.

What is UCP 600?

UCP 600 is the latest version of the rules that govern letters of credit transactions worldwide. UCP 600 is prepared by International Chamber of Commerce's (ICC) Commission on Banking Technique and Practice. Its full name is 2007 Revision of Uniform Customs and Practice for Documentary Credits, UCP 600, and (ICC Publication No. 600). The ICC Commission on Banking Technique and Practice approved UCP 600 on 25 October 2006. The rules have been effective since 1 July 2007.

What are the important features of UCP 600?

UCP 500 was the rules that had been in implementation before UCP 600. There are several significant differences exist between UCP 600 and UCP 500. Some of these differences are as follows;

- The number of articles reduced from 49 to 39 in UCP 600;
- In order to reach a standard meaning of terms used in the rules and prevent unnecessary repetitions two new articles have been added to the UCP 600. These newly added articles are Article 2 "Definitions" and Article 3 "Interpretations". These articles bring more clarity and precision in the rules;
- A definitive description of negotiation as "purchase" of drafts of documents;
- New provisions, which allow for the discounting of deferred payment credits;
- The replacement of the phrase "reasonable time" for acceptance or refusal of documents by a maximum period of five banking days, reduced from 7 days.
- Repetitive, redundant and ambiguous language was eliminated.
- Numerous discrepancy issues were eliminated.
- A new provision on applicant/beneficiary addresses was added.
- Transport document shipment dates and their impact on presentation time were clarified.
- Easier-to-understand transportation articles were created.

Remittances Facility for Resident

Outward remittance :

For Personal Visit Abroad -Max: USD 250000 (or equivalent)

Business Visit – Max -USD 250000(or equivalent)

(Currency Component)- Maximum amount permitted: US\$ 3000 (or equivalent) per ticket / traveller - Except

Iraq / Libya <= US\$5000, Iran / Russian Federation and other CIS countries - Full Amount

Travel to and/or residents of Nepal and Bhutan (clause (b) of Rule 3 of FEMA) – Nil

It is not mandatory for Authorised Dealers to endorse the amount of foreign exchange sold for travel abroad on the passport of the traveller. However, if requested by the traveller, they may record under their stamp, date, signature details of foreign exchange sold for travel.

Education abroad – USD 250000
 Medical treatment abroad – USD 250000,
 Maintenance of NRI Abroad – USD 250000
 Immigration / Employment Abroad – USD 250000,

But total remittance under Rule 5 – Schedule III under LRS during a financial year should not exceed equivalent of USD 250000

Liberalised Remittance Scheme of USD 250000 for resident individuals

- Remit up to USD 250000 / F Y.
- Permitted transactions - Current / Capital A/c. or combination of both
- For undertaking transactions under the Scheme, resident individuals may use the application-cum-Declaration Form **and it is mandatory to have PAN number to make remittances under the Scheme.**
- All remittances as per Rule 5 – Schedule III of FEMA are subsumed under the limit of USD 250000 under the Scheme
- An investor can retain and reinvest the income earned on investments made under the Liberalised Remittance Scheme.

Surrendering of FX

- Unspent FX is to be surrendered to an authorized person within 180 days from the date of its receipt
- Where the aggregate value of FX in the form of currency notes, TCs brought in at any one time exceeds USD10000 or its equivalent, and / or, the aggregate value of foreign currency notes brought in at any one time exceeds USD5000 or its equivalent, currency to be declared at the time of entering into India by a person to Custom Authorities in Currency Declaration Forms (CDF)
- A returning traveller is permitted to retain with him, foreign currency traveler's cheques and currency notes up to an aggregate amount of USD2000 and foreign coins without any ceiling beyond 180 days. (cf. Notification No. FEMA 11/2000-RB dated May 3, 2000). Foreign exchange so retained, can be utilized by the traveller for his subsequent visit abroad
- Where a person approaches an Authorised Person for surrender of unspent/ unutilized foreign exchange after the prescribed period of 180 days, Authorised Person should not refuse to purchase the foreign exchange merely on the ground that the prescribed period has expired.

