Handling International Trade Transactions Under FEMA

Purpose of this document:

The Reserve Bank of India (RBI) is overhauling India's cross-border trade framework via the **Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026. Taking effect on October 1, 2026**, the new rules replace the legacy 2015 regulations by consolidating goods, services, and software into one unified, digital-first framework aimed at improving the ease of doing business

Key Changes

- **Unified Export Declaration:** Consolidates all export declarations into a single uniform framework, streamlining compliance for global service providers and IT firms previously using the SOFTEX regime.
- **Extended Realization Timelines:** Standardized export realization periods allow up to 15 to 18 months, offering better cash flow flexibility. Import payments are now aligned with the terms of underlying commercial contracts.
- **Decentralized Banking Powers:** Authorized Dealer (AD) banks now have greater authority and autonomy to manage extensions, approve write-offs, handle third-party payments, and close cases.
- **Cross-Category Set-Offs:** Businesses can now offset export receivables for goods against import payables for services (and vice versa) with the same overseas counterparty or its group companies.
- **Small-Value Relief:** Transactions up to ₹10 Lakh benefit from simplified declarations and bulk closure, lowering the compliance burden for startups and SMEs.
- **Merchanting Trade Transactions (MTT):** The fixed nine-month limit has been removed, granting AD banks the discretion to permit extensions and expressly allowing third-party receipts and payments on a case-by-case basis

Qatar National Bank, India branch operates as an Authorized Dealer Category-I (AD Cat-I) bank, strictly regulating all international trade transactions under the Foreign Exchange Management Act (FEMA). QNB India's policy mandates strict compliance with RBI regulations, requiring customers to submit a statutory declaration under Section 10(5) of FEMA, accurate purpose codes for all SWIFT remittances, and valid trade documents (e.g., Bill of Entry, shipping bills)

Qatar National Bank offers trade finance solutions to support customers in managing their import and export transactions efficiently. Customers are requested to ensure that all required information and supporting documents are submitted as per applicable regulatory and Bank requirements for smooth processing.

Trade finance requirement: Active Importer Exporter Code (IEC)

Customers availing import or export transaction services must hold a valid and active Importer Exporter Code (IEC) issued by the Directorate General of Foreign Trade (DGFT). The IEC is required for processing import and export transactions, subject to applicable regulatory guidelines and the Bank's internal assessment.

Documentation requirement for Export and Import Remittances / Trade Payments:

For all Export and Import transactions, the customer would submit the request to the branch office team who in turn would share the transaction with the Operations team after performing the minimal first check of the documents submitted and the signature verified wherever applicable.

Export Transactions: The bank facilitates the Export lifecycle, ensuring document processing and export data monitoring is completed swiftly. To process cross-border trade transactions, customers are required to submit relevant documents based on the nature of the transaction.

The document list mentioned below is indicative and non-exhaustive. Additional documents may be requested depending on transaction type, regulatory requirements, internal assessment or case-specific review.

Export related product offerings and Documents required:

Export Advance Payment:

- Disposal Instruction
- Proforma Invoice

Export bill Collection (DA Bills) - Document against Acceptance

Documents may be required as per the commercial arrangement between the exporter and importer, basic documents being

- Application form / request letter
- Commercial Invoice
- Packing List (if required by importer)
- Transport Document (AWB/BL/Courier Receipt)
- Draft/Bill of Exchange (if required by importer)
- Shipping Bill / SOFTEX
- Certificate of Origin (if required by importer)
- Insurance Certificate (for CIF shipments)
- Evidence of service delivery (if applicable)
- Any additional document as per regulatory / commercial requirement.

Export bill Collection (DP Bills) - Document against Payment

Documents may be required as per the commercial arrangement between the exporter and importer, basic documents being

- Application form / request letter
- Commercial Invoice
- Packing List (if required by importer)
- Transport Document (AWB/BL/Courier Receipt)
- Draft/Bill of Exchange (if required by importer)
- Shipping Bill / SOFTEX
- Certificate of Origin (if required by importer)
- Insurance Certificate (for CIF shipments)
- Evidence of service delivery (if applicable)
- Any additional document as per regulatory / commercial requirement.

Export Bill Purchase / Discounting / Negotiation

- Bank's export application form / request letter
- Commercial Invoice
- Packing List (if required by importer)
- Transport Document (AWB/BL/Courier Receipt)
- Draft/Bill of Exchange (if required by importer)
- Shipping Bill / SOFTEX
- Certificate of Origin (if required by importer)
- Insurance Certificate (for CIF shipments)
- Evidence of service delivery (if applicable)
- Any additional document as per regulatory, transaction-specific or Bank requirement as per LC

Export Regularization:

- EFIRC / inward receipt advice
- Application form / request letter
- Commercial Invoice
- Transport Document (AWB/BL/Courier Receipt)
- Draft/Bill of Exchange (if applicable)
- Shipping Bill / SOFTEX
- Certificate of Origin (if applicable)
- Insurance Certificate (for CIF shipments)
- Evidence of service delivery (if applicable)
- Any additional document as per regulatory / commercial requirement.

