



RESERVE BANK OF INDIA

Mumbai - 400 001

RBI/2014-15/580

A.P. (DIR Series) Circular No. 97

April 30, 2015

To

All Category – I Authorised Dealer Banks

Madam / Sir,

Merchanting Trade to Nepal and Bhutan

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to [A.P. \(DIR Series\) Circular No. 115 dated March 28, 2014](#). In terms of the revised merchanting trade guidelines stipulated therein, for a trade to be classified as merchanting trade, goods acquired should not enter the Domestic Tariff Area and the state of the goods should not undergo any transformation. Further, the goods involved in the merchanting trade transaction would be the ones that are permitted for exports / imports under the prevailing Foreign Trade Policy (FTP) of India, as on the date of shipment and all the rules, regulations and directions applicable to exports (except Export Declaration Form) and imports (except Bill of Entry), should be complied with for the export leg and the import leg respectively.

2. As Nepal and Bhutan are landlocked countries, there is a facility of transit trade whereby goods are imported from third countries by Nepal and Bhutan through India under the cover of Customs Transit Declarations in terms of the Government of India Treaty of Transit with these two countries. In consultation with Government of India, it is clarified herein that goods consigned to the importers of Nepal and Bhutan from third countries under merchanting trade from India would qualify as traffic-in-transit, if the goods are

otherwise compliant with the provisions of the India-Nepal Treaty of Transit and Indo-Bhutan Treaty of Transit respectively.

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

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

Yours faithfully,

(A. K. Pandey)
Chief General Manager