

TAMILNAD MERCANTILE BANK LTD

INTERNATIONAL BANKING DIVISION

Policy for Handling International Trade Transactions under FEMA 23R

(Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 [FEMA 23(R)/2026-RBI])

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Policy — FEMA 23(R) Trade Transactions

Handling of Export, Import and Merchanting Trade Transactions under FEMA 23(R)/2026-RB

1. Purpose and Regulatory Basis

Regulation 19 of the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 requires every AD to put in place a separate, comprehensive and well-documented Internal Policy and Standard Operating Procedure (SOP) for handling transactions, including reporting, relating to Export and Import of goods and services and Merchanting Trade Transactions (MTT), which would be effective from 01st October 2026.

The details of the Regulations are furnished herebelow:

Regulation	Contents
1	Short Title and Commencement
2	Definitions
3-17	Various aspects of Export and Import
18	Reporting
19	Internal Policy and SOP for handling transactions

2. Scope

The policy covers the following:

1. Export Transactions
2. Import Transactions
3. Merchanting Trade Transactions
4. Remittances relating to International Trade
5. I/EDPMS
6. Approval Authority for various parameters.

This Policy shall apply to all our Branches, Forex Processing Centre, Forex Treasury Back Office, International Banking Division and other functions of the Bank handling Export, Import, MTT and other transactions relating to international trade.

Where another Law, Regulation, RBI/DGFT instructions, Sanctions requirement or Court / Authority direction imposes a stricter requirement, the stricter applicable requirement shall prevail.

3. Policy Principles

Due Diligence	Documentation and Scrutiny shall be proportionate to the customer, counterparty, country, commodity / service, transaction value, tenor, structure.
Regulatory Compliance	Transactions shall be processed only when permissible under FEMA, the 2026 Regulations, applicable RBI directions and the Foreign Trade Policy /DGFT frameworks – all above as amended from time to time.
Genuineness	Before permitting any transaction, the Bank shall satisfy itself regarding the genuineness of the request. This also applies to closure / update of EDPMS/IDPMS.

Customer Transparency	Documents required, indicative timelines, applicable charges, approval authority and escalation mechanism are disclosed
Audit trail	Requests, documents, approvals, exceptions, communications and system actions shall be retained in accordance with the Bank's record-retention policy

4. Governance & Responsibilities

Authority	Responsibility
Board of Directors	Approve the Policy
Executive Vice President, HIT	Oversee Governance
Vice President, IBD	Ensure Implementation
Forex Treasury Back Office	Regulatory Interpretation, Approvals & I/EDPMS, Follow-ups, Issue guidelines and Reporting.
Forex Processing Centre	Obtain prescribed documents, Perform checks, Process transactions, Maintain records & Follow-up.
Internal Audit (RBIA / Management Audit/ FEMA Audit / Concurrent Audit / Compliance etc.)	Review adherence to the Policy, SOPs, Delegation and Reporting requirements.
Branches	Obtain complete requests, Customer declarations and all related back up documents and ensure timely escalation to FPC / IBD and Follow-ups.

5. Customer Transaction Due Diligence

The Bank shall maintain an indicative document matrix for each category of transactions.

Transaction Factor	Assessment
Customer	No. of Years for which the customer has been dealing with the Bank, Business Profile, Financial Standing, Conduct of the account, Overdue Import / Export entries (I/EDPMS).
Counterparty	Credit / Business Information Report issued by Credit Information Agencies empaneled with our Bank, sanctions / adverse information.
Underlying	Contract/Proforma Invoice /Purchase Order / Letter of Credit, Invoice, Goods / Services, Value, Tenor, Payment terms and Delivery terms.
Transaction Structure	Advance Remittance, Letter of Credit, Collection, Set-off, Factoring, MTT or any other special structure.
Regulatory status	FTP permissibility, licences / approvals, LEI applicability and other sector-specific requirements.
Monitoring indicators	Ageing, Repeated extensions, Non-realisation of Exports, Non-materialisation of Imports, Write-off /Reduction, Unusual payment routing, etc.

6. Documents, Timelines and Charges

For every process covered by this Policy, the Bank has furnished the following in the SOP:

- a) Documents and information required from the customer.
- b) Standard processing timeline for a complete request.
- c) Applicable charges, if any, with the basis of levy.
- d) Approving authority and delegation level.
- e) Mode/channel for submission.

Escalation and Grievance Redressal

The following is the escalation matrix (for the forex customer) pertaining to the requests that are delayed / declined.

Level	Responsible Authority	Indicative Reponse Time
1	Branch Head	2 Working Days
2	Regional Head	2 Working Days
3	DVP, Forex Processing Centre	2 Working Days
4	VP, International Banking Division	2 Working Days
5	EVP, Head of Integrated Treasury	2 Working Days
6	HO, Customer Service Cell	2 Working Days

Charges

Charges applicable to processes covered by this Policy shall be disclosed to customers. Accordingly, the schedule of charges has been hosted in our Bank Website.

No charge or penalty will be levied where prohibited by Regulation 19(3).