While remitting

- Endorsement of Passport for FX issued not mandatory
- International Credit Cards (ICCs) – not limited by individual limits
- ICC settled debit to FC a/c → only direct remittance to Card Issuer
- IDC – limits as prescribed in FEMA Section 5 Schedule III.
- IDC payments > USD100000 per calendar year – send statement to RBI

INWARD REMITTANCE

XpressMoney / MONEYGRAM / Western Union (Nodal Branch - Treasury Branch)

- Not eligible for credit to NRE / FCNR accounts.
- Arrangement with UAE Exchange Centre for instant Money transfer by NRIs to resident Indians.
- Payments up to Rs.50,000/- can be paid to the beneficiaries in cash at all branches on identification and if more than Rs.50,000/- by account credit / NEFT / BPO
- The beneficiary can receive a maximum amount of USD2500 as single remittance and maximum of 30 remittances in a year.
- Money Gram – 8 digit reference / Xpress Money – 16 digit reference / Western Money Union – 10 digit reference

SPEEDREMIT (Replaces MT)

Purpose	Remittances from Singapore to India, to the credit of accounts with Indian Bank
Parent Branch	INDIAN BANK Singapore
Benefits	Considerable reduction in transit time. The Twin facility of 'Speed Remit' combined with 'Internet Banking - view' will assure speed, safety and comfort for the remitters

Agreement with M/s. Weizmann Forex Limited for receiving remittances through Ria Money Transfer

- Sub-agency agreement with M/s. Weizmann Forex Limited for handling international remittances under Money Transfer Services Scheme through 'Ria Money Transfer' offered by M/s. Ria Financial Services, USA. Personal remittances made by individuals from countries across the Globe through Ria Money Transfer will be paid instantly to the beneficiary at all branches of our Bank.
- Money Transfer Service Scheme (MTSS) is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India. Only remittances towards family maintenance and remittances favouring foreign tourists visiting India are permissible. A cap of USD 2500 has been placed on individual remittance under the scheme.
- All branches will be acting as Point of Sales (POS), Treasury Branch will act as Nodal Branch.
- The process involved is similar to what the branches are presently following in respect of other Money Transfer Service Schemes.

RBI guidelines while handling remittances under Ria Money Transfer.

- Only personal remittances allowed.
- Donations / contributions to charitable institutions / trusts, trade related remittances, remittance towards purchase of property, investments or credit to NRE Accounts shall not be made through this arrangement.
- A cap of USD2500 has been placed on an individual remittance. Amount up to Rs.50,000/- may be paid in cash to a beneficiary in India exceeding this limit paid by account payee cheque / demand draft / payment order, etc. or credited directly to the beneficiary's bank account only.
- However, in exceptional circumstances, where the beneficiary is a foreign tourist (on tourist visa), higher amounts may be disbursed in cash.
- Only 30 remittances can be received by a single individual beneficiary under the scheme during a calendar year.
- Commercial transactions are not covered under the arrangement

Latest RBI guidelines remittances from abroad

- Rupee Drawing Arrangements: It has been decided to increase the limit of trade transactions from the existing Rs.5 lakhs to Rs.15 lakhs.
- Money Transfer Service Scheme: Direct to account facility: Foreign inward remittance can be directly credited by the recipient bank to other KYC compliant bank accounts through NEFT or IMPS etc subject to conditions. The amount should not be credited to non KYC compliant accounts and NRE /NRO accounts.

Foreign Trade Policy (2015-20)

Government of India released Foreign Trade Policy (FTP) for 2015-2020 on 31.3.2015. This new Trade Policy came into effect from 01.04.2015. The new trade policy seeks to strengthen merchandise and services exports with a targeted value of \$900 billion by 2020.

In a drastic change of stance in keeping with global trading norms under the World Trade Organization (WTO), the new FTP sought to consolidate all previous export incentive schemes under the following two categories:

- Merchandise Exports from India Scheme (MEIS)
- Services Exports from India Scheme (SEIS).

The MEIS has replaced the following five existing schemes:

- Focus Products Scheme,
- Market-linked Focus Products Scheme,
- Focus Market Scheme,
- Agriculture Infrastructure Incentive Scrips
- Vishesh Krishi Grameen Udyog Yojana (VKGUY)

On the other hand, SEIS has replaced the existing Served from India Scheme (SFIS).

Significant Announcements

- MEIS & SEIS incentives to be available to SEZs, too
- FTP to be aligned to Make in India, Digital India and Skills India initiatives
- Duty credit scrips to be freely transferable and usable for payment of custom duty, excise duty and GST
- Basic customs duty paid in cash or to the debit of scrips eligible for duty drawback
- Trade facilitation and ease of doing business by way of online filing of documents and emphasis on paperless trade
- Eligibility criteria for grant of ‘Status’ to an exporter is revised
- Deemed export will be now considered for export performance
- Export obligation period for defence, military store, aerospace and SCOMET items (Special Chemicals, Organisms, Materials, Equipment and Technologies) etc., under Advance Authorization is extended from 18 months to 24 months.

All scrips issued under MEIS and SEIS and the goods imported against these scrips will be fully transferable. This means that scrips issued under Export from India schemes can now be used for payment of customs duty for import of goods, payment of excise duty on domestic procurement of inputs or goods, and payment of GST.

In an effort to push the domestic content requirement, measures have been adopted to encourage procurement of capital goods from indigenous manufacturers under the EPCG scheme by reducing specific export obligation to 75 per cent of the normal export obligation.

