1. CUSTOMER SERVICE AND SIMPLIFICATION OF PROCEDURES

1.1 Customer Service

1.1.1 *General*

(i) Banks may provide timely and adequate credit and also render essential customer services/guidance in regard to procedural formalities and export opportunities to their exporter clients.

(ii) Banks should open Export Counsel Offices to guide exporters particularly the small ones and those taking up non-traditional exports.

1.1.2 *Delay in Crediting the Proceeds of Export Bills Drawn in Foreign Currency*

Delays are observed in passing on the credit of export bills drawn in foreign currency to the exporters after the foreign currency amounts are credited to the 'Nostro' accounts of the banks. Although there are instructions that the concessional post-shipment interest rate will cease from the date of credit to the 'Nostro' account, the credit limits enjoyed by the exporters remain frozen till the actual date of credit of rupee equivalent to the account of the customer. There is, therefore, need to promptly restore the limit of the exporters on realisation of bills and pass on the rupee credit to the customer.

1.1.3 *Payment of Compensation to Exporters for Delayed Credit of Export Bills*

(i) In respect of the delay in affording credit in respect of credit advices complete in all respects, the compensation stipulated by FEDAI should be paid to the exporter client, without waiting for a demand from the exporter.

(ii) Banks should devise a system to monitor timely credit of the export proceeds to the exporters' account and payment of compensation as per FEDAI rules.

(iii) The internal audit and inspection teams of the banks should specifically comment on these aspects in the reports.

1.2 Sanction of Export Credit Proposals

1.2.1 Time Limit for Sanction

(i) The sanction of fresh/enhanced export credit limits should be made within **45 days** from the date of receipt of credit limit application with the required details/information supported by requisite financial/operating statements. In case of renewal of limits and sanction of ad hoc credit facilities, the time taken by banks should not exceed **30 days and 15 days** respectively.

1.2.2 ***Ad hoc Limit***

(i) At times, exporters require ad hoc limits to take care of large export orders which were not foreseen earlier. Banks should respond to such situations promptly. Apart from this, banks should adopt a flexible approach in respect of exporters, who for genuine reasons are unable to bring in corresponding additional contribution in respect of higher credit limits sought for specific orders. **No additional interest** is to be charged in respect of ad hoc limits granted by way of pre-shipment/post-shipment export credit.

(ii) In cases where the export credit limits are utilised fully, banks may adopt a flexible approach in negotiating the bills drawn against L/Cs and consider in such cases delegating discretionary/higher sanctioning powers to branch managers to meet the credit requirements of the exporters. Similarly branches may also be authorised to disburse a certain percentage of the enhanced/ad hoc limits, pending sanction by the higher authorities/board/committee who had originally accorded sanctions, to enable the exporters to execute urgent export orders in time.

1.2.3. Other Requirements

(i) All rejections of export credit proposals should be brought to the notice of the Chief Executives of the banks explaining the reasons for rejection.

(ii) The internal audit and inspection teams of the banks should comment specifically on the timely sanction of export credit limits within the time schedule prescribed by RBI.

(iii) The export credit limits should be excluded for bifurcation of the working capital limit into loan and cash credit components.

(iv) Banks should nominate suitable officers as compliance officers in their foreign departments/specialised branches to ensure prompt and timely disposal of cases pertaining to exporters.

(v) It is necessary to submit a review note at quarterly intervals to the Board on the position of sanction of credit limits to exporters. The note may cover among other things, number of applications (with quantum of credit) sanctioned within the prescribed time-frame, number of cases sanctioned with delay and pending sanction explaining reasons therefor.

1.3 Simplification of Procedure for Delivery of Export Credit in Foreign Currency and in Rupees

1.3.1 *General*

With a view to ensuring timely delivery of credit to exporters and removing procedural hassles, the following guidelines may be brought into effect. These guidelines are **applicable to Rupee export credit as well as export credit in foreign currency**.