Exceptions and Deviations

Any deviation from this Policy shall be supported by documented reasons and approved by the competent authority – Board. Regulatory requirements shall not be overridden in any case.

Website Disclosure

The Bank shall publish the policy in our website as required under Regulation 19(4).

Effective Date

This Policy shall become effective from October 1, 2026, being the effective date stated in the Reserve Bank of India's Notification no. FEMA 23(R)/2026-RB dated 13.01.2026.

Policy Review

This Policy shall be reviewed every year and it is valid from the date of approval by the Board till the next review. Any regulatory / other changes in the intervening period shall be implemented as per the timeframe fixed by the regulator and updated in the Policy during the next review.

Other Forex Transactions

In respect of the transactions involving Foreign Exchange, which have not been covered under this Policy, the customer shall forward their requests to Forex Treasury Back Office through the concerned branch. If satisfied with the submissions of the customer, the transactions will be effected as per the RBI's Master Directions and Regulations in force.

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Abbreviations used in this Policy

RBI	Reserve Bank of India
FEMA	Foreign Exchange Management Act 1999
AD	Authorised Dealer
MTT	Merchanting Trade Transactions
DGFT	Directorate General of Foreign Trade
I/EDPMS	Import/Export Data Processing and Monitoring System
IBD	International Banking Division
FPC	Forex Processing Centre
LEI	Legal Entity Identifier
FTP	Foreign Trade Policy
EDF	Export Declaration Form
EDI	Electronic Data Interchange – Port
ED	Directorate of Enforcement
CBI	Central Bureau of Investigation
FIRC	Foreign Inward Remittance Certificate
NOC	No Objection Certificate
FCY	Foreign Currency
INR	Indian Rupees
LC	Letter of Credit
FATF	Financial Action Task Force
SRVA	Special Rupee Vostro Account
FETERS	Foreign Exchange Transaction Electronic Reporting System
STPI	Software Technology Parks of India
RoDTEP	Remission of Duties and Taxes on Exported Products

Regulation - 3: Declaration of Exports

An exporter of goods shall furnish to the concerned authority (eg. Customs, STPI etc.), a declaration in the Export Declaration Form (EDF) specifying the amount representing the full export value of goods, at the time of export. Such EDF will be deemed to be submitted as part of shipping bill for goods exported through Electronic Data Interchange (EDI) port.

An exporter of services shall furnish to the specified authority, a declaration in EDF specifying the amount representing the full export value of services, within 30 days from the end of month in which invoice for services has been raised, provided that:

- (a) the exporter of services who has exported services to one or more recipients in a month, may submit a single EDF for all such exports;
- (b) the exporter of services other than software, may submit an EDF on or before the date of receipt of payment;
- (c) the Bank may, on a request from the exporter citing reasons for delay, extend the period for submission of the EDF after satisfying itself about the reasonableness of the request.
- (d) cases granted extension shall be placed under follow up until the EDF is submitted and the underlying export transaction is regularized.

The powers delegated to authorities for granting extension/s is given below:

Extension Period sought before due date	
Number of Days	Authority
Beyond 30 days and upto 60 days	Head, Forex Processing Centre
Beyond 60 days (In stages of 30 days)	AVP, Forex Treasury Back Office

Extension Period sought after due date
Authority
VP, International Banking Division

In the case of a non-EDI port for export of goods; the duly authenticated EDF, shall be forwarded by the specified authority to the respective Bank.

Note:

1. A traveller moving personal effects (which are either accompanied or unaccompanied) from India shall not be treated as exporter for the purpose of these Regulations.
2. If goods are taken abroad as a sample or for exhibition or repair where no foreign exchange is involved, GR / EDF waiver from the Bank is no longer prescribed. In cases where no foreign exchange is involved, the exporter should file an EDF with Nil value for goods taken abroad as samples, for exhibition or repair purposes.

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Regulation 4. Manner of Receipt and Payment

The receipts and payments for export and import of goods and services shall be in the manner specified in the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023, as amended from time to time.

The Bank shall make a credit or debit to the account of an exporter or an importer, for receipt of export or payment for import, only after having satisfied itself of the genuineness of the transaction, and shall, simultaneously close or update the respective entry in Export Data Processing and Monitoring System or Import Data Processing and Monitoring System (EDPMS or IDPMS)

Closure of Small Value I/EDPMS entries

In the case of export where the shipping bill (for goods) or invoice (for services) is up to ₹10 lakh (or its equivalent in foreign currency), entry in EDPMS may be closed based on a declaration from the exporter to the effect that the payment against the shipping bill / invoice has been realised either in full or otherwise. Alternatively, such declaration may be submitted by an exporter to the Bank on a quarterly basis for bulk closure of entries in EDPMS; Provided further that in the case of import where the Bill of Entry (for goods) or invoice (for services) is up to ₹10 lakh (or its equivalent in foreign currency), entry in IDPMS may be closed based on a declaration from the importer to the effect that the payment for import has been made either in full or otherwise. Alternatively, such declaration may be submitted by an importer to the Authorised Dealer on a quarterly basis for bulk closure of entries in IDPMS.