The FTP also introduced a concept of import appraisal mechanism which will be done on a quarterly basis by the commerce department. In a view to boost exports from Special Economic Zones (SEZs) the government also expanded the benefits under MEIS and SEIS to the units located inside the tax-free zones. The Govt. proposed to extend the incentives (MEIS & SEIS) to units located in SEZs also.

The FTP from now on will have a mid-term review after two and a half years, except for exigencies. By implementing Foreign Trade Policy FTP 2015-2020 (FTP 2015-20), the India’s share in world trade is expected to double from the present level of 3% by the year 2020. FTP 2015-20 has been extended up to 31.03.2021 in view of the Covid-19 pandemic situation.

Discontinuance of issue of LOC / LOU

On a review of extant guidelines, RBI directed that AD Category –I banks to discontinue the practice of issuing LOU / LOCs for trade credits for import into India with immediate effect.

Letter of Credit and Bank Guarantees including Standby for Trade Credits for imports into India may continue to be issued subject to compliance with the provisions contained in Department of Banking Regulation Master Circular No. DBR. No. Dir. BC.11/13.03.00/2015-16 dated July 1, 2015 on “Guarantees and Co-acceptances”, as amended from time to time.

Reconciliation of Nostro entries – roles and responsibilities of branches

Reserve Bank of India has issued strict guidelines on reconciliation of Nostro Statement debits and credits which in our Bank is handled by Treasury Branch, Mumbai. While online reconciliation is the norm, the

outer limit allowed by Reserve Bank of India is T+1 day for Nostro Statement debits and T+5 days for Nostro Statement credits.

Nostro Statement Debits

It is the responsibility of every branch sending a payment message (of any form) to ensure that appropriate credits to respective Holding Account of Treasury Branch is passed on for the **full amount of debit (including charges) on the same day of the transaction.**

- All branches which send a payment message must, as a matter of routine, check the Nostro statement the very next morning to verify whether their remittance has been debited, and also for what amount.
- If there is any variance on account of charges, the message originating branch must **immediately** debit the customer's account and remit to the respective Holding account of Treasury Branch **and inform the Reconciliation Department of Treasury Branch by email.**
- If this is not done by 12 noon on the following forex business day, Treasury Branch shall originate a debit on the branch originating the message and recover the charges to ensure that no Statement Debit is pending beyond T + 1 day. **These debits must be responded by the remitting branch on the same day and no such debit must be pending at the time of EOD.**
- If there is any duplication of efforts beyond the cut-off time of 12 noon on the next day, it shall be the responsibility of message originating branch to account for the exchange loss, if any, **with the permission of Zonal Office for incurring expenditure.** All such instances shall be reported to CO International Division by the 10th of the following month with reasons for duplication.

Nostro Statement Credits

- Treasury branch shall make all out efforts to pass on credits to branches at the earliest, in any case not later than T+5 days where MT 103 messages are received by them. All FOBC items shall also be released well within the outer limit.
- AD branches which receive MT 103 messages directly shall also apply funds immediately (subject to extant rules/practices) and in any case not later than T+5 days.
- If for any reason branches are not able to apply funds (like incorrect particulars), a SWIFT message must be sent to the remitting Bank seeking full details with a rider that we will be constrained to return the funds by T+5 days if the required details are not sent immediately. The beneficiary may also be kept informed that we will return funds if the required details are not received by the deadline. Eventually, if the funds are to be returned, the branches may issue a debit authority to the nostro correspondent after ensuring from Reconciliation Department of Treasury Branch that the Statement Credits are still pending.
- In respect of payment messages received by Treasury Branch, if funds cannot be applied in spite of best efforts where required details are not available, Treasury Branch shall issue a debit authority to the remitting bank. Before exercising this last option, it shall be ensured no claims under RDPA/FCNR are pending from the branches.
- Simultaneously, branches must not allow claims under RDPA/FCNR to be pending for more than 4 working days. Any claim pending beyond this limit runs the risk of funds being returned.

Masala Bonds

The Reserve Bank of India (RBI) in the first bi monthly monetary policy for 2015-16 released on 29th September 2015, allowed Indian companies to issue Masala Bonds. A Masala bond is a rupee denominated bond issued to offshore investors which will be settled in dollars. Maximum amount of USD 750 million per annum can be issued under automatic route. Even though an amount higher than that can be issued, but it requires prior approval of RBI.

Overseas borrowings by Indian companies have been on the rise as firms sought to take advantage of the lower cost of capital in markets like US and Europe. In the year 2014, Indian companies raised \$ 30.51 billion via External Commercial Borrowings (ECBs). The cost of hedging the currency risk involved in foreign currency borrowings take away part of the advantage of lower borrowing costs. So, allowing companies to issue rupee denominated bonds will transfer any currency risk to the investor rather than the seller. So, a need was felt and the same is addressed by RBI now.

