

THIRD PARTY PAYMENTS FOR EXPORT / IMPORT TRANSACTIONS

A.P. (DIR SERIES 2013-14) CIRCULAR NO.70, DATED 8-11-2013

Attention of Authorized Dealer Category I banks is invited to various provisions of [FEMA Notification No. 14 dated May 3, 2000](#) dealing with the manner of receipt & payment for trade transactions. Normally payment for exports has to be received from the overseas buyer named in the Export Declaration Form (EDF) by the exporter and the payment shall be received in a currency appropriate to the place of final destination as mentioned in the EDF irrespective of the country of residence of the buyer. Similarly, the payments for the import should be made to the original overseas seller of the goods and the AD should ensure that the importer furnishes evidence of import, such as, Exchange Control copy of the Bill of Entry to satisfy itself that goods equivalent to the value of remittance have been imported.

2. With a view to further liberalising the procedure relating to payments for exports/imports and taking into account evolving international trade practices, it has been decided as under:

i. EXPORT TRANSACTIONS

AD banks may allow payments for export of goods / software to be received from a third party (a party other than the buyer) subject to conditions as under:

- (a) Firm irrevocable order backed by a tripartite agreement should be in place;
- (b) Third party payment should come from a Financial Action Task Force (FATF) compliant country and through the banking channel only;
- (c) The exporter should declare the third party remittance in the Export Declaration Form;
- (d) It would be responsibility of the Exporter to realize and repatriate the export proceeds from such third party named in the EDF;
- (e) Reporting of outstandings, if any, in the XOS would continue to be shown against the name of the exporter. However, instead of the name of the overseas buyer from where the proceeds have to be realised, the name of the declared third party should appear in the XOS; and
- (f) In case of shipments being made to a country in Group II of Restricted Cover Countries, (e.g. Sudan, Somalia, etc.), payments for the same may be received from an Open Cover Country.

Note: Restricted cover Group II country is country which experiences chronic political and economic problems as well as balance of payment difficulties.

ii. IMPORT TRANSACTIONS

AD banks are allowed to make payments to a third party for import of goods, subject to conditions as under:

- (a) Firm irrevocable purchase order / tripartite agreement should be in place;
- (b) Third party payment should be made to a Financial Action Task Force (FATF) compliant country and through the banking channel only;
- (c) The Invoice should contain a narration that the related payment has to be made to the (named) third party;
- (d) Bill of Entry should mention the name of the shipper as also the narration that the related payment has to be made to the (named) third party;
- (e) Importer should comply with the related extant instructions relating to imports including those on advance payment being made for import of goods; and
- (f) The amount of an import transaction eligible for third party payment should not exceed USD 100,000. This limit will be revised as and when considered expedient.

3. These instructions will come into force with immediate effect.

4. AD Category I banks may bring the contents of this Circular to the notice of their constituents concerned.

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

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