

**Record of discussion of the meeting Chaired by the Commerce Secretary with RBI, IBA, FIEO, FICCI and EEPC held at New Delhi on 13<sup>th</sup> April, 2017**

The meeting was chaired by the Commerce Secretary and attended by DGFT and officers/ representatives from DoC, CBEC, RBI, IBA, FIEO, FICCI and EEPC as per list attached at Annexure-I.

DGFT after initiating the discussion requested DG & CEO, FIEO to highlight the issues and concern of the exporters. Following issues were discussed in the meeting:-

**1. Caution Listing of Exporters by RBI for non-closure of Export Realization**

A. DG FIEO submitted that exporting community is in complete agreement with the RBI and the Government that export proceeds should be realized within the prescribed time, as per stipulation fixed by the RBI. However, the genuine concern of the exporters should be addressed and the exporters should not be penalized for the fault of the bankers in reporting under the EPDMS. Giving a little background, DG FIEO submitted that EPDMS was launched in March, 2014. However, most of the authorized dealers did not pay attention to the EPDMS work flow. Therefore, over a period of time, there has been a large build up of transactions pending closure indicating a mismatch between actual exports and export realization. Exporters have very limited role to play in EPDMS system, and they do not even have viewing rights on this software. Therefore, FIEO requested that exporters should also be provided login in EPDMS to view or monitor the status of their export realization. CGM, RBI informed that since the EPDMS deals with money matters, login facility to exporters would be difficult. However, ICEGATE of Customs has been provided this facility and exporters can view the status of their export remittance through ICEGATE.

DG FIEO further submitted that in October, 2016, RBI has pushed through the process of automatic caution listing in cases where a shipping bill has remained open for more than two years in the EPDMS. He suggested that instead of auto-caution listing of the exporters, based on EPDMS data, the banks and RBI should first reconcile the EPDMS data with e-BRC data, and only those cases should be penalized where the payments have not been realized.

The effect of caution listing of exporters has serious consequences for exports. At times, exporters are denied the packing credit affecting their exports. Non-LC bills are not negotiated, with the result, goods reach the buyer waiting for banking documents resulting in huge demurrage to be paid by the exporters. The caution list is accessed by the various regulatory and investigating agencies, who in turn issue notices/letters to exporters adding to the paper work at his end. Therefore, it is all the more necessary that caution list cover only those shipments, which are not realized beyond the specified time without any genuine reason.

**Decision:**

- i) Commerce Secretary observed that FIEO and EPCs should write to their members informing about the facility of viewing the status of remittance against a shipping bill at the ICEGATE so that exporters can monitor the position of their export remittances. She also suggested that DG & CEO, FIEO should look into the data of export remittance at the ICEGATE and check if the data is being displayed in an exporter friendly way. In case of any problem, the matter should be taken up with CBEC. **(Action : FIEO/EPCs/FICCI and other Export Organisations)**
  - ii) RBI informed that in large number of cases there is little mismatch in the realization reported under e-BRC and the foreign exchange indicated in the shipping bill. In such cases, exporters may avail the self-write off facility provided in the RBI manual by surrendering the proportionate exports benefits. Alternatively, exporters may apply for extension in realization period to ADs. FIEO/EPCs may inform their members about such facility so that the mismatch in the e-BRC foreign exchange value and shipping bill foreign exchange value can be accounted for closure of such shipping bills. **(Action : FIEO/EPCs/FICCI and other Export Organisations)**
- B. FIEO suggested few categories of shipping bills that should be duly closed in the EPDMS, like- shipping bill cancelled by Customs. FIEO further submitted that the data of the cancelled shipping bill from March,2014 was shared by Customs and NSDL (agency managing "SEZ Online"), for closing the shipping bill in EPDMS, only in February,2017. Even today, the flow of data of cancelled shipping bill has errors. Secondly, at times, shipping bill is filed for supply of goods free of cost with EDF waiver. Customs and SEZ should have

an option to recall such wrongly reported shipping bill from EPDMS. The auto caution listing of exporters should exclude free of cost shipping bill. In few instances, goods are re-imported after exports for quality or other reasons, and there is no provision to recall such shipping bills from EPDMS. In few cases, exporters receive payment from ECGC in lieu of remittance from abroad, the manual entry of such information by the bank is often delayed, creating a problem for the exporters. FIEO submitted that there are also errors in the data such as wrong shipping bill number, wrong port code, wrong date of shipping bill, etc. which has also resulted in mismatch of actual exports and its realization.