Any corporate or body corporate is eligible to issue rupee denominated bonds overseas. Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) coming under the regulatory jurisdiction of the Securities and Exchange Board of India are also eligible.

Type of the instrument

Only plain vanilla bonds are allowed. They can be issued in Financial Action Task Force (FATF) complaint financial centers only. They can be placed either privately or listed on exchanges as per host country regulations.

Any investor from FATF compliant jurisdiction can invest in these bonds. Banks incorporated in India will not have access to these bonds in any manner whatsoever. However Indian banks can act as arranger and underwriter. In case of underwriting, holding cannot be more than 5 % of the issue size after 6 months of issue. On such holdings prudential norms are applicable as per the stipulations as on that date.

Maturity Period

Minimum period of maturity is 5 years. The call and put option, if any, shall not be exercisable prior to completion of minimum maturity.

End Use

There are no restrictions on end use, except for Real estate activities other than for development of integrated township / affordable housing projects, Investing in capital market and using the proceeds for equity investment domestically and activities prohibited as per the Foreign Direct Investment (FDI) guidelines, on lending to other entities for any of the above purposes and for purchasing land.

Provisions for hedging the risk

The overseas investors are eligible to hedge their exposure in rupee through permitted derivative products with AD Category 1 banks in India. Hedging can also be done by accessing the domestic market through branches / subsidiaries of Indian banks abroad or branches of foreign bank with Indian presence on a back-to-back basis.

FDI vs FII

Foreign investment in India can broadly be classified into two categories - Foreign Direct Investment (FDI) and investment made by foreign Institutional Investors (FIIs). In both of these cases, foreign money enters the Indian markets and fuels growth of economy, industries and capital market. However, with the number of increasing regulations in India, it is not easy for foreign money to enter the markets. There are strict guidelines laid down by market regulator SEBI (Securities and Exchange Board of India) for seeking approvals and documentation for FDI. Also, there are several restrictions laid down on the exit of this money. On the other hand, FII is mainly characterized as portfolio investment i.e. quick money entering the Indian capital market for short-term. Due to its short-term nature, the regulators have laid down fewer guidelines on FII than on FDI. But, the fact remains that foreign money cannot enter Indian markets without regulatory approvals.

Participatory Notes

Participatory notes also called P-notes are offshore derivative instruments with Indian shares as underlying assets. These instruments are used by foreign investors who are interested in betting on Indian securities but not keen on registering with the capital market regulator SEBI. Participatory notes are not used within the country. They are used outside India for making investment in shares listed in the Indian Stock Market. That these notes allow foreign high net worth individuals, hedge funds and other investors to put money in Indian markets without being registered with SEBI, thus making their participation easy

and smooth. P-Notes also aid in saving time and costs associated with direct registrations and that is why they are also called offshore derivative instruments. Participatory notes are issued by brokers and FIIs registered with SEBI.

The investment is made on behalf of these foreign investors by the already registered brokers in India. For example, Indian-based brokerages buy India-based securities and then issue participatory notes to foreign investors. Any dividends or capital gains collected from the underlying securities go back to the investors.

Depreciation of Currency vs Devaluation of Currency

If a country's currency has depreciated it will mean that this country's money has less purchasing power in other countries because of the depreciation. Depreciation of currency happens in those currencies which are linked to floating exchange rate and it is likely to change / vary on day-to-day basis (in actual practice popular currency rates) change almost every few minutes / seconds). A floating exchange rate means that the global investment market determines the value of a country's currency. These countries allow supply and demand to determine the value of their currency relative to the currencies of other countries. Depreciation occurs when the forces of supply and demand cause the value of their currency to drop. To check the high volatility, as a prudent measure, almost all central banks of the respective countries try to influence the exchange rates through various means so as to curb such volatility, yet in the end it is the free market that determines the exchange rate of all the currencies linked to floating exchange rate. These days all major economies use a floating exchange rate. Thus, Appreciation / Depreciation (only marginal change) of all such currencies regularly occurs a number of times during the period market remains open. It is only in rare cases that currency depreciates or appreciates by a wide margin. Such changes happen if some major things happen on economic / political front of such country or in the global markets.

Devaluation of Currency

Devaluation of a currency happens in countries with a fixed exchange rate (or also where it is managed as floating rate). In a fixed-rate economy, it is the government that decides what its currency should be worth compared with that of other countries. In this case, usually the government pledges to buy and sell as much of its currency as needed to keep its exchange rate the same. The exchange rate can change only when the government decides to change it. If a government decides to make its currency less valuable, the change is called devaluation.