Service Exports filed through Export Declaration Form:

For software and IT/IT'S service exporters, the EDF has replaced the legacy SOFTEX form, allowing exporters to bundle all international client invoices into a single monthly declaration filed with your AD Banker.

Services:

- **Commercial Invoice:** A detailed invoice specifying the service description, value, and client details.
- **Copy of the Contract or Agreement:** A copy of your Master Services Agreement (MSA) or Statement of Work (SOW) with the overseas client.
- **Proof of Export:** Evidence of service delivery, such as approved timesheets, project delivery reports, or work sign-offs.

These documents are required to verify the nature of the services rendered, justify the foreign exchange being received, and help Bank generate the necessary e-BRC (electronic Bank Realization Certificate) once the payment is credited.

Software:

Under the RBI's unified Export Declaration Form (EDF) framework for services, service exporters need to file monthly EDF under FEMA. Software Exporters must submit the EDF to their Authorized Dealer (AD) within 30 days of the invoicing month. Exporters will typically need to submit the following documents along with the EDF:

- **Commercial Invoice(s):** Detailed and clear description of the software or IT services, the currency, and the invoiced amount.
- **Master Service Agreement (MSA) / Contracts:** Underlying agreements or work orders with the overseas client showing the terms of service and pricing. Service Exporters to File Monthly EDF Under New FEMA
- **Letter of Permission (LOP) / Registration Proof:** Evidence of registration with relevant authorities like the Software Technology Parks of India (STPI) or SEZ, if applicable
- **Software/Service Description:** Details explaining the nature of the software or services being exported.
- **Statements of Work (SOW) or Timesheets:** Often requested for custom development, consulting, or high-value contracts.
- **Tripartite Agreement:** Required if export involves a third-party payment or settlement.
- **Software Technology Parks of India (STPI) or SEZ Approval:** While no longer mandatory to get certified, some legacy setups or Special Economic Zone (SEZ) units may still route documents via the Software Technology Parks of India for their own records or state incentives.

Procedure for Extending the EDF Submission Period

Exporters must realize proceeds within 15 months (or 18 months for INR invoicing). If delayed, submit an extension request to AD Bank before the deadline. If the timeline is missed, the exporter risks being flagged in EDPMS requiring a formal write-off application to avoid regulatory action

Under the Reserve Bank of India (RBI) guidelines and the Foreign Exchange Management Act (FEMA), Exporter can request extensions for both export data processing submissions and the realization of export proceeds.

To file for an extension before your current timeline expires: The export needs to submit the below documents

- **Covering Request Letter:** A formal letter detailing the invoice number, shipping bill number, and the original timeline.
- **Justification:** Provide a factual, well-documented explanation for the delay (e.g., buyer financial distress, global shipping disputes, or regulatory delays).
- **Supporting Documents:** Attach any communication from the overseas buyer or relevant third parties verifying the delay.
- **Submission:** Submit these documents in duplicate to the AD Bank that handled the original export documents.

If Exporter requires an extension of time beyond what the AD Bank is authorized to grant, the AD Bank will forward the application (along with its recommendation and supporting scrutiny) to the Regional Office of the Reserve Bank of India.

Recourse if Exporter Fails to Request Extension on Time

If an exporter fails to apply for an extension before the prescribed period elapses, the transaction becomes an outstanding entry in the Export Data Processing and Monitoring System (EDPMS)

1. Bank Communication & Cautions Listing

- The AD Bank will promptly advise the exporter to seek a formal extension or a write-off.
- If no action is taken, the exporter risks being marked on the EDPMS caution list, which restricts future export and import transactions.

2. The "Self Write-Off" Facility

If the un-realized amount does not exceed 10% of the exporter's average export realizations in the last 3 years, the exporter can utilize the AD bank's self-write-off facility. To qualify:

- The transaction must not be under active investigation by investigative agencies (CBI, ED, etc.).
- The exporter must declare that the proceeds are genuinely beyond recovery.

3. Formal Write-Off Petition

For amounts exceeding the self-write-off limit, or if the delay is prolonged, the exporter must submit a formal request to the AD Bank to write off the unrealized export bills. The AD Bank will forward this petition to the RBI for approval.

Procedure for submission of EDF for export from Non EDI Port

For non-EDI port shipments, exporter must file the duplicate EDF alongside the shipping bill with Customs at the time of shipment.
The documents are then routed to the Authorised Dealer (AD) bank within 21 days, which then updates the RBI's EDPMS within 5 working days.

- **Customs Processing:** The exporter must complete the EDF in duplicate. Submit both copies, along with the relative shipping bill, to Customs at the port of shipment.
- **Certification:** Customs will certify the declared value, assign a running serial number, retain the original copy (for onward transmission to the RBI), and return the duplicate copy to the exporter.
- **Submission to Bank:** At the time of shipment, the exporter must submit this duplicate copy of the EDF to Customs. After examining the goods, Customs will certify the quantity and hand it back which is to be submitted to Bank.