**Decision :**

- i) RBI informed that they are updating the EPDMS on daily basis and therefore, if a shipping bill is subsequently cancelled, the same is reflected in EPDMS. With regard to Shipping Bill which may have been sent by Customs/NSDL in the recent past, the same would be updated in the EPDMS. **(Action : RBI)**
  - ii) As regards free of cost shipping bills with EDF waiver, it was informed by RBI and Customs that since such transactions for reporting purpose are given some notional value for transmission of data, exporters should approach the ADs for closure of such shipping bills. The same procedure may be followed for re-import of export goods or in cases where the payment is realized through insurance cover from ECGC/Insurance Agencies. **(Action : FIEO/EPCs/FICCI and other Export Organisations)**
- C. FIEO requested that RBI may look into these concerns and extend the date in consultation with IBA/bankers looking at the enormity of the task at the end of the banks. Moreover, since exporters are entitled to self write off at 5% and 10% for status holders, so far the outstanding amount remains within this limit, exporters should not be put into the caution list.

**Decision :**

- i) CGM, RBI stated that in 92% of the cases of export proceeds have been realized and non-realization is only in respect of 8% of the cases. He said that banks have furnished reports that they have updated the information in the EPDMS. The Commerce Secretary asked RBI to do auditing of the foreign exchange

branches of the banks so as to ascertain the actual position as trade & industry has pointed out many instances of non-updation of data at the end of the bank. **(Action : RBI)**

- ii) Commerce Secretary also asked FIEO/EPCs/FICCI and other trade bodies to create a suitable slot on their web page, asking exporters to provide details of the banks with branch that have not updated the information in the EPDMS. Such details may be provided to the DGFT to take up with the RBI and concerned Bank. **(Action : FIEO/EPCs/FICCI and other Export Organisations)**

## 2. **Dispensing with requirement of Shipping Bill for negotiation of Export Documents**

FIEO informed that RBI instructions require submission of shipping documents to bank for negotiation. While the detailed shipping documents are not mentioned, as per practice, the shipping bill was all along being submitted to bankers for negotiation. However, the customs have decided to dispense with the hard copy of the shipping bill for EDI shipments. With the result, hard copy of shipping bill is not being issued, but bankers are insisting for the same. It was suggested that RBI may issue revised instructions in view of this development, so as to expressly exclude copy of the shipping bill from shipping documents.

**Decision :** CGM, RBI informed that they are in the process of issuing suitable instructions dispensing with the need of shipping bill for negotiation of export documents. Customs also informed that exporters have an option to obtain physical copy of Shipping Bills on demand. **(Action : RBI)**

## 3. **Third Party/Third Country payments for Exports**

FIEO pointed out that a large number of exporters have highlighted the problem of realization from a third party or a third country. In few cases, where the exporters are aware that the payments will come from a third party or a third country, the same is mentioned by them in the shipping documents. However, in large number of cases, exporter himself is not aware about the third party and hence, not in position to declare it at the time of shipment. Many of the exporters exporting to Africa get the payment from Dubai/Singapore. Similarly, large departmental stores, takes supply in various countries and make payment from one office in Singapore, Hong Kong, London, etc.

Exporters are willing to provide such details at the time of realization, clearly providing the trail of money and relationship between remitter and the buyer. RBI was requested to look into such cases, as their numbers are increasing and will increase the liquidity crunch in the global market.

**Decision :** CGM, RBI informed that RBI instructions, as contained in the Master Circular on Exports, are very clear on the subject. Banks can rely on other export documents, if tripartite agreement is not there. It was also informed that SIT has made observations on such transactions in the past. Commerce Secretary suggested that DGFT should take up the matter with SIT so that Indian exports do not suffer on account of the genuine problem raised by the exporters. **(Action: DGFT)**

#### 4. **Banks refusal to handle documents for Transit Shipments through Iran**

FIEO informed that the Government of India is keen to push the new INSTC route for exports to Central Asian countries. However, whenever any exports consignment is transited through Iran, Indian banks are not willing to issue BRC in such cases, though the goods are destined to Afghanistan, Russia or Central Asia. A clear instruction from the RBI in the matter would be of immense help in resolving these issues and pushing exports through INSTC, which will save time and cost for Indian exporters.