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Regulation 5. Time Period for Realisation of Exports

Export Realisation and Repatriation

The time period for export realisation in accordance with RBI Regulations is given below:

1. Fifteen months from the date of shipment in case of goods (other than goods exported to a warehouse outside India) and from the date of invoice in case of services;
2. Fifteen months from the date of sale of goods from the warehouse in case of goods exported to a warehouse outside India;
3. As per payment terms of the contract, in case of project exports

Where the export of goods and services is invoiced or/and settled in Indian Rupees, the period for realisation and repatriation of full export value shall be eighteen months, from the date of shipment in case of goods (other than goods exported to a warehouse outside India), from the date of invoice in case of services, and from the date of sale of goods in case of goods exported to a warehouse outside India;

The Bank may, on request by an exporter citing reasons for the delay, allow extension of time for realisation of export proceeds beyond the specified period, if the Bank is satisfied of the reasons cited.

Hence, the bank may, if satisfied with the submissions made by the exporter, extend the period of realization of export proceeds beyond stipulated period of realization from the date of export, up to a period of six months, at a time, irrespective of the invoice value of the export subject to the following conditions:

- a) The export transactions covered by the invoices are not under investigation by Directorate of Enforcement / Central Bureau of Investigation or other investigating agencies,
- b) The bank is satisfied that the exporter has not been able to realise export proceeds for reasons beyond his control,
- c) The exporter submits a declaration that the export proceeds will be realised during the extended period,
- d) In cases where the exporter has filed suits abroad against the buyer, extension may be granted irrespective of the amount involved / outstanding.

If the export proceeds of an exporter remain unrealized for a period beyond one year from the due date of realization, or extended period, if any, allowed by the Bank, the exporter shall undertake further exports to that specific buyer, only against receipt of full advance or an irrevocable Letter of Credit.

The above clause will apply only to future export transactions between the specific exporter and the specific overseas buyer responsible for the unrealized export proceeds i.e. the overseas buyer who has defaulted in making payment.

Delegation of powers for granting extension:

Period	Delegated Authority
Upto 1 year from the original due date	Vice President International Banking Division
Beyond one year from the original due date	Executive Vice President Head of Integrated Treasury

The Bank shall have systems and processes to monitor and follow up with an exporter to realise export proceeds within the period specified above. In line with this regulation, the bank will effectively follow up with the help of the data available in the I/EDPMS and our MIS.

The amount representing the full export value (or reduced export value in terms of Regulation 6 of RBI mentioned in this Policy) of goods and services shall be realised (including by way of set off in terms of Regulation 7 of RBI mentioned of this Policy) and repatriated by the exporter within the period specified above.

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Regulation 6 – Reduction in the Export Realisation

Reduction / Under-realisation

The Bank may, on request from the exporter citing reasons for under-realisation or non-realisation of full export value, allow reduction in realisation of export value, provided the Bank is satisfied of the reasons cited.

Where the export value is up to ₹10 lakh (or its equivalent in foreign currency) per shipping bill (for goods) or invoice (for services), the reduction of export value (including nonrealisation of full export value) may be permitted based on a declaration from the exporter.

The Bank may consider any request for write-off only after 12 months from the due date.

Delegation of Powers for Reduction and Write Off:

Nature of Exporter	Authority for Permitting
Status Holder Exporter	(Reduction & Write Off) Head of Forex Processing Centre
Non-Status Holder Exporter	(Reduction upto 50%) Head of Forex Processing Centre
Non-Status Holder Exporter	(Reduction beyond 50%) VP, International Banking Division
Non-Status Holder Exporter	(Write Off) Executive Vice President, Head of Integrated Treasury

Note:

1. The Shipping Bill for which the request has been made for Reduction / Write off of invoice value, should not be under any investigation / adverse notice of ED or CBI or any other law enforcement agency (should be confirmed by the customer in the request letter). In case of ongoing enquiry, NOC from the respective agency should be submitted by the exporter.
2. A declaration from the exporter or documentary evidences, certifying that they have surrendered all the export incentives (Duty Drawback and RoDTEP (Remission of Duties and Taxes on Exported Products)) claimed against the unrealized shipping bills

On according approval, the bank will update/close the relevant EDPMS entries.

No charge or penalty attaches to the exporter's regulatory delay, and any processing fee must be flat and disclosed, not tied to the reduced amount.

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Regulation 7 – Set Off of Export Receivables against Import Payables

Set-off

The Bank may allow set-off of export receivables against import payables from/to the same overseas buyer or supplier or with their overseas group or associate companies, within the stipulated period for realisation of export proceeds or extended period, if any, allowed by the Bank

It shall be subject to:

1. The Bank shall ensure KYC / AML procedures are adhered to for establishing genuineness of the transaction.
2. Invoices should not be under any investigation / adverse notice of ED or CBI or any other law enforcement agency (should be confirmed by the customer in the request letter). In case of ongoing enquiry, NOC from the respective agency should be submitted by the exporter.

The relevant EDPMS/IDPMS entries shall be updated/closed appropriately.

