

RBI/2004-05/13
Ref. MPD. No.252/07.01.279/2004-05

July 3, 2004
Aashadha 12, 1926(S)

The Chairmen/Chief Executives of
all Scheduled Banks (excluding RRBs)

Dear Sirs,

Master Circular on Export Credit Refinance Facility

As you are aware, the Reserve Bank of India has, from time to time, issued a number of guidelines/instructions/directives to banks in regard to matters relating to Export Credit Refinance Facility. To enable banks to have current instructions at one place, a Master Circular incorporating all the existing guidelines/instructions/directives on the subject has been prepared. It may be noted that this Master Circular consolidates and updates all the instructions/guidelines contained in the circulars issued upto June 30, 2004, in so far as they relate to providing rupee export credit refinance to banks. This Master Circular has been placed on the RBI website at www.mastercirculars.rbi.org.in.

Yours faithfully

(D. Anjaneyulu)
Principal Monetary Policy Adviser

Encls: As above

Master Circular Export Credit Refinance Facility

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Master Circular on Export Credit Refinance (ECR) Facility

1. Introduction

1.1 In order to encourage banks to extend more liberal export credit, the Reserve Bank of India provides export credit refinance facility to banks under Section 17(3A) of the Reserve Bank of India Act 1934. This facility is given on the basis of banks' eligible outstanding rupee export credit both at the pre-shipment and post-shipment stages. The quantum of refinance is fixed from time to time based on the stance of monetary and credit policy of the Reserve Bank of India (RBI).

2. Participants

2.1 All scheduled banks (excluding RRBs), which are authorised dealers in foreign exchange and have extended export credit are eligible to avail of export credit refinance.

3. Export Credit Refinance Facility

3.1 The definition of outstanding export credit reckoned for the purpose of calculation of export credit refinance limits of banks had been modified effective April 27, 2000. Outstanding export credit for working out refinance limits, accordingly, includes export bills rediscounted with EXIM Bank/other banks/Financial Institutions and export credit against which refinance has been obtained from NABARD/EXIM Bank. However, it will not include Pre-shipment Credit in Foreign Currency (PCFC), export bills discounted/rediscounted under the scheme of 'Rediscounting of Export Bills Abroad' (EBR), overdue rupee export credit and other export credit not eligible for refinance. With the modified definition, the banks have the benefit of rediscounting export bills with institutions like EXIM Bank, without sustaining reduction in refinance limits from RBI.

4. Limit

4.1 At present, the scheduled banks are provided export credit refinance to the extent of 15.0 per cent of the outstanding export credit eligible for refinance as at the end of the second preceding fortnight.

5. Interest Rate

5.1 Export credit refinance facility is available at the Reverse Repo Rate (which is linked to Repo Rate under Liquidity Adjustment Facility (LAF), as announced from time to time.

5.2 Interest shall be payable with monthly rests and the amounts of such interest calculated on daily balances would be debited to the account of such advances at the end of respective month or earlier when the balance outstanding is wiped out.

6. Margin Requirement

6.1 No margin is required to be maintained.

7. Duration

7.1 Repayable on demand or on the expiry of fixed periods not exceeding one hundred and eighty days.

8. Collateral

8.1 RBI extends the export credit refinance against the Demand Promissory Note (DPN) of banks supported by a declaration that they have been extended export credit and the outstanding amount eligible for refinance is not less than the loan/advance from RBI.

9. Minimum Amount of Availment

9.1 The minimum amount of availment under this facility is Rupees one lakh and multiples thereof above the minimum.

10. Place of Availment

10.1 This facility can be availed of at centres wherever the Reserve Bank has a Banking Department.

11. Repayment

11.1 The refinance has to be repaid on demand or within 180 days.

12. Penalties

12.1 In the event of a scheduled bank having irregular availment of export credit refinance, a penal rate of interest as decided by the Reserve Bank from time to time will be charged on the outstanding loan or loans.

12.2 The instances on which penal rate would be applicable for irregular availment of export credit refinance are set out in Table 1.

Table 1: Illustration of Irregular Availment of Export Credit Refinance

- a) Utilisation of ECR exceeds the total limit.
- b) Wrong calculation/ reporting of refinance limit by banks.
- c) Non-repayment of refinance within 180 days.
- d) Delay in reporting excess utilisation by banks.

