

**June 03, 2008**

To,

All Authorised Dealer Category - I banks

Madam / Sir,

**Export of Goods and Services -  
Payments of Claims by Insurance Companies-Write off**

Attention of Authorised Dealer (Category – I) banks is invited to A. P. (DIR Series) Circular No.22 dated September 24, 2003, in terms of which AD banks were permitted to write off the export bills and delete them from the XOS statement in respect of outstanding export bills where claims were settled by ECGC.

2. Reserve Bank has received representations from Exporters / Trade bodies for extending the 'write off' facility applicable to the claims settled by all insurance companies which are registered with Insurance Regulatory and Development Authority (IRDA). In view of the representations received and in order to liberalise further the procedures, it has been announced in the Annual Policy Statement for the Year 2008-09 (para 133), to permit AD Category – I banks to write off, in addition to the claims settled by ECGC, the outstanding export bills settled by other insurance companies which are regulated by IRDA.

3. Accordingly, AD Category – I banks shall henceforth, on an application received from the exporter, supported by a documentary evidence from ECGC / insurance companies registered with IRDA, confirming that the claim in respect of the outstanding export bills has been settled and that the export incentives, if any, have been surrendered, write-off the relative export bills and delete them from the XOS statement. Such write-off will not be restricted to the limit of 10 per cent indicated in paragraph C 18(b) of the A. P. (DIR Series) Circular No.12 dated September 9, 2000.

4. It is clarified that the claims settled in Rupees by ECGC / insurance companies should not be construed as export realisation in foreign exchange and claim amount should not be allowed to be credited to Exchange Earners' Foreign Currency Account maintained in terms of Regulation 4 of FEMA Notification No.FEMA 10/2000-RB dated May 3, 2000.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**(Salim Gangadharan)**  
**Chief General Manager- in- Charge**