Timeline for Submission of Documents

- To the AD Bank: The exporter must lodge the Customs-authenticated duplicate copy of the EDF, together with the shipping documents and commercial invoice, with their AD Bank within 21 days of shipment
- EDPMS Updation: Once Exporter provide these documents, the AD bank must update the transaction details on the RBI's EDPMS (Export Data Processing and Monitoring System).
- Realization of Proceeds: Export proceeds must generally be realized and repatriated to India within 15 months from the date of export (or up to 18 months if invoiced/settled in INR).
- Submission of e-FIRC: Exporters must submit proof of realization (e-FIRC/FIRC) and necessary documents to the AD Bank
- Bank's Update SLA: AD banks are mandated to update the export details (IRM) in the EDPMS portal within 5 working days of receiving the documents
- Marking as Closed: Once reconciled with the matching Shipping Bill, the status is updated as 'Closed' or 'Marked Off' in the EDPMS Portal

Recourse if an Exporter Fails to Submit/Report on Time

If Exporter misses the 21-day deadline or fails to get the EDF duly authenticated and submitted to the AD bank, the shipment tracking entry remains open in the EDPMS. This can lead to compliance issues and potential FEMA penalties. Exporters have the following recourse:

- AD Bank Condonation: If the delay is within a reasonable timeframe and exporter provides valid, justifiable reasons (like technical issues, logistical delays, or genuine oversights), AD bank has the authority to condone the delay without prior RBI approval and accept the documents.]
- Formal Condonation by RBI: If the delay is extensive and the bank cannot accept the documents directly, exporter must formally apply to the Reserve Bank of India (RBI) for condonation of delay. This requires a formal request detailing the lapse and providing all supporting trade documents.
- Corrective Actions / Eased Norms: For smaller exporters or service providers, AD Banks operate with grievance mechanisms and can process delayed returns to rectify entries so exporters do not risk losing eBRC eligibility or getting placed on a caution list.

Time lines for Realisation:

- **Exports:** Export realization time line of 15 Months from date of shipment (goods) and date of invoice (services) continues in line with the existing guidelines.
- **Export invoiced and/or settled in Indian Rupees (INR):** realization period for INR is upto 18 months.

Process for Exporters transitioning from an EDF exemption:

Exporters transitioning from an EDF exemption (such as trade samples or low-value exports) to standard commercial operations must start filing the Export Declaration Form (EDF). They must also ensure their export proceeds are realized and repatriated in accordance with the prevailing regulations.

- Exporter to notify AD Bank that they would now begin regular commercial exports requiring EDF filings.
- Submit updated IEC (Importer Exporter Code) and business details so the bank can verify exporters profile
- Submission of documents is as stated in this documents under respective heads.

Reduction in Export Invoice Value:

- The Regulations authorize AD banks to permit reduction in realization of invoice value on account of under realization or non-realization of full export value subject to bona fides of the transaction and supporting documentation.
- Pursuant to RBI guidelines, small-value entries (up to ₹10 lakh) in EDPMS and IDPMS can be reconciled and closed with your Authorized Dealer (AD) bank using a consolidated quarterly self-declaration. This eliminates the need for uploading individual supporting documents or individual bill matching. QNB, India may allow reduction based on a self-declaration from the exporter as per regulations.

Format for Self-Declaration

(To be printed on company letterhead)

Date: [DD/MM/YYYY]

To:
The Branch Manager

Qatar National Bank

Maker Maxity, Bandra Kurla Complex

Bandra East, Mumbai 400051

Subject: Declaration for Closure of Outstanding Shipping Bills / Bills of Entry under EDPMS/IDPMS for Valu up to INR 10 Lakh (As per RBI A.P. (DIR Series) Circular)

Dear Sir/Madam,

We, [Your Company Name], holding Importer-Exporter Code (IEC) [Your IEC Number], hereby declare and certify the following regarding our outstanding trade entries

1. We have the following outstanding [Shipping Bills / Bills of Entry] in the EDPMS/IDPMS system, each with an invoice or bill value equivalent to ₹10 Lakh or less.
2. We confirm that we have successfully [received the export proceeds / made the payment for imports] corresponding to the bills listed below.

Summary of Bills for Reconciliation & Closure:

S.No.	Bill Type (SB / BoE)	Bill Number	Bill Date	Port Code	Invoice Value (INR/ Foreign Currency)	Realized/Paid Amount	Corresponding Bank Entry Reference (IRM/ EBRC)
1							
2							
3							

(Please add rows or attach an annexure as necessary)

3. [OPTIONAL - Include if applicable] We also declare that there has been a reduction in the declared invoice value for the bills listed above, and we authorize the bank to reconcile and close these entries based on the adjusted realized amount.
4. We confirm that the information provided above is true and correct to the best of our knowledge. [1]

Yours faithfully,

For [Your Company Name]

[Signature]

Authorised Signatory

(Name and Designation)

Consequences of Missed Timelines

- Auto Caution Listing: If a shipping bill remains open in EDPMS without valid explanation or approved extensions for more than 2 years, the exporter is placed on the Caution List. This restricts future filing of shipping bills, halts GST refunds, and blocks export incentives.
- Extension Requests: If realization cannot be completed within 15 months due to genuine delays (e.g., buyer defaults or disputes), Exporter must apply to your AD Bank for a timeline extension with supporting evidence

Set off of export receivables against import payables

Exporters and importers in India can settle outstanding export receivables against import payables without a physical inward/outward remittance. Authorized Dealer (AD) Category-I banks are permitted to process these requests directly if the transactions involve the same overseas entity or its recognized group/associated companies

To execute this, Exporter must apply directly to primary AD bank with a formal request and written consent from the overseas counterparty. The bank will verify the genuineness of the documents, ensure they align with current Foreign Trade Policy, and then process the adjustments.

