



RESERVE BANK OF INDIA
Mumbai - 400 001

RBI/2015-16/307

February 4, 2016

A.P. (DIR Series) Circular No. 42

To

All Category – I Authorised Dealer Banks

Madam/ Sir,

Settlement of Export/ Import transactions in currencies not having a direct exchange rate

Attention of Authorised Dealer Category I (AD Category – I) banks is invited to [Notification No. FEMA. 14 /RB -2000, dated 3rd May 2000](#), as amended from time to time, dealing with manner of receipt and payment, in terms of which export proceeds for exports from India and import payments for imports to India may be received / made in any mode in accordance with the directions issued by the Reserve Bank of India to the Authorized Dealers from time to time.

2. To further liberalize the procedure and facilitate settlement of export and import transactions where the invoicing is in a freely convertible currency and the settlement takes place in the currency of the beneficiary, which though convertible, does not have a direct exchange rate, it has been decided that AD Category-I banks may permit settlement of such export and import transactions (excluding those put through the ACU mechanism), subject to conditions as under:

- a) Exporter/ Importer shall be a customer of the AD Bank,
- b) Signed contract / invoice is in a freely convertible currency,

- c) The beneficiary is willing to receive the payment in the currency of beneficiary instead of the original (freely convertible) currency of the invoice/ contract/ Letter of Credit as full and final settlement,
- d) AD bank is satisfied with the bonafides of the transactions, and;
- e) The counterparty to the exporter / importer of the AD bank 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.

3. [The Master Direction No. 16 of 2015-16](#) (on Export of Goods and Services) and [Master Direction No. 17 of 2015-16](#) (on Import of Goods and Services) have been updated accordingly to incorporate the above changes.

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

5. The directions contained in this circular have been issued under Section 10 (4) and Section 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,

(B P. Kanungo)
Principal Chief General Manager