



RESERVE BANK OF INDIA
Mumbai - 400 001

RBI/2017-18/139

A.P. (DIR Series) Circular No. 20

March 13, 2018

All Authorised Dealer Category – I Banks

Madam/ Sir

Discontinuance of Letters of Undertaking (LoUs) and Letters of Comfort (LoCs) for Trade Credits

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to paragraph 2 of [A.P. \(DIR Series\) Circular No. 24 dated November 1, 2004](#) and [paragraph No. 5.5](#) of Master Direction No.5 dated January 1, 2016 on 'External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers' (Master Direction), as amended from time to time, on the issuance of LoUs/ LoCs/ guarantees for Trade Credits for imports into India under delegated powers of AD banks.

2. On a review of the extant guidelines, it has been decided to discontinue the practice of issuance of LoUs/ LoCs for Trade Credits for imports into India by AD Category –I banks with immediate effect. Letters of Credit and Bank Guarantees for Trade Credits for imports into India may continue to be issued subject to compliance with the provisions contained in Department of Banking Regulation [Master Circular No. DBR. No. Dir. BC.11/13.03.00/2015-16 dated July 1, 2015](#) on "Guarantees and Co-acceptances", as amended from time to time.

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

4. The aforesaid [Master Direction No. 5 dated January 01, 2016](#) will be updated to reflect the changes. The changes will be applicable from the date of issuance of this circular.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Yours faithfully

Ajay Kumar Misra
Chief General Manager