



RESERVE BANK OF INDIA
Mumbai - 400 001

RBI/2015-16/129
A.P. (DIR Series) Circular No.5

July 16, 2015

To

All Authorised Dealers in Foreign Exchange

Madam/ Sir,

Export factoring on non-recourse basis

In order to facilitate exports, Authorised Dealer Category – I (AD Category –I) banks have been permitted to provide 'export factoring' services to exporters on 'with recourse' basis by entering into arrangements with overseas institutions for this purpose without prior approval from the Reserve Bank of India subject to compliance with guidelines issued by the Department of Banking Regulation in this regard.

2. Taking into account the recommendation made by the Technical Committee on Facilities and Services to the Exporters (Chairman: Shri G. Padmanabhan), it has been decided to permit AD banks to factor the export receivables on a non-recourse basis, so as to enable the exporters to improve their cash flow and meet their working capital requirements subject to conditions as under:

- a) AD banks may take their own business decision to enter into export factoring arrangement on non-recourse basis. They should ensure that their client is not over financed. Accordingly, they may determine the working capital requirement of their clients taking into account the value of the invoices purchased for factoring. The invoices purchased should represent genuine trade invoices.

- b) In case the export financing has not been done by the Export Factor, the Export Factor may pass on the net value to the financing bank/ Institution after realising the export proceeds.
- c) AD bank, being the Export Factor, should have an arrangement with the Import Factor for credit evaluation & collection of payment.
- d) Notation should be made on the invoice that importer has to make payment to the Import Factor.
- e) After factoring, the Export Factor may close the export bills and report the same in the Export Data Processing and Monitoring System (EDPMS) of the Reserve Bank of India.
- f) In case of single factor, not involving Import Factor overseas, the Export Factor may obtain credit evaluation details from the correspondent bank abroad.
- g) KYC and due diligence on the exporter shall be ensured by the Export Factor.

3. Authorised Dealers 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 section 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