1.3.2 *Guidelines*

(i) Simplification of procedures

(a) Banks should simplify the application form and reduce data requirements from exporters for assessment of their credit needs, so that exporters do not have to seek outside professional help to fill in the application form or to furnish data required by the banks.

(b) Banks should adopt any of the methods, viz. Projected Balance Sheet method, Turnover method or Cash Budget method, for assessment of working capital requirements of their exporter-customers, whichever is most suitable and appropriate to their business operations.

(c) In the case of consortium finance, once the consortium has approved the assessment, member banks should simultaneously initiate their respective sanction processes.

(ii) 'On Line' credit to exporters

(a) Banks provide 'Line of Credit' normally for one year which is reviewed annually. In case of delay in renewal, the sanctioned limits should be allowed to continue uninterrupted and urgent requirements of exporters should be met on ad hoc basis.

(b) In case of established exporters having satisfactory track record, banks should consider sanctioning a 'Line of Credit' for a longer period, say, 3 years, with in-built flexibility to step-up/step-down the quantum of limits within the overall outer limits assessed. The step-up limits will become operative on attainment of pre-determined performance parameters by the exporters. Banks should obtain security documents covering the outer limit sanctioned to the exporters for such longer period.

(c) In case of export of seasonal commodities, agro-based products etc., banks should sanction Peak/Non-peak credit facilities to exporters.

(d) Banks should permit interchangeability of pre-shipment and post- shipment credit limits.

(e) Term Loan requirements for expansion of capacity, modernisation of machinery and upgradation of technology should also be met by banks at their normal rate of interest.

(f) Assessment of export credit limits should be 'need based' and not directly linked to the availability of collateral security. As long as the requirement of credit limit is justified on the basis of the exporter's performance and track record, the credit should not be denied merely on the grounds of non-availability of collateral security.

(iii) Waiver of submission of orders or L/Cs for availing pre-shipment credit

(a) Banks should not insist on submission of export order or L/C for every disbursement of pre-shipment credit, from exporters with consistently good track-record. Instead, a system of periodical submission of a Statement of L/Cs or export orders in hand, should be introduced.

(b) Banks may waive, *ab initio*, submission of order/LC in respect of exporters with good track record and put in place the system of obtaining periodical statement of outstanding orders/LCs on hand. However, the same may be incorporated in the sanction proposals as well as in the sanction letters issued to exporters and appropriately brought to the notice of ECGC. Further, if such waivers are permitted at a time subsequent to sanction of export credit limits with the approval of the appropriate authority, the same may be incorporated in the terms of sanction by way of amendments and communicated to ECGC.

(iv) Handling of export documents

Banks are required to obtain, among others, original sale contract/confirmed order/proforma invoice countersigned by overseas buyer/indent from authorised agent of overseas buyer for handling the export documents as per Exchange Control regulations. Submission of such documents need not be insisted upon at the time of handling the export documents, since the goods have already been valued and cleared by the Customs authorities, except in the case of transactions with Letters of Credit (L/C) where the terms of L/C require submission of the sale contract/other alternative documents.

(v) <u>Fast track clearance of export credit</u>

(a) At specialised branches and branches having sizeable export business, a facilitation mechanism for assisting exporter-customers should be put in place for quick initial scrutiny of credit application and for discussions for seeking additional information or clarifications.

(b) Banks should streamline their internal systems and procedures to comply with the stipulated time limits for disposal of export credit proposals and also endeavour to dispose of export credit proposals ahead of the prescribed time schedule. A flow chart indicating chronological movement of credit application from the date of receipt till the date of sanction, should also accompany credit proposals.

(c) Banks should delegate higher sanctioning powers to their branches for export credit.

(d) Banks should consider reducing at least some of the intervening layers in the sanctioning process. It would be desirable to ensure that the total number of layers involved in decision-making in regard to export finance does not exceed three.

(e) Banks should introduce a system of 'Joint Appraisal' by officials at branches and administrative offices, to facilitate quicker processing of export credit proposals.