Impact of depreciation or devaluation of the currency on economy of the Country

Broadly speaking both has similar impact in the short term. Both of these (i.e. depreciation or devaluation) help the companies which are exporting goods as a drop in the value of the home currency allows the other countries to import goods at a cheaper price from the country whose value has depreciated / devalued. Thus, exports from country whose currency has devalued / depreciated are likely to increase. On the other hand, the citizens will find it costly to buy goods which are imported from other countries as such goods will become costly. Thus, this is likely to benefit the economy to remain competitive in the international market. These events are good for companies that sell the goods produced from domestic raw material, and also to companies that export to other countries.

A drop-in home currency exchange rate makes it more expensive for local people to buy goods from other countries, as import of such goods becomes costlier after depreciation / devaluation. Thus, they will either buy more goods manufactured by domestic companies or reduce their consumption of goods from abroad.

Long Term Impact of Depreciation or Devaluation of the Currency

Depreciation of the currency is a slow process and value of the currency automatically gets adjusted by the market forces. Thus, once the currency of a country has depreciated, the investors from other countries will see an opportunity and are likely to shift from other economies. This will help in boosting the economy which may in the long run even push back the value of the currency. On the other hand in case of devaluation, there is less trust in the economy and once currency is devalued, Government finds it very difficult to revalue the same by government dictate as there will be fear that such revaluation can backfire and put the economy in risk mode.

Foreign Direct Investment (FDI) in India —Insurance sector

The extant FDI policy for Insurance sector has since been reviewed by the Government of India and accordingly it has been decided to enhance the limit of foreign investment in insurance sector from 49 to 74 % under the automatic route subject to certain terms and conditions.

Online submission of Form A2 by the remitter

With a view to facilitating miscellaneous remittances and reducing paperwork associated with payment transactions, it has been decided that Authorised Dealer banks, offering internet banking facilities to their customers may allow online submission of Form A2. Besides, they may also enable uploading/submission of documents, if and as may be necessary, to establish the permissibility of the remittances under the extant rules or regulations framed under the Foreign Exchange Management Act, 1999 (FEMA). Remittances that do not require any documentation (e.g. certain transactions under the LRS) may be put through on the basis of the Form A2 alone. To start with, remittances on the basis of online submission alone will be available for transactions with an upper limit of USD25,000 (or its equivalent) for individuals and USD100,000 (or its equivalent) for corporate.

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

As per the existing guidelines, export proceeds for exports from India and import payments for imports to India may be received / made in any mode in accordance with the directions issued by the Reserve Bank of India to the Authorized Dealers from time to time.

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

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

Diamond Dollar Account (DDA) Scheme

Firms and companies dealing in purchase/ sale of rough or cut and polished diamonds / precious metal jewellery plain, minakari and/ or studded with/ without diamond and/ or other stones, with a track record of at least 2 years in import / export of diamonds / coloured gemstones / diamond and coloured gemstones studded jewellery / plain gold jewellery, and having an average annual turnover of Rs3 crore or above during preceding three licensing years, may open and maintain DDA with AD Category-I banks, subject to the following terms and conditions:-

- The exporter should comply with the eligibility criteria stipulated in the Foreign Trade Policy of the Government of India, issued from time to time.
- The DDA shall be opened in the name of the exporter and maintained in US Dollars only.
- The account shall only be in the form of current account and no interest should be paid on the balance held in the account.
- No intra-account transfer should be allowed between the DDAs maintained by the account holder
- An exporter firm/ company shall be permitted to open and maintain not more than 5 DDAs.
- The balances held in the accounts shall be subject to Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) requirements.
- Exporter firms and companies maintaining foreign currency accounts, excluding EEFC accounts, with banks in India or abroad, are not eligible to open Diamond Dollar Accounts.

Permissible Credits:

- Amount of pre-shipment and post-shipment finance availed in US Dollars.
- Realisation of export proceeds from shipments of rough, cut, polished diamonds and diamond studded jewellery.
- Realisation in US Dollars from local sale of rough cut and polished diamonds.

Permissible Debits:

- Payment for import/ purchase of rough diamonds from overseas/ local sources.
- Payment for purchase of cut and polished diamonds, coloured gemstones and plain gold jewellery from local sources.
- Payment for import/ purchase of gold from overseas/ nominated agencies and repayment of US Dollars loans availed from the bank.
- Transfer to rupee account of the exporter.

Online Payment Gateway Service Providers (OPGSPs)

As per existing guidelines, AD Category-I banks have been permitted to offer the facility to repatriate export related remittances by entering into standing arrangements with Online Payment Gateway Service Providers (OPGSPs) in respect of export of goods and services

To facilitate e-commerce, it has been decided to permit AD Category-I banks to offer similar facility of payment for imports by entering into standing arrangements with the OPGSPs.