Permitting Authority
VP, International Banking Division

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Regulation 8 – Third Party Receipts and Payments

Third-party Receipts

The Bank may permit third party (other than the parties undertaking export and import) receipts and payments for export and import transactions provided that the Bank is satisfied with the bonafides of the transactions. The Bank shall ensure KYC / AML procedures are adhered to for establishing genuineness of the transaction.

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Regulation 9 – Time Period for making Import Payment

Import Payment

Import payments shall be supported by the underlying invoice, Bill of Entry/appropriate evidence, transport documents where applicable, and other documents prescribed by the bank in the SOP.

The Bank shall monitor its IDPMS entries and follow up with the respective importer for making payment for its imports within the period specified in the underlying contract.

Extension of Import Payment

The Bank may, on request from the importer citing reasons for the delay, allow extension of time for making payment, beyond the period specified in the contract, if the Bank is satisfied of the reasons cited.

For delayed import payment within three years from the date of shipment, the interest shall not exceed the all-in-cost ceiling of trade credit in terms of the Foreign Exchange Management (Borrowing and Lending) Regulations 2018, as amended from time to time.

Delayed import payment beyond three years from the date of shipment, should be made without interest.

Permitting Authority
VP, International Banking Division

Direct Receipt of Import Bills/Documents

The bank will make remittances where import bills have been received directly by:

1. The importers from the overseas supplier.
2. The Bank from the overseas supplier (where full set not received).

The discretionary powers for booking and making remittances for such direct bills is given below:

Category	Permitting Authority
Import Bills received by: 1. Wholly-owned Indian subsidiaries of foreign companies from their principals. 2. Status Holder Exporters as defined in the Foreign Trade Policy, 100% Export Oriented Units / Units in Special Economic Zones, Public Sector Undertakings and Limited Companies. 3. Public Limited Companies	No Permission Required
Other Categories {For customers having Banking Relationship (i.e. regular transactions) for a minimum period of 6 months}	
Import Bills upto USD 300,000*	No Permission Required
Import Bills above USD 300,000 *and upto USD 1,000,000*	Vice President, International Banking Division
Import Bills above USD 1,000,000*	Executive Vice President, Integrated Treasury.

* or its equivalent in other currencies.

In case of pre-payment of usance import bill, the interest payable can be as per the contractual rate agreed between the importer and exporter.

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Regulation 10 – Advance Payment for Exports & Imports and Delayed payment for Imports

Advance Payment for Exports

An exporter shall, in case of advance receipt for export, route the advance amount, and realisation of export proceeds, if any, through our Bank. However, an exporter may route the transactions through any other Banks provided the exporter has intimated the change to both the Banks.

The exporter shall ensure that interest payable, if any, on advance payment received for export, shall not exceed the all-in-cost ceiling of trade credit in terms of the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, as amended from time to time.

Where an exporter receives advance payment (with or without interest), from a buyer outside India, the exporter shall be under an obligation to ensure that the shipment of goods is made within the terms of shipment mentioned in the proforma / contract. In any case, it should be within three years from the date of receipt of advance payment.

In exceptional cases, the Bank at the request of the exporter will take a decision on extension beyond 3 years from the date of receipt of advance.

Delegated Authority
VP, International Banking Division

The rate of interest, if any, payable on the advance payment shall not exceed the all-in-cost ceiling of trade credit in terms of the Foreign Exchange Management (Borrowing and Lending) Regulations 2018, as amended from time to time.

Other Guidelines

The Bank shall monitor the outstanding advance payments received for exporter and shall ensure the effective follow up with the exporters to ensure completion of export performance within the stipulated time period.

The Bank shall exercise due diligence to ensure compliance with KYC and AML guidelines so that only bonafide export advances flow into India. Doubtful cases and instances of chronic defaulters shall be referred to Directorate of Enforcement (DoE) through International Banking Division, Chennai for further investigation.

Refund of Advance Payment received by exporters:

The Bank may allow refund of unutilized advance payment received for exports, where exporters are unable to make shipments, within three years from the date of receipt of advance or extended periods

Refunds beyond 3 Years

Requests for refunding of Advance Remittances, beyond 3 Years from the date of receipt, have to be sent to International Banking Division.

Delegated Authority
VP, International Banking Division

Note: If the advance was against Exports to be made in pursuance of any undertaking given to Import Trade Control authorities in regard to fulfillment of export obligations, then refund is not possible, unless it is permitted by the Competent Authority in writing.

Closure of IRM where Export is not possible

The Bank may on request by an exporter citing reasons, close the entry relating to export advance transactions in EDPMS, where no export has been made and where refund of such advance is not possible, after having satisfied of the genuineness of the reasons cited.

Delegated Authority
EVP, Head of Integrated Treasury

Advance Payment for Imports

There may be instances where the importers may be required to make advance remittance towards imports.

In case of advance payment for imports, an importer shall route the advance payment and its subsequent payments, if any, through our Bank.

However, an importer may route the transactions through any other Bank provided the importer has intimated the change to both the Banks.

The Bank may permit advance remittance for import after satisfying itself of the genuineness of the requirement for advance remittance. The Bank may consider specifying thresholds for advance payment, beyond which, the payment may require a standby Letter of Credit or a guarantee.