The Reserve Bank of India (RBI) allows this netting-off under the Foreign Exchange Management Act (FEMA) subject to the following criteria:

- **Prerequisites:** The set-off must occur between the same overseas buyer and supplier, with transactions generally taking place within the same calendar year. Export of goods cannot be offset against import of services, and vice versa
- **AD Bank Authority:** AD banks can directly approve these requests without RBI reference if they are satisfied with the legitimacy of the transactions and confirm there are no KYC or AML concerns
- **Documentary Proof:** Exporter / Importer must submit necessary documents, including the invoices, Bills of Lading/Airway Bills, and Exchange Control copies of Bills of Entry, to AD bank.
- **ACU Exception:** Transactions with countries in the Asian Clearing Union (ACU) are explicitly excluded from this arrangement.
- **Outstanding Status:** Both the export and import transactions must be outstanding in exporter / importer books at the time of the request.
- **Timeline for Realisation:** Export proceeds involved in the set-off must be realized within the standard 9-month window from the date of shipment

Timelines for processing the Set Off and advise to customer:

Under the Master Direction - Export of Goods and Services by the Reserve Bank of India, Authorized Dealer (AD) banks typically process and advise customers on the disposal of “set-off” requests within **1 to 2 weeks (7 to 14 days)** of receiving a complete application or as stated in internal SOP if any.

Third Party Receipts and Payments - Exports:

To satisfy the Authorized Dealer (AD) bank of the **bonafides of a third-party transaction** (per Reserve Bank of India / FEMA guidelines), Exporters need to provide documents that clearly establish the commercial link between the named buyer/seller and the actual third-party payer/payee

Documents for Third-Party Exports:

If export receipts are received from a third party, then the exporter would need to submit:

- **Invoice with Narration:** The commercial invoice should indicate that the related payment is coming from/routing through the named third party.
- **FIRC / e-BRC:** The Foreign Inward Remittance Certificate (FIRC) or electronic Bank Realisation Certificate (e-BRC).
- **Declaration:** Exporter must declare the third-party remittance on the Export Declaration Form (EDF)

In addition to the trade documents, the AD bank will also verify that:

- The transaction is routed exclusively through standard banking channels.
- The remitter or recipient is from a FATF-compliant jurisdiction.

Additionally, third-party receipts and payments can be made in a currency different from the original invoice currency.

Advance Receipt for Export of Goods and Services:

An advance receipt for the export of goods and services is a payment received from an overseas buyer prior to delivery or completion. Exporters in India must comply with strict Reserve Bank of India (RBI) timelines, ensuring shipments are executed within 3 year for goods, and must properly report all transactions through their Authorized Dealer (AD) Bank.

Under current FEMA Export and Import Regulations, handling advance receipts requires specific compliance steps to close out the transaction:

- **Shipment Timeline:** Goods must be shipped within 3 years for goods from the date of receiving the advance payment.
- **Purpose Codes:** When receiving funds, ensure the overseas remitter uses specific purpose codes. For physical goods, use P0103 (Advance receipts against export contracts). For services, corresponding service or software codes apply.
- **Knock-off Process:** Advance payments must eventually be linked to your Shipping Bill (for goods) or SOFTEX/Invoices (for services) in the Exporter Data Processing and Monitoring System (EDPMS)

Unutilized Advance:

If the exporter fails to ship the goods, RBI permission to refund the advance or any related interest to the foreign buyer is required only after the expiry of **3 years**

Unrealised Exports

If there are unrealized Exports then restriction would apply to further exports, but only if the unrealized proceeds are delayed significantly beyond the due date (specifically, remaining unrealized for more than one year from the original due date or any extended period granted by the Authorized Dealer bank or RBI)

Condition for Restriction

- **Delay threshold:** Proceeds remain unrealized for more than one year past the due date or approved extension.
- **Impact on future shipments:** The exporter can then undertake further exports only against:
  - Full advance payment, or
  - An irrevocable Letter of Credit (LC)

Key Compliance Rules

- **Standard realization window:** Exporters must realize and repatriate proceeds within the standard timeline (such as the regulatory windows monitored via EDPMS/IDPMS) from the date of shipment or invoice.
- **Extension requests:** Exporters facing genuine delays must proactively approach their Authorised Dealer bank for an extension before triggering default rules

As per RBI and FEMA regulations, unrealised export proceeds restrict further shipments to only being processed against advance payments or a confirmed Letter of Credit (LC), cannot be bypassed by switching to another AD bank, and require specific regularization documents

Impact on Further Exports

- **Restriction Triggered:** If export bills remain unrealised beyond the permitted realization timeframe (standard 9 months or 15 months depending on the active notification cycle), the restriction applies to all future shipments.
- **Allowed Modes Only:** You can only make further exports if you receive full advance payment beforehand or secure a confirmed Letter of Credit (LC).