Booking of Forward Contract

All resident individuals, firms and companies who have actual or anticipated foreign exposures to book foreign exchange forward and FCY-INR option contracts upto USD 1,000,000 (USD 1 million) without any requirement of documentation on the basis of simple declaration as against the existing limit of USD250000. While the contracts booked under this facility would be normally be on a deliverable basis, cancellation and rebooking of contracts are permitted. Based on the track record of the entity, concerned AD Cat-I bank may call for underlying documents, if considered necessary, at the time of rebooking or cancellation.

MODIFICATION IN LEVY OF PENAL CHARGES FOR PRE-MATURE WITHDRAWAL OF NRE TERM DEPOSITS

Penalty for pre-mature withdrawal of NRE and NRO Term deposits and Exercise of discretion to disallow foreclosure of large value term deposits.

Period	Deposits above Rs. 5 lakhs
1 year and above	Eligible rate will be the applicable card rate for the actual period run prevailing on the date of deposit less 1.00% p.a. as foreclosure charges.
	No foreclosure charges to be levied for deposits in the name of staff/ex staff/ex staff cum senior citizen.

All the other extant RBI guidelines as given below, applicable specifically for NRE term deposits hold good:

- NRE term deposits should be opened for a minimum term of one year.
- No interest is payable on NRE term deposits pre-closed before one year from the date of opening of the said deposit.
- Interest rates on NRE deposits cannot be higher than those offered on comparable domestic rupee term deposits.
- Additional interest rate of one percent per annum payable to Bank's own staff is not available in respect of NRE/NRO deposits.
- If loan/overdraft has been availed against any NRE term deposit, pre-closure of such deposits is not permitted.

Premature Withdrawal of NRE Term Deposits for Conversion into Resident Foreign Currency (RFC) Account – No Levy of Penalty

As per the guidelines of RBI, in the case of premature withdrawal of NRE term deposits for conversion into Resident Foreign Currency (RFC) Account, the bank should not levy any penalty. However, Bancs system will apply penalty clause for all pre-mature closures of NRE Term Deposits. In such cases, where NRE term Deposit is foreclosed for conversion into Resident Foreign Currency account, the penal charges debited by the system is to be manually reversed.

Import of Goods into India – Evidence of Import

An importer has to submit as evidence of import the exchange control copy of the Bill of Entry for home consumption or the exchange control copy of the Bill of Entry for warehousing, in the case of 100% Export Oriented Units (EOUs); or Customs Assessment Certificate or Postal Appraisal Form as declared by the importer to the Customs Authorities.

With the establishment of Free Trade Warehousing Zones / SEZ Unit warehouses, imported goods can be stored therein, for re-export / re-selling purposes for which Customs Authorities issue Ex-Bond Bill of Entry. AD banks are advised to consider the Bill of Entry issued by Customs Authorities named as Ex-Bond Bill of Entry or by any other similar nomenclature, as evidence for physical import of goods. In cases where goods have been imported through couriers, the Courier Bill of Entry, as declared by the courier companies to the Customs Authorities, may also be considered as evidence of import of goods.

Bank Finance to Factoring Companies

As per the existing guidelines, Banks can extend financial assistance to support the factoring business of Factoring Companies who derive at least 75 per cent of their income from factoring activity and the receivables purchased / financed, irrespective of whether on 'with recourse' or 'without recourse' basis, form at least 75 per cent of the assets of the Factoring Company.

The latest amendment by RBI stipulates that an NBFC, for registering as NBFC-Factor shall ensure that its financial assets in the factoring business constitute at least 50 per cent of its total assets and its income derived from factoring business is not less than 50 per cent of its gross income. Accordingly, the criteria regarding asset and income of factoring companies eligible for bank finance as mentioned have also been revised to 50% from 75%.

Rupee Drawing Arrangement - Increase in trade related remittance limit

RBI has Increased the limit of trade transactions under the Rupee Drawing Arrangements (RDAs), from the existing Rs.5,00,000/- (Rupees Five Lakh only) per transaction to Rs. 15,00,000/- (Rupees Fifteen Lakh only) per transaction.

Liberalised Remittance Scheme (LRS)

AD banks may now allow remittances by a resident individual up to USD250,000 per financial year for any permitted current or capital account transaction or a combination of both. The permissible capital account transactions by an individual under LRS are:

- Opening of foreign currency account abroad with a bank
- Purchase of property abroad
- Making investments abroad
- Setting up Wholly owned subsidiaries and Joint Ventures abroad;
- Extending loans including loans in Indian Rupees to Non-resident Indians (NRIs) who are relatives as defined in Companies Act, 2013.