Parameter	Delegated Authority
Upto USD 1 Lakh or Equivalent in other Currencies	Branch Head
Above USD 1 Lakh and Upto USD 2 Lakh or Equivalent in other Currencies	Vice President International Banking Division
Above USD 2 Lakh and Upto USD 5 Mio or Equivalent in other currencies	Executive Vice President Integrated Treasury
Above USD 5 Mio or Equivalent in other Currencies backed by SBLC	Executive Vice President Integrated Treasury

An importer shall ensure that interest payable, if any, on delayed payment for imports, shall not exceed the all-in-cost ceiling of trade credit in terms of the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, as amended from time to time.

The Bank stipulates the following pre-requisites for undertaking Advance Remittances for Imports on behalf of the customers:

1. The customer's track record in submitting documentary proof in respect of such transactions, if any, in the past should also be satisfactory. No request for advance remittance shall be entertained in respect of customers for whom submission of even one Bill of entry is overdue for submission.
2. Advance remittance for imports should be undertaken only for the customers having satisfactory banking relationship (routing their entire business transactions) with us for a minimum period of six months. Customers who are just opening an account and requesting for advance remittances without routing their entire business transactions for the first six months are not qualified for making advance remittances through our bank.
3. The Bank shall be satisfied about the bonafides of the transactions and the track record of the importer constituent.
4. The customer's account is fully compliant with Reserve Bank of India's extant KYC/AML guidelines. KYC and due diligence exercise shall be carried out by the Bank for the importer entity as well on the overseas manufacturer/supplier.
5. Advance payments should be made strictly as per the terms of the sale contract and should be made directly to the account of the manufacturer/supplier concerned.
6. Physical import of goods into India is to be made within contracted period or extended period. The importer should give an undertaking to furnish documentary evidence of import within the close of the contract period or the extended period. It is clarified that where advance is paid as milestone payments, the date of last remittance made in terms of the contract will be reckoned for the purpose of submission of documentary evidence of import. Branches shall follow up submission of documentary evidence of import into India.
7. In the event of non-import, the Bank shall follow up with the importer customer so as to ensure that the amount of advance remittance is repatriated to India.
8. A Comprehensive and wholly satisfactory credit report from the Credit Information Agencies empaneled with us, on the overseas seller (beneficiary of the advance remittance) should be obtained.

The requirement of obtaining a comprehensive and wholly satisfactory credit report, may be waived for the importers, who comply with any one of the following stipulations:

1. The importer is banking with us for at least three years and having regular and satisfactory forex operations with us.

2. The importer is banking with us for a period of less than three years and is having regular and satisfactory operations with us for atleast six months. The concerned Regional Head has permitted the remittance after having conducted enhanced due diligence.
3. In respect of importers who do not fall under the above two categories, but are having regular and satisfactory operations with us for atleast six months and the concerned Regional Head has permitted the remittance after having conducted enhanced due diligence.
4. The importer has recently shifted their entire credit facility/ies to our Bank and the concerned Regional Head has permitted the remittance.
5. The total advance remittance portion in a particular invoice is for an amount of USD 10000 / equivalent or less.
6. In respect of one time import for personal purposes i.e. for purposes not related to trade, provided the total value of the invoice is upto USD 10000 / equivalent or less.

Note:

1. If the relationship is for a period less than six months and credit report is available, then advance remittance can be considered if the Regional Head recommends for the same
2. A Bill of Entry submission is considered overdue, when it is not submitted within the closure of the contract period or the extended period.

RBI's Regulation requires that interest payable on an advance receipt for exports, or on delayed import payment, must not exceed the all-in-cost ceiling for trade credit prescribed under the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, as amended from time to time. The Bank cannot process a remittance that would exceed the above prescribed ceiling.

Note: In case of receipt of interest for the advance payment made by importer, the interest payable can be as per the contractual rate agreed between the importer and exporter.

Delay in Import

If there is a delay in import beyond the contracted period, the Bank may, if satisfied with the submissions of the importer may extend the period of import.

Delegated Authority
VP, International Banking Division

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Regulation 11 – Import of Gold and Silver

Advance remittances are prohibited for the permissible channels for physically importing gold/silver — nominated banks/agencies, qualified jewellers under the RBI-DGFT scheme, and the India International Bullion Exchange at GIFT City.

Payment for a completed (non-advance) import of gold/silver otherwise follows the standard mechanism — payment against documents, or under a letter of credit, within the period specified in the underlying contract.

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Regulation 12 – Import not materialized

Where an importer is unable to import within the contract period, or the extended period, the importer shall repatriate the advance payment made, if any.

If the advance payment is not repatriated by the importer within the contract period or extended period, if any, allowed by the Bank or where the IDPMS entry has not been marked-off in terms of the RBI Regulation*, any future advance payment for imports by the importer shall require an unconditional, irrevocable standby Letter of Credit or a guarantee from an international bank of repute or a guarantee of an Authorised Dealer in India, which is issued against a counter-guarantee of an international bank of repute.