Approaching Another AD Bank

- **No Escape via Bank Switching:** Exporters cannot hide past defaults or bypass restrictions by moving to a new Authorised Dealer (AD) bank.
- **EDPMS Tracking:** The Export Data Processing and Monitoring System (EDPMS) is a centralized, online system managed by the Reserve Bank of India that tracks all shipping bills and realizations pan-India. Any new AD bank will see the outstanding entries and block regular processing until compliance is cleared.

Documents Required to Resolve Unrealised Exports

To clear unrealised entries and lift restrictions on future shipments, exporter must submit specific proof to AD bank depending on the resolution path:

- **For Extension of Time:** Documentary proof or correspondence showing genuine reasons for delay from the buyer, enabling the AD bank to grant an official extension.
- **For Self-Write-Off (Bad Debts):** Proof of failed recovery efforts, legal/postal correspondence, and justification that the amount falls within permissible write-off limits (such as up to 10% of total export value).
- **For Goods Re-import / Replacements:** Customs-certified re-import documents, proof of goods being defective, or credit notes.
- **For Legal Dispute:** Copy of legal action initiated or arbitration proceedings launched against the overseas buyer through courts or export promotion councils.

Export of Goods and Services against repayment of State Credits:

Exports against state credits follow specialized inter-banking and rupee-payment tracks through Authorised Dealer (AD Category I) Banks, governed by specific bilateral debt repayment schedules. Exporters are typically paid in INR via designated rupee accounts, and shipping before a LC requires specific AD bank approval or pre-existing contractual provisions

Approach and Regulations

- **Inter-Government Framework:** Exports are executed under special bilateral rupee credit agreements (such as legacy frameworks with the erstwhile USSR) where export proceeds are adjusted against the country's state credit debt rather than standard commercial foreign inflows.
- **AD Bank Channeling:** Exporters must route applications and documentation through their AD Category-I Bank in alignment with RBI Master Directions and tracking via the Export Data Processing and Monitoring System (EDPMS).

Required Documents

- **GR / EDF Form**: Must explicitly record the relevant RBI approval numbers, dates, and relative circular references denoting state credit utilization.
- **Commercial Invoices & Shipping Bills:** Endorsed specifically to reflect the state credit repayment mechanism.
- **Proof of Export Order / Contract:** Validated by the AD Bank matching the specific bilateral trade agreement allocation.

Currency of Payment

- **Paid in INR:** Settlements for exports against state credit repayment are historically and operationally designated in **Indian Rupees (INR**) through specific inter-banking accounts managed by the Reserve Bank of India and participating AD banks

Shipping Before LC Receipt

- **General Restriction:** Standard banking practice prohibits dispatching shipping documents or shipping goods before receiving an irrevocable Letter of Credit (LC) or advance payment covering the full value, unless the exporter has a well-established, highly satisfactory track record and explicit approval from their AD Bank.
- **State Credit Exception:** Under state credit lines, shipments depend strictly on the terms of the specific inter-governmental agreement and prior clearance/guarantee from the designated financing institution or AD Bank rather than standard commercial leeway.

Project Export:

For handling project exports, approval is required from the Authorised Dealer (AD) Category-I Bank or Exim Bank, and monitoring is conducted through the centralized EDPMS and IDPMS compliance guide platform.

Approvals Required

- **Approving Authority:** Post-award approvals for project exports and service contracts abroad are granted directly by AD Category-I Bank or Exim Bank (or a Joint Working Group for high-value or complex cases) based on commercial judgment and delegated powers without rigid monetary limit.

Documents Required

- **Application Forms:** Prescribed operational forms such as DPX-1 (for project exports), PEX-1 (for service contracts), or TCS-1.
- **Contract Agreement:** Full text and details of the overseas turnkey, civil construction, or engineering contract.
- **Financial Projections:** Cost-benefit analysis, cash flow statements, and details of deferred payment terms or financing requirements.
- **Guarantees/Undertakings:** Copies of any required performance bank guarantees, counter-guarantees, or re-import/repatriation undertakings

Monitoring by AD Bank

- **Progress Tracking:** AD banks must monitor the physical and financial progress of work for project exports until complete execution and final settlement.
- **Frequency:** Regular periodic progress reports are to be obtained from the exporter, and transaction matching/reconciliation is maintained continuously via the online EDPMS (Export Data Processing and Monitoring System) tracking realization and repatriation milestones (generally standard within 15 months or as per approved deferred contract schedules)

Timelines for Realisation and Repatriation

- **Standard Realisation Window:** Exporters must bring full export value (goods, software, or services) back to India within 9 months from the date of export/invoice under the restored FEMA framework.
- **Advance Payments:** If an advance payment is received for a project, the corresponding shipment or service delivery must be completed within 3 years from the date the advance was received.
- **Extensions:** If a project gets delayed due to genuine site or contract constraints abroad, an extension of the realization period must be requested through AD Bank before the 9-month term expires.

