

RBI/2010-11/514 A.P. (DIR Series) Circular No. 59

Dated: May 06, 2011

Foreign Exchange Management Act, 1999 -Import of rough, cut and polished diamonds

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the A.P.(DIR Series) Circular No.12 dated August 28 ,2008, in terms of which AD Category - I banks were permitted to approve Suppliers' and Buyers' credit (trade credit), including the usance period of Letters of Credit for import of platinum, palladium, rhodium and silver for a period not exceeding 90 days from the date of shipment .

2. In the context of recent developments, it has been decided that Suppliers' and Buyers' credit (trade credit) including the usance period of Letters of Credit opened for import of rough, cut and polished diamonds should not exceed 90 days from the date of shipment. The revised directions will come into force with immediate effect.

3. AD Category - I banks should ensure that due diligence is undertaken and Know-Your-Customer (KYC) norms and Anti-Money Laundering (AML) standards, issued by the Reserve Bank are adhered to while undertaking the import transactions. Further, any large or abnormal increase in the volume of business should be closely examined to ensure that the transactions are bonafide and are not intended for interest/currency arbitrage. All other instructions relating to imports of rough, cut and polished diamonds shall continue.

4. The earlier instructions issued for direct import of gold vide A.P.(DIR Series) Circular No.2 dated July 9,2004, import of platinum / palladium/ rhodium /silver vide A.P.(DIR Series) Circular No.12 dated August 28,2008 and advance remittance for import of rough diamonds, vide A.P.(DIR Series) Circular No. 21 dated December 29,2009 shall remain unchanged.

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

6. 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,

(Meena Hemchandra)
Chief General Manager in-Charge