(* The Bank may on request by an importer citing reasons, close the entry relating to import advance transactions in IDPMS, where no import has taken place and where repatriation of such advance is not possible, after having been satisfied of the genuineness of the reasons cited.)

The above condition lifts once the earlier unresolved advance is regularized, i.e. either the goods are eventually imported and the Bill of Entry lodged with the IDPMS entry marked off, or the advance is repatriated and the IDPMS entry closed on that basis or write-off of the entry in IDPMS subject to satisfactory reason.

Importer approaching another AD Bank to handle imports without attracting the above regulation

Switching Bank does not, by itself, extinguish the underlying regulatory consequence attaching to the importer's unresolved advance — the condition is tied to the importer's compliance position, not to a particular Bank's books. It is the obligation of the importer to ensure adherence to the FEMA regulations.

Documents that are required to come out of these conditions if the importer approaches a new Bank for Advance Remittances.

Documentary proof that the specific unresolved advance has been regularised — either the Bill of Entry evidencing the import (with IDPMS marked off) or the FIRC/credit advice evidencing repatriation of the advance (with IDPMS closed on that basis) — submitted to the Bank currently holding the outstanding entry (or to the new Bank, together with the previous Bank's confirmation, where the importer has since switched).

Closure of ORM where Import is not possible

The Bank may on request by an importer citing reasons, close the entry relating to import advance transactions in IDPMS, where no import has been made and where refund of such advance is not possible, after having satisfied of the genuineness of the reasons cited.

Delegated Authority
EVP, Head of Integrated Treasury

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Regulation 13 – Unrealised Exports

If the export proceeds of an exporter remain unrealised for a period beyond one year from the due date of realisation or extended period, if any, allowed by the bank, the exporter shall undertake further exports only against receipt of full advance or an irrevocable Letter of Credit.

Applicability of Regulation 13 to further exports.

In effect — once the one-year (or extended-period) threshold is breached on an unrealised bill, the condition operates as a general restriction on the exporter's subsequent export activity to the specific overseas buyer (through that AD)— requiring that further shipments be backed by full advance payment or an irrevocable LC, until the underlying non-realisation is resolved.

Where export proceeds remain unrealised, the condition that further exports should be undertaken only against full advance or an irrevocable Letter of Credit, as applicable under Regulation 13, will apply only to future export transactions between the specific exporter and the specific overseas buyer responsible for the unrealised export proceeds. It will not apply generally to all exports undertaken by the exporter with other overseas buyers.

This is an important clarification for operational purposes, as the restriction is linked to the specific exporter–defaulting buyer relationship.

The above regulation ceases to be in effect, once the unrealised amount is resolved — either fully realised and repatriated, or a reduction/write-off is approved and the EDPMS entry closed under Regulation 6 — the Regulation 13 condition lifts, and the exporter may resume normal (non-advance/non-LC-secured) export activity through the Bank.

Cases, where the exporter approaches another Bank to handle exports without attracting this regulation.

As with Regulation 12 for importers, switching Bank does not itself extinguish the underlying regulatory position — the unresolved unrealised bill remains outstanding in EDPMS regardless of which Bank the exporter subsequently uses. A new Bank would, in the ordinary course of KYC/due diligence, seek a No-Objection Certificate or status confirmation from the exporter's existing Bank, and would reasonably be expected to apply the same advance/LC-only condition once aware of the unresolved position.

Documents required to be submitted to come out of these conditions.

Evidence that the unrealised bill has been resolved — an FIRC/bank realisation evidencing full receipt of the outstanding proceeds, or the Bank's approval of a reduction/write-off request under Regulation 6 (supported by the relevant grounds and evidence) with the EDPMS entry closed accordingly.

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Regulation 14 – Export of Goods & Services against repayment of State Credits

For the implementation of the provisions of the Inter banking arrangement, the Bank shall adhere to instructions and directions issued by the Reserve Bank of India from time to time on export of goods and services against repayment of State credits granted by the erstwhile Soviet Union

Regulation 14 is a narrow, legacy provision requiring the Bank to "adhere to instructions and directions issued by the Reserve Bank of India from time to time" for export against repayment of State credits extended by the erstwhile Soviet Union — a specialised, government-to-government rupee-debt-repayment mechanism (historically administered through specifically designated banks and RBI's A.P. (DIR Series) circulars for that scheme) rather than standard commercial export. Regulation 14 does not itself set out the operative procedure; it defers entirely to those specific RBI instructions, which should be treated as controlling wherever this framework is invoked.

Nature of payment (INR or foreign exchange)

Historically, State Credit repayment arrangements of this kind operated through rupee-denominated debt-repayment/escrow mechanisms; the specific mode of receipt applicable to a given transaction is as directed by RBI for that arrangement, and should not be assumed to follow the standard FCY/INR options otherwise available under Regulation 4.

Shipment of goods before receipt of the LC.

Since these are specialised government-to-government arrangements rather than standard LC-backed commercial exports, shipment ahead of LC receipt may be permissible where the specific RBI instructions for the scheme so provide — this should be confirmed with the designated Bank against the applicable circular before shipment, rather than assumed from general commercial trade practice.