Requirements for Losses Incurred in Project Exports

- **Approval Adjustment:** Any financial loss or shortfall in expected realization from a project export must be documented and submitted to the Export-Import Bank of India (Exim Bank) or the designated approval authority/AD Bank.
- **Write-off Limits:** If the loss results in an irrecoverable amount (bad debt), standard self-write-off rules permit eligible exporters to write off up to 5% (and Status Holders up to 10%) of total export proceeds, provided recovery efforts failed.
- **Incentive Adjustments:** Proportionate export incentives or benefits claimed against the unrecovered/lost portion of the project export must be surrendered back to the government.
- **Exclusions:** Write-offs or loss adjustments are not permitted if the project is under investigation by enforcement agencies or located in restricted jurisdictions.

Project Exports - Payments in foreign Exchange

Payments can be made in foreign exchange to a third country for bringing materials to a project site, but they require prior approval or monitoring compliance. Indian exporters must route these third-country material arrangements through their sponsoring **Authorised Dealer (AD) Category-I bank, Exim Bank**, or the **Working Group** depending on the contract value and facility type.

Regulatory Requirements for Project Exports

- **Prior Approval / Evaluation:** Contracts involving third-country imports and material sourcing must be evaluated for bona fide commercial requirements by the handling AD Bank or the designated financial Working Group.
- **Foreign Currency Accounts:** Exporters may operate designated project foreign currency accounts that allow inter-project transfers and local procurement settlements for project sites, subject to ongoing monitoring by the AD Category-I bank.
- **Pricing and Valuation:** All third-country material transactions must strictly reflect international market prices and conform with the overall terms approved in the project contract framework

Project Export Contract Dissolved

When a project export contract is dissolved mid-way, the Indian exporter must immediately report the cancellation through their Authorised Dealer (AD) Category-I bank

Reporting and Financial Reconciliation

- **AD Bank Notification:** File a formal termination notice and submission through the Authorised Dealer Bank detailing the exact status of completion and reason for dissolution.
- **Guarantee Closure:** Cancel or invoke non-fund-based facilities (performance or-advance payment guarantees) in consultation with the consortium or financing banking system.
- **Realisation & Repatriation:** Reconcile completed milestones and ensure any unspent advance payments or dues are refunded or repatriated into India within updated regulatory realization windows (standard 15-month frameworks where applicable).

Documentation and Compliance Adjustments

- **EDPMS/IEDPMS Update:** Close out the active project tracking entries by submitting certified statements of accounts, architect/engineer progress logs up to the date of cancellation, and final settlement invoices.
- **ECGC Claim/Adjustment:** Inform the Export Credit Guarantee Corporation (ECGC) if the cancellation triggers commercial or political risk insurance claims.
- **Write-offs:** If a financial write-off of unbilled or unrealised amounts is necessitated by the dissolution, obtain specific AD bank or Reserve Bank approval subject to standard FEMA write-off thresholds.

Receipt of export payment in INR

Under Reserve Bank of India (RBI) regulations, project exporters can receive payments in Indian Rupees (INR). Settlements are processed through Special Rupee Vostro Accounts opened by Authorised Dealer (AD) banks for partner countries

Payment and Settlement Rules

- **Contract Terms:** AD banks allow receipts and payments for project exports based on the specific terms of the approved project contract.
- **Vostro Accounts:** Rupee proceeds are paid from the designated Special Rupee Vostro Account of the correspondent bank in the buyer's country.
- **Surplus Funds:** Exporters can use temporary cash surpluses earned abroad for short-term investments like foreign bank deposits or treasury bills maturing in one year or less, under AD bank supervision.

Project Export - export realization from third country

Indian exporter can realise export proceeds from a third country under RBI regulations, provided specific compliance and documentary conditions are met.

Regulatory Conditions for Third-Party Payments

- **Authorized Dealer (AD) Bank Approval:** The Authorised Dealer Bank must be fully satisfied with the bona fides (genuineness) of the transaction.
- **FATF Compliance:** The third-party payer's country must be compliant with the Financial Action Task Force (FATF) to ensure proper anti-money laundering checks.
- **Documentary Evidence:** The invoice, purchase order, or contract should ideally declare or reference the involvement of the third-party payer.
- **Banking Channels:** Remittances must strictly arrive through authorized banking channels (such as SWIFT).
- **No Mandatory Tripartite Agreement:** A formal tripartite agreement is no longer strictly mandatory if the AD bank is satisfied with the commercial justification and trade documents

Project Exports and Timelines

- **Prior Approval Requirements:** Project exports (turnkey projects, civil construction, or engineering goods on deferred payment terms) require pre-award or post-award approval from the Exim Bank or the Working Group/AD Category-I banks.
- **Realisation Window:** Standard export proceeds must be realized and repatriated within 15 months from the date of shipment or invoice.