(f) Where feasible, banks should set up a 'Credit Committee' at specialised branches and at administrative offices, for sanctioning working capital facilities to exporters. The 'Credit Committee' should have sufficiently higher sanctioning powers.

(vi) <u>Publicity and training</u>

Generally, export credit at internationally competitive rates is made available in foreign currency at select branches of banks. In order to make the scheme more popular, wide publicity should be given by banks and more number of branches should be designated for making available export credit in foreign currency. Officers at operating level should be provided with adequate training. In the matter of transfer of officials from critical branches dealing in export credit, banks should ensure that the new incumbents posted possess adequate knowledge/ exposure in the areas of forex as well as export credit to avoid delays in processing/sanctioning of export credit limits and subjecting exporters to the risk of cancellation of export orders.

(vii) Customer Education

(a) Banks should bring out a Hand Book containing salient features of the simplified procedures for sanction of Export Credit in Foreign Currency at internationally competitive rates as well as in rupees for the benefit of their exporter-clients.

(b) To facilitate interaction between banks and exporters, banks should periodically organise Exporters' Meet at centres with concentration of exporters

1.3.3 ***Monitoring Implementation of Guidelines***

(i) Banks should ensure that exporters' credit requirements are met in full and promptly at competitive rates. The above referred guidelines must be implemented, both in letter and spirit, so as to bring about a perceptible improvement in credit delivery and related banking services to export sector. Banks should also address the deficiencies, if any, in the mechanism of deployment of staff in their organisations to eliminate the bottlenecks in the flow of credit to the export sector.

(ii) Banks should set up an internal team to visit branches periodically, say, once in two months to gauge the extent of implementation of the Guidelines.

2. REPORTING REQUIREMENTS

2.1 Export Credit Performance Indicator for Banks

2.1.1 Banks are required to reach a level of outstanding export credit equivalent of 12% of each bank's net bank credit. Accordingly, the performance of banks is being reviewed by the RBI, IECD at quarterly intervals. The performance of the banks in extending export credit will be assessed on the basis of the average export credit outstanding reported in the fortnightly statement of Export Credit Refinance Limits submitted on reporting Fridays to RBI, MPD, Central Office, Mumbai, a copy of which is to be forwarded to RBI, IECD, Central Office, Mumbai.

2.1.2 Banks should endeavour to reach a level of export credit equivalent to 12 percent of the bank's net bank credit. Where banks have already provided export credit to the extent of 12 percent, endeavour should be made to increase the same to a higher level and ensure that there is no fall in the ratio. No worthwhile export order should be denied export credit from the banks.

2.1.3 Failure to achieve the stipulated level of export credit and or failure to show a distinct improvement in export credit performance could invite bank-specific policy responses which could include raising of reserve requirements and withdrawal of refinance facilities. The Industrial & Export Credit Department of the Reserve Bank of India would closely monitor the export credit performance of the banks.

2.2 Quarterly Data of Export Credit Disbursements

Banks should submit the export credit disbursement data on a quarterly basis in the format given in **Annexure 1**. Banks should ensure that the statement reaches Reserve Bank of India, Industrial & Export Credit Department, Central Office, Mumbai positively by the end of the month following the quarter to which it relates.

2.3 Pre-shipment Credit to Diamond Exporters - Conflict Diamonds & Sierra Leone Rough Diamonds

Trading in conflict diamonds has been banned by U.N. Resolution Nos. 1173 and 1176 as the conflict diamonds play a large role in funding the rebels in the civil torn areas of Sierra Leone, Angola and Congo. There is also a **prohibition** on the direct/indirect import of all rough diamonds from Sierra Leone and Liberia in terms of the UN Resolution No. 1306 (2000) and 1343(2001) respectively. In view of this, the banks should obtain an undertaking in the format given in **Annexure 2** from such of the clients who have been extended credit for doing any business relating to diamonds. Any violation of these UN Regulations as and when noticed may be reported to RBI, IECD.