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Regulation 15 – Project Export

1. The Bank may permit receipts/ payments for project exports as per the underlying contract, after satisfying itself of the genuineness of the project.
2. Subject to monitoring by the Bank, a project exporter may deploy temporary cash surplus, generated outside India, from such exports, for investments in short-term instruments (with original or residual maturity of one year or less) including in treasury bills and in deposits with banks, outside India.

This Regulation 15(1) lets the Bank to permit receipts/payments for project exports as per the underlying contract, after satisfying itself of the project's genuineness;

Regulation 15(2) allows a project exporter, subject to Bank monitoring, to deploy temporary cash surplus generated outside India in short-term instruments abroad (original/residual maturity of one year or less), including treasury bills and bank deposits. "Project Export" carries the same meaning as under the Foreign Trade Policy.

Approvals required by the exporter for handling a project export

The Bank handling the transaction under Regulation 15(1), is required to satisfy itself of the genuineness of the project before permitting receipts/payments, based on the intimation / details provided by the project exporter (illustrative sample template annexed). No separate approval is required for handling a project export.

Requirements if the project export contract is to be dissolved midway.

Regulation 15 does not specifically prescribe the procedure for dissolution of a project export contract midway. The exporter should promptly approach its Bank with the relevant termination/settlement documentation, such as a mutual termination agreement, arbitration/court order or force majeure notice, as applicable, together with details of the work executed and financial settlement, supporting documents and certified accounts.

The Bank shall examine the circumstances and the proposed settlement and, as applicable, permit repatriation of amounts due and/or consider reduction or write-off of the outstanding balance, in accordance with Regulations 6 and 15 and other applicable FEMA requirements. The Bank shall also ensure appropriate settlement/adjustment of overseas funds, reporting and closure of the project.

Any approval required under the applicable regulatory framework or the terms of the original project approval shall be obtained, wherever applicable.

Exporter receiving export proceeds in INR

Subject to the International Trade Settlement in INR framework (Regulation 17) or as otherwise permitted under the underlying contract and RBI's extant directions.

Exporter realizing export proceeds from a third country.

Subject to Regulation 8 and the Bank's satisfaction of bonafides — this is a common structure in project exports where a parent, associate, or financing entity in a third country settles on behalf of the project-site buyer.

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Regulation 16 – Merchanting Trade Transaction (MTT)

A person undertaking Merchanting Trade, in accordance with the Foreign Trade Policy, shall ensure that:

- (a) The period between the outward remittance and inward remittance or vice versa does not exceed six months: Provided that the Bank may, on request citing reasons for delay, allow extension of time, if the Bank is satisfied of the reasons cited.
- (b) Outward remittances are sent only to the overseas seller and inward remittances are received only from the overseas buyer: Provided that the Bank may, on request from the customer citing reasons, allow receipt from and/ or payment to any third party, if the Bank is satisfied of the reasons cited.
- (c) The documents evidencing the MTT are provided to the Bank, to establish the genuineness of the transactions.

The Bank shall:

- (a) Credit or debit the account of its customer for any cross-border transaction related to MTT after having been satisfied with the genuineness of the same and shall, simultaneously close or update the respective entry in EDPMS and/or IDPMS.
- (b) Monitor and follow-up with the person undertaking merchant trading to ensure that both the legs of the transaction are completed within the period and manner as specified in these Regulations.

Advance Remittances to overseas suppliers under Merchanting Trade:

1. Bank may permit advance remittances by its Indian merchant traders customers, against confirmed orders received by the later, provided the Bank is satisfied
 - a) the capability of the merchant trader to perform the obligations under the order received from the buyer and
 - b) that the transaction would result in adequate profit to the merchant trader.
2. Where the amount of advance remittance exceeds USD 500,000 or its equivalent, the merchant trade shall obtain a guarantee for such advance from an international bank of repute outside India, from the overseas seller, except in cases and to the extent where payment for export leg has been received in advance.

The powers delegated to various authorities for allowing such advance remittances will be as per the prevailing norms.

Extension of Time periods for MTT:

The Bank may, on receiving request citing reasons for delay, allow extension of time, if satisfied with the reasons given. The powers for such extension are given below:

Nature of Breach	Time Period	Approving Authority
Outlay (Period between inward and outward remittances or vice versa)	Exceeding 6 months and upto 9 months	VP, International Banking Division
	Exceeding 9 months	EVP, Integrated Treasury
Overall MTT Period	Exceeding 9 months and upto 12 months	VP, International Banking Division
	Exceeding 12 months	EVP, Integrated Treasury

(Extension/s will be given in stages on 3 months. Every extension request will have to be substantiated with proper reasons and documentary evidences)

Permission of extension will be subject to the condition that the transaction (requested for extension) is not under investigation by Directorate of Enforcement / Central Bureau of Investigation or other investigating agencies.

Note: The decision to accord extension of either outlay or overall MTT period or both is purely at the discretion of the bank.

