

A.D.(G.P. Series) Circular No.3 (May 12, 1999)

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001**

A.D.(G.P. Series) Circular No.3

May 12, 1999

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Indo-Vietnam Credit Agreement dated 2.2.1999
for Indian Rs.470 million**

The Government of India have extended a line of credit upto an amount of Indian Rs.470 million (Rupees Four hundred and Seventy million only) to the Government of the Socialist Republic of Vietnam under a credit agreement entered into between the two Governments on 2nd February 1999. The credit will be available to the Government of Vietnam for import from India of capital goods including original spare parts and accessories purchased along with the capital goods and included in the original contract as also consultancy services as mentioned in the Annexure I. The contents of Annexure I may be modified by way of additions, deletions or substitutions from time to time as may be mutually agreed between two Governments. The export of goods and services from India and their import into Vietnam under the line of credit shall take place through normal commercial channels and will be subject to the laws and regulations in force in both the countries. The broad terms and conditions of the line of credit are as under:

- i) All export contracts will be subject to the approval of the Government of India and the Government of Vietnam and shall contain a clause to that effect. The contracts should be sent to the Ministry of Finance, Department of Economic Affairs, Government of India, New Delhi for approval. After each contract has been approved, intimation thereof will be sent to the Government of Vietnam and to the State Bank of India, New Delhi, by the Ministry of Finance, Government of India.
- ii) The credit will be available for 100% of the f.o.b value of the eligible goods to be exported from India. Accordingly, letters of credit should specify that 100% f.o.b value shall be financed from the credit. The contract should be expressed in Indian Rupees.
- iii) All disbursements under the credit shall be made under letters of credit opened by the Bank for Foreign Trade of the Socialist Republic of Vietnam. All letters of credit will be advised by Bank for Foreign Trade of Socialist Republic of Vietnam, Vietnam to the State Bank of India, New Delhi for onward transmission to the exporter/s either direct or through another bank in India, if any, nominated by the exporter/s. The Letters of Credit should be supported by a copy of the contract and should contain the following reimbursement clause:

Reimbursement for 100% of the f.o.b. value of the contract shall be provided by the State Bank of India, New Delhi from the credit extended by the Government of India to the Government of Vietnam. The letter of credit is negotiable after the State Bank of India has issued an advice that it is operative.

2. Contracts concerning capital goods including original spare parts and accessories purchased along with capital goods forming part of the original contract to be financed under the credit agreement should be signed and relative letters of credit established latest by 31st March 2000 and the full amount be drawn under the credit by 31st March 2001. In regard to consultancy services, contracts to be financed under the credit agreement should be signed, relative letters of credit established and the full amount drawn by 31st March 2000. If the full amount is not drawn by the aforesaid dates, the balance will be cancelled and the final instalment of the repayment to be made by the Government of Vietnam shall be reduced accordingly, except as may otherwise be agreed to by the Government of India.

3. Shipments of goods and export of consultancy services covered by the Credit Agreement should be declared on GR/SDF/SOFTEX forms with prominent superscription reading "Exports to Vietnam under Credit Agreement dated 2nd February 1999 between the Government of India and the Government of Vietnam." The number and date of this circular should be recorded on the GR/SDF/SOFTEX forms in the space provided therefor. On receipt of the full payment of the bills in the manner indicated above, authorised dealers should certify duplicate copies of the relative GR/SDF/SOFTEX form and forward the same to the concerned office/s of Reserve Bank of India in the usual manner.

4. The import content of exports under the Line of credit should be kept within low or negligible limits.

5. No agency commission should be allowed in respect of exports under this credit.

6. Authorised Dealers may bring the contents of this circular to the notice of their constituents engaged in exports to Vietnam.

7. The directions contained in this circular have been issued under Section 73(3) of the Foreign Exchange Regulation Act, 1973 (46 of 1973) and any contravention or non-observance thereof is subject to the penalties prescribed under the Act.

Yours faithfully

Smt.K.J. UDESHI
Chief General Manager

Annexure I

Nature of goods referred to in
Indo-Vietnam Credit Agreement of 1999

- (1) Capital goods (along with original spare parts and accessories purchased with the capital

goods and included in the original contract).

- (2) Items eligible for coverage under this credit also include consultancy.