13. Documentation

13.1 The banks have to execute the following documents for availing of export credit refinance facility:

- a) A stamped agreement in Form No. DAD 297.
- b) A Demand Promissory Note (DPN) in Form No. DAD 295 A.
- c) Board Resolution in Form No. DAD 298 authorising the borrowing under the scheme and also the officials who will execute loan documents on behalf of the bank.
- d) For enhancement of limit, a letter in Form No. DAD 299 extending the agreement to enhance limit together with consolidated DPN for the fresh limit.
- e) In terms of Para 7.30 of Banking Department Manual, Agreements and letters of extension need not be renewed so long as there is no change in the terms thereof. DPN should, however, be renewed every three years of their dates of execution not withstanding their validity for three years from the date of transaction.

13.2 The borrowing bank should submit to Monetary Policy Department, Reserve Bank of India, a fortnightly declaration in form No. DAD.389 together with a statement of Export Refinance Entitlement in form No.DAD.390 to enable Reserve Bank of India to monitor the position of the outstanding borrowings under the scheme in relation to its outstanding export credit advances.

14. Reporting Requirement

14.1 The availing banks are required to report their outstanding export credit eligible for refinance within five days from the relevant date in the format provided in Annex I.

15. Condition

15.1 It is essential that the outstanding borrowings at all times are fully covered by the borrowing bank's holding of export bills/amount of eligible pre-shipment advances as reported in their latest declaration. If at any time it is found that the total amount of bills held by banks/amount of eligible pre-shipment advances covered by the declaration falls below the amount borrowed, the bank should forthwith adjust or repay excess refinance from Reserve Bank of India.

Annex I

Reporting Formats

Form DAD 389

Name of the Bank _____

Statement showing the Export Credit Refinance Limit for the fortnight ended _____

PART - A

(Rs. in lakh)

1. Outstanding Export Credit (as redefined) as on @ * _____
2. Export Credit Refinance Limit (15 percent of item no. 1) _____

* Outstanding Export Credit for the purpose of working out refinance limits will be aggregate export outstanding export credit **minus** Pre-shipment Credit in Foreign Currency (PCFC), Export bills discounted/rediscounted under the scheme of 'Rediscounting of Export Bills Abroad', Overdue Rupee Export Credit not eligible for refinance but **including** Export bills rediscounted with other banks/Exim Bank / Financial Institutions, Export Credit against which refinance has been obtained from NABARD/Exim Bank.

@ Export Credit outstanding as on the last Friday of the second preceding reporting fortnight.

PART - B

Aggregate Export Credit Outstanding as on @

(Rs. in lakh)

- | | | |
|----|--|-------|
| 1. | Aggregate Export Credit Outstanding | _____ |
| | of which - | |
| | (i) Export bills rediscounted with other banks/Exim Bank / Financial Institutions | _____ |
| | (ii) Export Credit against which refinance has been obtained from NABARD/Exim Bank | _____ |
| | (iii) Pre-shipment Credit in Foreign Currency (PCFC) | _____ |
| | (iv) Export bills discounted/rediscounted under the scheme of 'Rediscounting of Export Bills Abroad' | _____ |
| | (v) Overdue Rupee Export Credit | _____ |
| | (vi) Export Credit not accounted for above (i to v) and not eligible for refinance* | _____ |
| 2. | Outstanding export credit eligible for refinance
Item 1 minus {(i) + (ii) + (iii) + (iv) + (v) + (vi)} | _____ |
-

PART - C

Export Credit Outstanding as on @

(Rs. in lakh)

- | | | |
|----|--|-------|
| 1. | Pre-shipment Rupee Export Credit ** | |
| | (i) Upto 180 days | |
| | (ii) Beyond 180 days and upto 270 days | _____ |
| | Total (i + ii) | |
| 2. | Post-shipment Rupee Export Credit ** | _____ |
| | (iii) Upto 180 days | |
| | (iv) Beyond 180 days and upto 270 days | |
| | Total (i + ii) | |
| 3. | Total Rupee Export Credit (1 + 2) | _____ |

@ Aggregate Export Credit outstanding as on the last Friday of the second preceding reporting fortnight.

* e.g., in case packing credit is sanctioned for more than 180 days, for the period upto 180 days, the outstandings should be shown against item 2 for the periods beyond 180 days, the outstandings should be shown against item 1(vi).