All the facilities (including private/business visits) for release of exchange/remittances for current account transactions available to resident individuals under Para 1 of Schedule III to the Foreign Exchange Management (Current Account Transactions) Rules, 2000, as amended from time to time, shall now be subsumed under the overall limit of USD 250,000.

However, for emigration, expenses in connection with medical treatment abroad and studies abroad, individuals may avail of exchange facility for an amount in excess of the overall limit prescribed under the LRS, if it is so required by a country of emigration, medical institute offering treatment or the

university respectively. Gift in Indian Rupees by resident individuals to NRI relatives as defined in the Companies Act, 2013 shall also be subsumed under the LRS limit.

Simplification and Revision of Declaration Form for Exports of Goods/Software

To liberalize and simplify the procedure relating to export, the requirement of declaring the export of Goods /Software in the SDF in case of exports taking place through the EDI ports has been dispensed with, as the mandatory statutory requirements contained in the SDF have been subsumed in the Shipping Bill format. In case of export from non-EDI ports, the “Export Declaration Form” (EDF) which has been devised to declare all types of export of goods from **Non-EDI** ports and a common “SOFTEX Form” to declare single as well as bulk software exports. The EDF will replace the existing GR/PP form used for declaration of export of Goods.

Government of India has approved the extension of Interest Equalization Scheme for pre and post shipment Rupee export credit, with same scope and coverage, for one more year i.e. up to March 31, 2021. The extension shall take effect from April 01, 2020 and end on March 31, 2021 covering a period of one year. Consequently, the extant operational instructions issued by the RBI under the captioned Scheme shall continue to remain in force upto March 31, 2021.

Bank receiving an amount or an aggregate of amounts of Rs. 7 Lakh or more in a financial year for remittance of funds out of India under the LRS scheme of RBI shall be liable to collect TCS on the amount in excess of Rs. 700000.00.i.e. Once the threshold of INR 7 lakh in a financial year is crossed, TCS would apply on remittances which exceed INR 7 lakh in that financial year The rate of TCS for such remittances is @ 5 per cent. {For Example, if the remittance of Rs. 10 lakhs tax is to be collected at 5% on Rs. 3 lakhs i.e amount exceeding Rs. 7 lakhs (Rs.10 lakhs – Rs.7 lakhs)}

Further If Bank receives an amount or an aggregate of amounts of Rs. 7 Lakh or more in a financial year for remittance out of India under the LRS of RBI and if the source of funds for the remittance is a loan obtained from any financial institution as defined in section 80E for the purpose of pursuing any education, the rate of TCS for such remittance shall be @ 0.5% . 3.

The above TCS provision shall not apply if :-

- Tax is deducted at source under any other provision of the Act.
- The Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate, the trade representation of a foreign State, a local authority or any other person notified by the Central Government in the Official Gazette for this purpose subject to such conditions as specified in that notification.

Anticipated Exposure – An exposure to the exchange rate of INR against a foreign currency on account of current or capital account transactions permissible under FEMA, 1999 or any rules or regulations made there under, which are expected to be entered into in future. Therefore the amount of an anticipated exposure and the time by when it would crystalize may not be precisely known at the time of entering into a hedge contract II.

Contracted exposure – An exposure to the exchange rate of INR against a foreign currency on account of current or capital account transactions permissible under FEMA, 1999 or any rules or regulations made there under, which have already been entered into.

Hedging – The activity of undertaking a derivative contract to offset the impact of an anticipated or a contracted exposure.

Indian Bank is one of the few India based Banks to have opened a Branch at GIFT City as an off-shore Banking Unit within India. Though the Branch is located within India, for all purposes it can be treated as a Foreign Branch, permitted to offer Buyers Credit duly backed by SBLC / LC and also External Commercial Borrowing like any other Foreign Bank / Foreign Branch of any India Based Bank.

Since inception, IBU Gift City branch has been in constant touch with almost all important import customers of our bank and all AD branches, for offering the Buyer’s credit to our customers. But it is

often noticed that many of our Importer customers are availing the above mentioned services, from other Banks, without making an attempt to avail it from IBU Gift City branch. In this regard we would like to highlight that continuation of Non-Fund Based Limit in the domestic Branch and availing Buyers credit from our own Branch, provides a multi-pronged benefit for the Bank.

At present, customers are submitting physical Applications pertaining to Forex transactions to the respective Home branches. Branches are forwarding the same to FXCPC centre for further processing. FXCPC download these applications so received from branches and after compliance check, transaction is processed in IBPS/ Exim Bills / CBS followed with the release of SWIFT message wherever applicable.

To facilitate speedy submission of applications by customers to the branch, a facility is now provided through the Net-banking for the following.