**Decision :** Commerce Secretary explained the importance of the INSTC and the focus given by India for promoting the trade on INSTC route. She said that it was unfortunate that we were not facilitating exports through this new route due to lack of understanding at the end of the bankers. CGM, RBI said that in case, exporters furnishes the composite documents showing transit of goods through Iran for destination to a third country, banks should not have any problem in negotiating such documents or issuing e-BRC. Commerce Secretary asked all trade organizations to communicate the same to their members and in case, any bank is not negotiating such documents or not issuing e-BRC in such cases (having composite documents), the same may be informed to DGFT for taking up with RBI. **(Action : FIEO/EPCs/FICCI and other Export Organisations; RBI; DGFT)**

5. **Non-handling of export documents by Indian banks with regard to Sudan and other OFAC Sanctioned countries**

It was informed that some of the Indian banks like HDFC are not handling the export documents with regard to Sudan and other OFAC sanctioned countries. HDFC has quoted OFAC regulation of the US as a reason for the same. RBI has not issued any instruction to bank for not handling export documents pertaining to Sudan. The exporters to Sudan are unable to receive payment for export made by them. Some of them have been caution listed by RBI as Indian banks are not issuing eBRC for the same.

CGM, RBI informed that many banks have commercial presence in US and other countries. Therefore, such banks are reluctant to deal with export documents or issue eBRC pertaining to sanctioned countries. Commerce Secretary suggested that we have to see how other countries are dealing with OFAC sanctioned countries in trade so that India does not miss out the opportunity. As regards Iran, Commerce Secretary highlighted the opportunities of trade & investment in Iran, which needs to be exploited particularly as India worked out Rupee Payment Mechanism to stand with Iran during the difficult time. Indian exports after touching a high of USD 5 billion suffered a setback due to absence of banking arrangement for dealing in free foreign exchange (other than USD).

CGM, RBI stated that they are not following OFAC, but have to comply with FATF guidelines.

**Decision :**

- i) Commerce Secretary suggested to IBA to impress upon Indian banks to look into the opportunity in Iran as well as other countries under OFAC to which many sectors are opened such as pharmaceuticals and agri-commodities and work out corresponding bank arrangement for facilitating exports in free foreign currency (other than USD). **(Action : IBA)**
- ii) Looking at the need for training and capacity building at the cutting edge level, Commerce Secretary suggested that IBA should organize workshop updating officers dealing in foreign exchange with the RBI guidelines so as to update themselves for supporting the export sector. **(Action: IBA)**

## **Other points**

### **6. Capitalization should be equated at par with Export Realization and consequent benefits**

FIEO highlighted that while RBI allows to capitalize the payments from Wholly Owned Subsidiary (WOS) towards the exports made, provided such bills are not overdue beyond the prescribed time, the detailed procedure for the same is not clear to banks. Bankers are also not aware how to settle the realization in such cases to issue eBRC. A provision may also be made in the Foreign Trade Policy to provide exports benefit where exports bill are settled through capitalization. Reference has already been made to DGFT in this matter on 16<sup>th</sup> December, 2016.

**Decision :** CGM, RBI informed that the detailed guidelines are already available permitting such transactions. FIEO can access the same and inform the exporters to take up with their bankers. DGFT agreed to look into the issue from the perspective of Foreign Trade Policy.  
**(Action : FIEO, DGFT)**

The meeting ended with a vote of thanks to the Chair.

## Annexure-1

The following officers were present in the meeting:

1. Ms. Rita Teotia, CS – Chairperson
2. Shri A. K. Bhalla, DGFT
3. Shri Bhupinder Singh Bhalla, JS, DoC
4. Shri Nikunj Kumar Srivastava, Additional DGFT
5. Shri L Satya Srinivasa, Joint Secretary (Customs)
6. Shri Nitish K. Sinha, JS, Drawback
7. Shri Dinesh Gupta, Director, Drawback
8. Shri Ajay Sahai, DG&CEO, FIEO
9. Shri Manab Majumdar, Dy. Secretary General, FICCI
10. Shri Deepak Kumar, Chief General Manager, RBI
11. Shri K. Eshwar, Sr. Advisor, IBA
12. Shri Suranjan Gupta, Addl. Executive Director, EEPC
13. Shri K. P. Singh, Deputy DGFT