** Including overdues.

Annex II

Definitions

In these guidelines, unless the context otherwise requires:

- i. "Fortnight" shall mean the period from Saturday to the second following Friday, both days inclusive;
- ii. "Bank" or "banking company" means a banking company as defined in clause (c) of Section 5 of the Banking Regulation Act, 1949 (10 of 1949) or a "corresponding new bank", "State Bank of India" or "subsidiary bank" as defined in clause (da), clause (nc) and clause (nd) respectively thereof and includes a "co-operative bank" as defined in clause (cci) of Section 5 read with Section 56 of that Act.
- iii. "Scheduled bank" means a bank included in the Second Schedule of the Reserve Bank of India Act, 1934.
- iv. "Export Bills" means all export bills having a usance not exceeding 180 days purchased/negotiated/discounted by the borrowing bank under letters of credit or otherwise which are drawn in India or any country outside India which is a member of the International Monetary Fund or any other country notified in this behalf by the Bank in the Gazette of India would be eligible for inclusion in the declaration to be furnished by it.
- v. "Pre-shipment Credit" means the credit granted by banks to bonafide exporters on the strength of letters of credit established by banks of good standing abroad in favour of the local exporter or on the strength of firm export order and the borrowing bank should ensure that the relevant documents are lodged with it.
- vi. "Export credit eligible for refinance" means the aggregate outstanding export credit as on the last Friday of the second preceding reporting fortnight minus Pre-shipment Credit in Foreign Currency (PCFC), Export bills discounted/rediscounted under the scheme of 'Rediscounting of Export Bills Abroad' (EBR), overdue rupee export credit and other export credit not eligible for refinance, export bills rediscounted with other banks/Exim Bank/Financial Institutions and export credit against which refinance has been obtained from NABARD/EXIM Bank.

Annex III**Form of Agreement****DAD 297
Para 7.50**

Form of agreement to be obtained from the Principal Office of the scheduled bank for borrowings in respect of bank finance for exports of goods (to be stamped as an agreement in accordance with the law in force in each state)

The Reserve Bank of India

Dear Sirs,

In consideration of your agreeing to make from time to time, under section 17(3A) of the Reserve Bank of India Act, and on the terms and conditions contained in the Memorandum attached to the circular DBOD.No.BM.78/C.297(M)-69 dated the 20th January 1969 advance in your discretion but not in any event exceeding the sum (exclusive of interest) of Rs..... for which amount we have delivered to you a demand promissory note in your favour carrying interest at the rate hereinafter mentioned, which advances shall be repayable on demand and shall be made upon declaration in such forms as may be prescribed by you. We agree as follows:

(1) The balance of the said advances at any time outstanding shall be repayable by us to you on demand.

(2) Each drawal of advances under this agreement shall have a maturity period not exceeding 180 days and shall be repayable by us within the said period.

(3) Interest shall be payable by us to you at such rate as may be notified by you from time to time, with monthly rests and the amounts of such interest calculated on the daily balances may be debited to the account of the said advances at the end of each respective month or earlier when the balance outstanding is wiped out. It shall be open to you to reimburse yourself with the amount of interest so debited by charging the same to our current account with you.

(4) We agree that in default of payment by us under the terms of clauses (1) and (2) hereof, you may, but without any obligation on your so to do, debit our current account with you for the amount due by us on account of the loan of advance granted in terms of Section 17(3A) of the said Act.

(5) We agree and undertake that the loan or advance granted by us to exporters or other persons eligible for refinance in order to enable them to export goods from India and drawn and outstanding at any time shall not be less than the outstanding amount of the loan or advance obtained by us from you. We further agree to maintain in your favour such margin as you may from time to time prescribe so that the shortfall in the margin stipulated therein, we shall forthwith on demand by you reduce the balance due to you by a cash payment so as to make good the amount of margin required to be maintained.

(6) We further agree that we will from time to time, while these advances continue and whenever required by you to do so furnish you with such information regarding the outstanding in the advances made by us in respect of export of goods eligible for refinance and true reports in such as you may prescribe regarding the solvency of the borrowers and agree to advise you promptly of any change in the position of any such borrower which can be reasonably be considered to affect our security.

(7) We hereby agree to execute on demand such documents as may be required by you to create in your favour an overall charge on our book debts represented by the advances made by us in respect of export of goods eligible for refinance or to vest in you such security as are specified by you so as to render the same readily saleable or transferable by you at any time.

(8) We agree and undertake to pay interest at such higher rate as you may decide, in the following cases; where

- (a) Export Credit Refinance utilisation is in excess of the limit allowed,
- (b) Refinance limits are calculated or reported wrongly,
- (c) Drawals remain outstanding beyond 180 days on account of insufficient fund in our account
- (d) There is long delay in reporting about the excess or irregular utilisation by us for the period of delay.

