



## Indian Banks' Association

### CORPORATE & INTERNATIONAL BANKING

No.C&I/Circular/2015-16/2217

March 3, 2016

To

**The Chief Executives of All Member Banks**

Dear Sir/Madam,

#### **Export Credit in Foreign Currency**

IBA has received a representation from the Gem & Jewellery Export Promotion Council (GJEPC) stating that fluctuation in the rates of foreign currency vis a vis the Indian Rupee and the continuous devaluation of rupee against the dollar, results to impacting of the working capital of the exporters due to the fact that the credit limit sanctioned by the banks is always in Indian rupee.

2. RBI had examined the issue earlier and vide circular No. RBI/2013-14/291; DBOD. Dir. BC. No. 57/04.02.001/2013-14 dated September 25, 2013 advised that banks extend export credit in Indian Rupees as well as in foreign currency, such as Pre-Shipment Credit in Foreign Currency (PCFC) and Post-Shipment Credit in Foreign Currency (PSCFC), as per their board approved policy within the overall regulatory framework prescribed by the RBI. It is observed that the export credit limits are calculated in Indian Rupees and the limit is apportioned between Rupee and foreign currency components depending upon the borrowers' requirement. While the overall export credit limits are fixed in Indian Rupee, the foreign currency component of export credit fluctuates based on the prevailing exchange rates.

3. RBI has advised banks that they may compute the overall export credit limits of the borrowers on an on-going basis say monthly, based on the prevalent position of current assets, current liabilities and exchange rates and re-allocate limit towards export credit in foreign currency, as per the bank's own policy. This may result in increasing or decreasing the Indian Rupee equivalent of foreign currency component of export credit. Alternatively, banks may denominate foreign currency component of export credit in foreign currency only with a view to ensuring that the exporters are insulated from Rupee fluctuations. The foreign currency component of export credit, sanctioned, disbursed and outstanding will be maintained and monitored in foreign currency.

4. Member banks are requested to take note of the RBI circular.

Yours faithfully,

  
(K Eswar)  
Senior Advisor