Write-off of unrealized amount of export leg:

The bank may write-off the unrealized amount of export leg, without any ceiling, on the request made by the Merchanting trader, in the following circumstances:

- The MTT buyer has been declared insolvent and a certificate from the official liquidator specifying that there is no possibility of recovery of export proceeds has been produced.
- The goods exported have been auctioned or destroyed by the Port / Customs / Health authorities in the importing country and a certificate to that effect has been produced.
- The unrealized amount of the export leg represents the balance due in a case settled through the intervention of the Indian Embassy, Foreign Chamber of Commerce or similar Organization; provided, the MTT is in adherence to all other provisions except the delays in timelines (either for outlay or completion period of MTT or both) attributed to reasons mentioned at a, b and c above.

In addition to above, write-off as at shall be subject to following conditions:

- The bank shall satisfy itself with the bonafides of the transactions and ensure that there are no KYC/AML concerns.
- The transaction shall not be under investigation under FEMA by any of the investigating agency/ies.

- c. The counterparty to the merchant trader is not from a country or jurisdiction in the updated FATF Public Statement on High Risk & Non-Co-operative Jurisdictions on which FATF has called for counter measures.

Delegated Authority to approve the write off
EVP, Head of Integrated Treasury

Allowing receipt from or payment to a third party

The Bank may permit receipt from or payment to a third party other than the actual overseas buyer/seller subject to submission of requisite documents and to the satisfaction of Bank.

Loss incurred in one or multiple MTTs

Regulation 16 does not itself address MTT losses; as with project exports, this policy treats an MTT loss analogously to Regulation 6.

Delegated Authority to approve the loss incurring transaction
EVP, Head of Integrated Treasury

MTT Involving Two Different Currencies

MTT involving two different currencies is permitted provided the merchanting trade shall result in profit which shall be determined by subtracting import payments and related expenses from export proceeds for the specific MTT.

Both the legs will be captured in EDPMS by the Bank for Monitoring and Follow-up. Subsequent updations in EDPMS such as closure, write off etc.. will also be done by the bank.

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Regulation 17 – International Trade Invoicing and Settlement in Indian Rupees

The Bank is guided by the extant guidelines on the broad framework as well as instructions issued by the Reserve Bank of India in this regard, from time to time.

Procedure for invoicing and settlement in INR.

An overseas bank (correspondent to the Indian exporter's/importer's trading partner) opens a Special Rupee Vostro Account (SRVA) with a bank in India. The Indian exporter invoices the overseas buyer in INR; the buyer's bank remits INR into the SRVA, and the Bank credits the exporter's account from that balance. For imports, the Bank debits the SRVA to pay the overseas supplier's rupee balance.

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Regulation 18 – Reporting

Export Data Processing and Monitoring System – EDPMS and Import Data Processing and Monitoring System - IDPMS and Reporting Controls

Upon receiving all the necessary details from the customer through the concerned branch, the Forex Treasury Back office of the Bank:

- (a) Shall enter details of EDF (of its customers) as received from non-EDI (Electronic Data Interchange) port in EDPMS within five working days of receipt of EDF.
- (b) Shall enter details of EDF of service (of its customers) in EDPMS within five working days of receipt of EDF from an exporter.
- (c) Shall enter details of import (of its customers) as received from non-EDI port in IDPMS within five working days of receipt of documents.
- (d) Shall enter details of import of service, in IDPMS, as declared and submitted by the importer, within five working days of receipt of documents.
- (e) Shall enter details of inward and outward remittances for all exports, imports and Merchanting Trade Transactions (MTT) in EDPMS and/ or IDPMS.
- (f) Shall monitor all transactions in EDPMS and IDPMS for closure of outstanding entries and follow-up with an exporter, an importer and person undertaking MTT for submission of documents for the same.

Mark-off/closure of entries:

- (a) Shall in the case of an export, mark-off the entry in EDPMS after ensuring that the export value has been realised.
- (b) Shall in the case of an import, mark-off the entry in IDPMS after ensuring that the payment for the import has been made.
- (c) May on request by an exporter citing reasons, close the entry relating to export advance transactions in EDPMS, where no export has been made and where refund of such advance is not possible, after having been satisfied of the genuineness of the reasons cited.
- (d) May on request by an importer citing reasons, close the entry relating to import advance transactions in IDPMS, where no import has taken place and where repatriation of such advance is not possible, after having been satisfied of the genuineness of the reasons cited.
- (e) May on the request of importer, close the entry in IDPMS where import transaction has been settled at reduced value, after having been satisfied of the genuineness of the reasons cited.

Permitting Authority
VP, International Banking Division

- (f) Shall in the case of an MTT, close or update the respective entry in EDPMS and IDPMS after making the receipt and payment for both legs of the MTT.

The Bank shall report all foreign trade transactions in Foreign Exchange Transaction Electronic Reporting System (FETERS) in terms of extant guidelines issued by the Reserve Bank from time to time.

Other Guidelines

The extreme caution shall be exercised while undertaking remittances for the newly opened current accounts and ensure the following:

- a) Trade profile of the customers is aligned with commodities to be imported.
- b) Ascertain source of funds to be remitted.
- c) Fix appropriate, threshold limits for newly opened current accounts and follow the KYC guidelines issued by Head Office.

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