(9) We also agree that this agreement and said demand promissory note for Rs..... shall operate as a continuing security for the said advance notwithstanding the existence of a credit balance at any time or any partial payment or fluctuations of accounts or withdrawal of any part of the security.

Yours faithfully

For and on behalf of

(Name of the schedule Bank)
(Signature of authorized official)
(Designation).

(On the letter head)

**DEMAND PROMISSORY NOTE
(Export Credit Refinance Facility)**

On demand, we, (Bank's Name), promise to pay to the Reserve Bank of India or order the sum of Rs..... (Rupees) with Interest at reverse repo rates as announced by Reserve Bank of India for export credit refinance facility at the time of full repayment or at monthly rests whichever is earlier for value received.

Place:

For and on behalf of.....

Date:

(2 Signatories & revenue stamp)
Names & Designation of both signatories

Specimen of Board Resolution

A copy of the Board Resolution No. Passed at the meeting of the board held on

"Resolved -

- (i) that the bank to borrow from the Reserve Bank of India in terms of Pre-shipment Credit Scheme and/or Export Bills Credit Scheme under Section 17(3A) or the Reserve Bank of India Act 1934 upto the limit that may be approved and upon such terms and conditions as may be imposed by the Reserve Bank of India from time to time;
- (ii) that the following officers of the bank be and are hereby severally empowered to execute and furnish the necessary agreements, loan documents, declarations, statements and certificates on behalf of the bank for the purpose of availing of the above mentioned facilities from the Reserve Bank of India and such other instruments and documents as may be required by the Reserve Bank of India in this behalf.

Date:

The Reserve Bank of India
Deposit Accounts Department
Mumbai-400 001

Dear Sir

With reference to the Agreement dated we agree that in consideration of your agreeing to increase the limit of Rs.....(.....) specified therein to a fresh limit of Rs..... (Rupees) for which amount we have delivered to you a consolidated demand promissory note, carrying interest at p.a. with monthly rests, all the terms of the said agreement shall apply to and in relation to the fresh limit of and the consolidated demand promissory note for Rs..... (Rupees) and the advances thereunder, as they apply to and in relation to the limit of and demand promissory note for Rs..... (Rupees) and the advances thereunder.

Yours faithfully,

For and on behalf of
(Name of the scheduled Bank)

Appendix

List of Circulars

Sr. No.	Circular Number	Subject
1.	DBOD.No.BM.2732/C.297/K-63 dated March 13, 1963	Export Bills Credit Scheme
2.	DBOD.No.BM.78/C.297(M)-69 dated January 20, 1969	Refinancing of Pre-shipment Credit
3.	DBOD.No.B.M.931/C.297P-69 dated June 9, 1969	Refinancing under section 17(3A) of the Reserve Bank of India Act, 1934 - Pre-shipment Credit Scheme
4.	CPC.No.BC.45/279A-81 dated March 18, 1981	Export Refinance.
5.	CPC.No.BC.46/279A-81 dated May 27, 1981	Interest Rate on Export Credit Refinance
6.	CPC.No.BC.60/279A-82 dated October 25, 1982	Changes in Interest Rate on Export Credit Refinance
7.	CPC.No.BC.64/279A-83 dated October, 1983	Export Credit Refinance
8.	CPC.No.BC.77/279A-85 dated October 25, 1985	Export Credit Refinance
9.	CPC.No.BC.79/279A-86 dated August 1, 1986	Export Credit Refinance- Change in Interest Rate
10.	CPC.No.BC.91/279A-88 dated April 2, 1988	Export Credit Refinance
11.	CPC.No.BC.98/279A-89 dated March 27, 1989	Export Credit Refinance
12.	CPC.No.BC.103/279A-90 dated April 12, 1990	Export Credit Refinance
13.	CPC.No.BC.111/279A-91 dated April 12, 1991	Export Credit Refinance
14.	CPC.No.BC.115/279A-91 dated September 3, 1991	Export Credit Refinance
15.	CPC.No.BC.116/279A-91 dated October 8, 1991	Export Credit Refinance
16.	CPC.No.BC.122/279A-92 dated April 21, 1992	Rates of Interest on Export Credit Refinance ((Rupee) and Refinance for Post-Shipment Credit denominated in US Dollars
17.	CPC.No.BC.123/279A-92 dated April 23, 1992	Export Credit Refinance ((Rupee) and Refinance Against Post-Shipment Export Credit Denominated in US Dollars
18.	CPC.No.BC.129/07.01.279/92-93 dated April 7, 1993	Export Credit (Rupee) Refinance and Refinance Against Post-Shipment Export Credit Denominated in US Dollars
19.	CPC.No.BC.132/07.01.279/93-94 dated October 11, 1993	Export Credit (Rupee) Refinance and Refinance against Post-Shipment Export Credit Denominated in US Dollars
20.	CPC.No.BC.136/07.01.279/93-94 dated May 14, 1994	Export Credit (Rupee) Refinance and Refinance against Post-Shipment Export Credit Denominated in US Dollars
Sr. No.	Circular Number	Subject
21.	CPC.No.BC.144/07.01.279/94-95 dated April 17, 1995	Interest Rates on Term Deposits
22.	CPC.No.3559/03.02.15/94-95 dated April 20, 1995	Export Credit Refinance
23.	UBD.DS.SUB.CIR.3/13.04.00/95-96 dated February 7, 1996	Interest Rates on Advances
24.	CPC.No.2101/03.02.01/95-96 dated January 15, 1996	Refinance against Post-shipment Export Credit denominated in US Dollars (PSCFC)
25.	CPC. /03.02.01/95-96 dated February 7, 1996	Export Credit Refinance
27.	CPC.No.3466/03.02.01/95-96 dated April 4, 1996	Export Credit Refinance
28.	IECD.No.10/04.02.01/96-97 dated October	Interest rates on advances - Post-shipment Rupee

