

Annexure – 34

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE
IMPORT TRADE CONTROL**

PUBLIC NOTICE NO. 115-ITC(PN)88-91

NEW DELHI, -----6TH APRIL, 89

Subject :Revision of composite rates & Exchange to be adopted for the recovery and rupee deposits from Indian importers under Direct Payments/ Letter of Commitment Procedure in respect of imports financed out of external assistance.

Licensing conditions applicable to the import licences issued under foreign loans/credits/grants contain a clause to the effect that the rupee value of the goods calculated at the composite rate of exchange should be deposited to the account of the Government of India within 10 days from the date of receipt of negotiable set of documents by the importer's bankers in cases where Direct payment / Letter of commitment procedure is followed and the rate of imported goods and services is paid for directly out of the foreign loans/ credits/grants funds. In this connection attention is invited to the Ministry of Commerce Public Notice No. 8-ITC (PN)/76 dated 17th January, 1976 which prescribes the method of calculation of composite rates of exchange of individual foreign currencies by which such composite rate are worked out through the pound sterling. Prior to 01.01.1984 the RBI use to notify the B.C. selling Rate of Pound Sterling to the foreign exchange dealers association of India (FEDAI), which the latter used to notify the authorized dealers in foreign exchange. This helped the authorized dealers in foreign exchange to work out the composite rate of exchange for arriving at rupee amounts to be deposited into Government account for aid financed imports in terms of the said licensing conditions. However, the RBI discontinued notification of B.C. selling rate for pound sterling to the FEDAI from January, 1984. As a result, EFDAI no longer notifies any rate for adoption by the authorized dealers in foreign exchange and the importers banks are working out the composite rates by adopting their own B.C. pound sterling rate. The SBI selling rate for pound sterling is being adopted for calculating composite rate by the Government. On account of this there has been no uniformity in the adoption of composite rate of exchange for recovery of rupee deposits.

1. The methodology of working the composite rates through B.C. Pound Sterling rate adopted by SBI has been examined de novo by the Government. In view of the fact that bulk of external aid transactions falls under Reimbursement procedures where under the rupee amount is worked out on the basis of the RBI buying rates it is herein decided that hence forth the rupee deposits in case of imports covered by Direct Payment/Letter of Credit against external assistance be recovered from the importers shall be calculated with reference to RBI buying Rates plus a margin of 3% thereon. Since the RBI rates are notified to the importers banks the procedure outlined below shall be followed:

- i The importers may adopt the B.C. selling rates of exchange notified by their bankers related to the date of transactions involving payments to suppliers out of external aid.
- ii A margin of 1% may be added to such notes and the rupee amount thus arrived at may be deposited tentatively by the importer to the amount of the Controller of Aid Accounts and Audit with reference to the payments made to the foreign supplier under external loan/credit/grant in terms of the relevant licensing conditions and other Public Notices together with interest at prescribed percentages for belated rupee deposit, if any.
- iii The rupee deposits as calculated at (ii) above made by the importers will cover the payment made to the suppliers for such imports under the external aid. The Controller of Aid Accounts and Audit will adopt the RBI buying rate of exchange for account of such transactions in Government account and the composite rate will be what is arrived at by adding 3% to the RBI rate. The RBI rate for this purpose will be upto four decimal points. The amount thus arrived at, will represent the final rupee deposits to be recovered from the importer. If any shortfall is noticed in the rupee deposit already made by the importer as at (ii) above, no interest on such shortfall is recoverable from the importer. However, the recovery of interest for delayed deposit in terms of Public Notice No. 31-ITC (PN)/83 dated 10.08.1983 will continue to be enforced.
- iv Henceforth, the RBI buying rates will be adopted for accounting external aid in Government books; and
- v The amounts thus worked out by the importer vide (ii) above or by CAA&A vide (iii) above will be rounded off to the next higher rupee.

3. All the importers holding import licences should note the above changes in the method of determination of composite rate of exchange carefully and ensure that the necessary rupee deposit are made by them through their banks in the above manner.

4. The authorized dealers in foreign exchange are also being advised separately by the RBI about the revised arrangement for their information and guidance.

5. The revised procedure will take effect from July 1, 1989.

Sd/-

(TEJENDRA KHANNA)

CHIEF CONTROLLER OF IMPORTS AND EXPORTS