IMPORTS

Import Transactions: Remittances for imports - the payment timeline needs to be aligned with the agreed contractual terms. The bank manages imports via advance payments, direct imports, or import collections and import bills under documentary credits.

- The existing USD 200000 limit on import advance payments has been replaced with a limit to be prescribed by the AD Bank. QNB India branch has decided to continue with the limit for import advance payments as USD 200000/-. Beyond this limit a standby LC or bank guarantee may be required to be issued.
- All in cost ceiling prescribed for trade credit now applies on any interest payable on export advances or delayed import payments as prescribed under External Commercial Borrowing (ECB) guidelines

Import Advance Remittance

- Bank's import remittance application form / request letter
- Proforma invoice / purchase order mentioning terms of payment as Advance
- Any additional document as per regulatory / commercial requirement

Import Bill Payments / Direct Import

- Bank's import remittance application form / request letter
- Commercial Invoice
- Bill of Lading / AWB / Courier Receipt
- BOE Number / Copy of Bill of Entry (if applicable)
- Any additional document regulatory / Commercial requirement

Import Letter of Credit - Issuance / Amendment

- Letter of Credit application form
- Proforma invoice / purchase contract
- Insurance documents, if required
- Any additional document as per regulatory, transaction-specific or Bank requirement

Import (DP Bills) - Documents Against Payment

- Request letter / debit authority to make payment
- Any additional document as per regulatory, transaction-specific or Bank requirement

Import (DA Bills) - Documents Against Acceptance

- Request letter cum Acceptance
- Debit authority to make payment on due date
- Any additional document as per regulatory / commercial requirement.

Cross-Category Set-Offs:

Businesses can now offset export receivables for goods against import payables for services (and vice versa) with the same overseas counterparty or its group companies.

- Request letter
- Commerical invoice
- Supporting documents to evidence the import payables that are to be offset against the export receivables and vice versa.
- Fema declaration

Time lines for Realisation:

- Imports: The earlier 6 month timeline for import payments have now been removed and the payment timeline would be aligned with the agreed contractual terms.

As per Reserve Bank of India (RBI) and FEMA guidelines, a time extension for realizing or settling cross-border trade payments (such as import dues) beyond the standard specified period requires an application to Authorised Dealer (AD) Category-I Bank.

Procedure to Apply for Time Extension

- Submit a formal application to AD bank before the existing payment/realization deadline expires
- Provide justification for the time extension by clearly stating causes for delay, such as commercial disputes, legal suits filed against the buyer/seller, or severe financial difficulties etc.
- Confirm that the underlying transaction is not under active investigation by investigative agencies like the CBI or Directorate of Enforcement.
- The AD bank can review and grant extensions (typically up to 6 months at a time, subject to overall regulatory caps like 3 years for imports) if they are satisfied with the justification.
- AD bank would update the extension status online through the Import Data Processing and Monitoring System (IDPMS) to prevent the importer from being caution-listed.

Documents to be submitted by Importer for change of AD bank for routing Advance Payments

To change Authorized Dealer (AD) bank for routing advance payments, importer must be a customer of the new bank and must submit a formal request letter, a No-Objection Certificate (NOC) from the old bank, and core KYC and trade documents.

Required Documents List

- **Request & Intimation Letters:**
  - Formal application/letter on company letterhead addressed to both the new and old AD banks notifying them of the change.
  - Request letter to issue the new AD Code / Bank Certificate.
- **Bank Certificates & Clearances:**
  - **No-Objection Certificate (NOC)** and clearance statement regarding outstanding advance payment liabilities from the existing/old AD bank.
  - New AD bank account details along with a cancelled cheque.
- **Entity Identification & Proofs:**
  - Copy of the **Import-Export Code (IEC)** certificate.
  - Business PAN Card and **GST Registration Certificate.**

Tracking of Advance Remittance Imports

Under RBI and FEMA guidelines, tracking advance remittances for imports requires matching Outward Remittance Messages (ORM) with Customs Bill of Entry (BOE) data via the **IDPMS** system. Transactions up to ₹10 Lakhs can be closed via self-declaration, while larger amounts require strict data alignment on the ICEGATE Portal.

Regulatory Tracking Rules

- **Remittance Matching:** Banks generate an ORM for outward advance payments, which must map to the subsequent BOE filed upon goods arrival.
- **Time Limits:** Physical goods must be imported within 6 months (3 years for capital goods) from the remittance date.
- **Simplified Closure:** Under recent updates, entries up to INR 10,00,000 can be set off using a basic self-declaration

If agreement for import with counter party stipulates higher rate of interest than the prescribed all-in-cost ceiling - then, the contract terms violate foreign exchange regulations, and the Authorized Dealer (AD) bank cannot permit outward remittance for the excess amount. The interest payout must be capped at the regulatory ceiling, requiring an amendment to the commercial contract.

Import of Gold and Silver

The permissible modes of import of gold and silver into India include commercial channels via Directorate General of Foreign Trade nominated agencies, the India International Bullion Exchange (IIBX) at GIFT City, and eligible passenger baggage allowances

Nominated Banks and Agencies: Restricted to RBI-authorized commercial banks (such as SBI, HDFC, and ICICI) and DGFT-approved agencies permitted to import bullion under specific trade guidelines.