	19, 1996	Credit
29.	CPC.No.1067/03.02.01/96-97 dated October 23, 1996	Export Credit Refinance
30.	CPC.No.2652/03.02.01/96-97 dated April 21, 1997	Export Credit Refinance
31.	MPD.No.2035/03.02.01/97-98 dated January 16, 1998	Reserve Bank Refinance
32.	CPC.No.2662/03.02.01/97-98 dated March 18, 1998	Interest Rates on Refinance Facilities from the reserve Bank of India
33.	MPD.No.2932/03.02.01/97-98 dated April 2, 1998	Interest Rates on Refinance Facilities from the reserve Bank of India
34.	MPD.No.3121/03.02.01/97-98 dated April 29, 1998	Refinance Facilities from the Reserve Bank of India
35.	MPD.BC.No.177/07.01.279/97-98 dated June 11, 1998	Interest Rate on Export Credit
36.	MPD.49/03.02.01/98-99 dated July 8, 1998	Export Credit Refinance
37.	MPD.BC.No.179/07.01.279/98-99 dated August 6, 1998	Interest Rate on Export Credit and Export Credit Refinance
38.	MPD.No.1018/03.02.01/98-99 dated October 15, 1998	Fortnightly Statement showing Export Credit Refinance Limits
39.	MPD.BC.No.182/07.01.279/98-99 dated March 1, 1999	Bank Rate and Export Credit Refinance Rate
40.	MPD.BC.No.184/07.01.279/98-99 dated March 1, 1999	Interest Rate on Export Credit and Export Credit Refinance
41.	MPD.3278/03.02.01/99-2000 dated April 1, 2000	Interest Rates on Export Credit Refinance and Collateralised Lending Facilities
42.	MPD.3538/03.02.01/99-2000 dated April 27, 2000	Liberalised Export Credit Refinance Facility
43.	MPD.BC.No.198/07.01.279/2000-01 dated July 21, 2000	Bank Rate
44.	MPD.BC.No.200/07.01.279/2000-01 dated July 21, 2000	Export Credit Refinance and Collateralised Lending Facility
45.	MPD.2992/03.02.01/2000-01 dated April 21, 2000	Standing Liquidity Facilities Scheme
46.	MPD.3115/03.02.01/2000-01 dated April 30, 2001	Standing Liquidity Facilities Scheme
Sr. No.	Circular Number	Subject
47.	MPD.BC.No.213/02.01.279/2001-02 dated March 18, 2002	Export Credit Refinance Scheme
48.	MPD.BC.No.223/07.01.279/2002-03 dated October 29, 2002	Export Credit Refinance Facility
49.	MPD.BC.No.232/07.01.279/2002-03 dated April 29, 2003	Export Credit Refinance Facility
50.	MPD.BC.No.243/07.01.279/2003-04 dated November 5, 2003	Rationalisation of Standing Facilities
51.	MPD.BC.No.246/07.01.279/2003-04 dated March 25, 2004	Standing Liquidity Facilities for Banks for Export Credit and Primary dealers (PDs): Rationalisation
52.	MPD.BC.No.247/07.01.279/2003-04 dated April 07, 2004	Standing Liquidity Facilities for Banks for Export Credit: Rationalisation