- Import LC Application
- Application for Advance Remittance for import of Goods/Services
- Foreign Bank Guarantee Application
- Standby LC Application
- Import Bill – Payment Release letter
- Packing Credit Application (INR/FCPC)

FX - 40 / 2021-22 date 07.10.2021

Extension of Foreign Trade Policy (FTP) 2015-20 up to 31.03.2022

The present policy which came into force on 1st April 2015, was for 5 years up to 31st March, 2020 and the policy was last extended up to 30th September 2021. DGFT vide their notification No 33/2015-20 dated 28.09.2021 have further extended the duration of foreign trade policy 2015-20 upto 31st March 2022.

FX- 46 / 2021-22 dated 08.11.2021

Renewal of Export Credit Insurance for Banks - Whole Turnover Packing Credit (ECIB-WT-PC) No.5029 and Whole Turnover Post-Shipment credit (ECIB WT- PS) No.119 by Export Credit Guarantee Corporation of India Ltd. (ECGC) - Insurance Policy period starting from 01.07.2021 to 30.06.2022

The current ECIB (WT-PC) and ECIB (WT-PS) Insurance policies have been renewed for a further period of one year starting from 01.07.2021 to 30.06.2022 with Export Credit Guarantee Corporation of India Ltd. (ECGC).

Premium on WTSPS advances decreased from the earlier 13.50 paise per Rs.100 per month to 11.50 paise per Rs.100 per month with effect from 01/07/2021 to 30/06/2022.

Premium on WTPC advances increased from the earlier 6.50 paise per Rs.100 per month to 8.50 paise per Rs.100 per month with effect from 01/07/2021 to 30/06/2022.

ADMIN- 118/2021-22 dated 13.12.2021

Customer Due Diligence for transactions in Virtual Currencies (VC)

In a recent communication RBI has directed to the bank to enhance the due diligence processes related to the customers who are dealing in virtual currency including BITCOIN. Branches are advised to be more vigilant and to ensure the followings:-

- Entities dealing with so called virtual currencies and their customer maintaining account in the bank, should be classified as “High Risk” customer and Enhanced Due Diligence (EDD) process as prescribed in the KYC/AML Policy/SOP of the Bank should be conducted for these customers without any deviation.

Full compliance of PML Act/rules KYC/AML/CFT policy of the Bank should be ensured for any such relationship which includes high degree of vigilance in identifying the Beneficial Owner (and if necessary, Ultimate Beneficial Owner), considering the transactions in their accounts

FX- 19 / 2021-22 dated 30.06.2021

Sub: Amendment on Tax Collected at Source (TCS) on LRS (Section 206AB and 206CCA)

Government of India via Finance Act 2021, has made certain amendments due to which higher TDS/TCS rate on “Specified Persons” have been prescribed. The higher rate on such persons is effective from 1st July 2021.

If person is specified person, then tax shall be collected at the higher of following two rates:

- at twice the rate specified in the relevant provisions of the Act; or
- at the rate of five per cent.

“Specified Person” as per the relevant section of Income Tax Act is - a person who has not filed the returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be collected, for which the time limit of filing return of income under sub-section (1) of section 139 has expired; and the aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in each of these two previous years. Provided that the specified person shall not include a non-resident, who does not have a permanent establishment in India.

If person is a specified person as per compliance check functionality, then TCS rate will be for

- Section 206CP (Collection at source on remittance under LRS for educational loan taken from financial institution mentioned in section 80E) @ 5%
- Section 206CQ (Collection at source on remittance under LRS for purpose other than for purchase of overseas tour package or for educational loan taken from financial institution) @ 10%.
- If the person is not specified person, then collection of TCS at the normal rate only.
- (i.e For Section 206CP-TCS on LRS for Education @ 0.50% and for section 206CQ-TCS on LRS other than education @ 5%)

FX - 27 / 2021-22 dated 09.07.2021

Amendment of Importer-Exporter Code (IEC) related provisions under Foreign Trade policy

Directorate General of Foreign Trade vide notification no 11/2015-2020 dated 01.07.2021 revises the provision in para 2.05 (d) of Foreign Trade Policy 2015-20 as under:

An IEC holder has to ensure that details in its IEC is updated electronically every year, during April-June period. However, for the current year only, this period is extended by another month i.e. till 31st July, 2021. In cases where there are no changes in IEC details same also needs to be confirmed online.

FX - 36/ 2021-22 dated 21.09.2021

Introduction of "Forex Services" Category in Online Support and Redressal System (OSRS)

To support the Branches in improving operational efficiency, 'certain' modifications have been made in the existing portal 'Online Support and Redressal System'.

Introduction of new Sections: 'Forex Services' have been introduced as a new category in OSRS portal with the following sections are added.

- FXCPC Chennai
- FXCPC Mumbai
- SWIFT
- Treasury
- Other Forex Service – (Not covered elsewhere) – Relating to CO IBD alone –Policy matters etc.