India International Bullion Exchange (IIBX): Qualified jeweller's notified by the International Financial Services Centers Authority (IFSCA) can import unwrought or semi-manufactured gold and silver directly through IIBX

Special Authorizations: Authorized value-added entities and refineries operating under specific government schemes (like Advance Authorization) with valid licenses from the Directorate General of Foreign Trade (DGFT)

Imports of silver in the form of grains, powder, other forms and where content is 99.9% silver are restricted, according to a government order issued on 28th July 26, and importers would need to secure a valid import authorization from the Directorate General of Foreign Trade (DGFT)

An Authorized Dealer (AD) Bank identifies and classifies gold or silver items by verifying specific trade documentation, matching custom codes, and using certified assaying reports.

- **ITC (HS) Codes:** The bank checks the import-export invoice and shipping bills for Chapter 71 Harmonized System codes that explicitly designate precious metals, bullion, or manufactured jewelry
- The bank inspects independent test reports or recognized hallmarking (such as Bureau of Indian Standards hallmarks) to confirm metal fineness and authenticity.
- For credit or collateral, banks rely on approved internal appraisers and independent weight/purity evaluations mapped to standard pricing bodies like the India Bullion and Jewellers Association (IBJA).
- The bank cross-references the current Directorate General of Foreign Trade (DGFT) notification list for Appendix 4B to confirm if it holds active authorization from the Reserve Bank of India (RBI) to handle gold and silver transactions.
- **FEMA & FTP Guidelines:** Compliance officers review current Foreign Exchange Management Act (FEMA) master circulars and Foreign Trade Policy rules to check if the specific form of the metal (e.g., raw bullion vs. restricted jewelry items) falls under permitted trade credits or specific remittance restrictions

Import Not Materialised:

As per the Reserve Bank of India guidelines (under A.P. DIR Series Circular No. 12), the documents required to close an outstanding entry in IDPMS depend on the value of the import transaction. For small-value entries up to ₹10 lakh per bill, closure requires only a self-declaration confirming payment, while higher-value entries require standard customs and payment proof.

Small-Value Transactions (Up to ₹10 Lakh per Bill)

- Self-Declaration: A formal declaration by the importer confirming that the payment for the import has been successfully made.
- Quarterly Consolidated Format: Declarations for multiple low-value bills can be submitted together on a quarterly basis for bulk reconciliation.
- Value Adjustments: Any minor reduction in the invoice or declared value is also accepted based solely on this self-declaration

Standard / High-Value Transactions (Above ₹10 Lakh)

- Bill of Entry (BoE): The electronic or customs-authenticated copy matching the import data received via ICEGATE.
- Import Invoice: The commercial invoice provided by the foreign supplier.
- Outward Remittance Proof / SWIFT: Proof of payment or the Outward Remittance Message (ORM) generated by the bank.
- Supporting Transport Documents: Bill of Lading, Airway Bill, or Packing List where physical verification is deemed necessary by the bank

Failed import against an advance import payment:

Under Reserve Bank of India (RBI) / FEMA guidelines, if an importer fails to bring in goods against an advance remittance within the permitted period, they must fulfill the condition to **repatriate (refund) the advance payment back to India**. If they fail to do so, the regulation stops being a temporary tracking entry and shifts into stricter penal safeguards where future advance remittances are permanently restricted unless backed by an **unconditional, irrevocable standby Letter of Credit or a bank guarantee**.

Conditions to be Fulfilled

- **Repatriation of Funds:** The primary condition to regularize a failed import is to immediately bring back (repatriate) the unutilized foreign exchange advance sent abroad back into the Indian bank account.
- **Bank Reporting and Closure:** Importer to inform Authorized Dealer (AD) Category-I bank to ensure the relevant entry in the Import Data Processing and Monitoring System (IDPMS) is formally closed or updated with valid extension/refund proofs.
- **Obtaining Extensions (if applicable):** If the failure is due to genuine unavoidable circumstances (like a commercial dispute or supplier insolvency), the AD bank may permit an extension of the timeline based on justifiable evidence, up to permissible regulatory limits.

Applicable Conditions for Defaulting Entities

- Enhanced Scrutiny: Authorised Dealer (AD) banks closely track tracking systems like IDPMS and EDPMS for pending and unclosed trade entries.
- Restriction on Advance Payments: New or further trade transactions involving advance remittances or unsecured credit are heavily restricted or denied without specific bank satisfaction or guarantees.
- Prior Approval Requirement: Processing of shipping documents or fresh outward remittances for new trade cycles requires explicit clearance or guarantees rather than normal automated processing.

Applicability to Further Imports

- If repatriation or regularization fails, the punitive applicability (mandatory requirement of a bank guarantee/Standby LC for all future advance payments) continues indefinitely until compliance is restored
- This restriction applies to the specific non-compliant transaction/importer profile tracked centrally via IDPMS, not automatically blocking unrelated future normal-term imports, but the outstanding entry flags the importer across the system

When the Regulation Stops Being Applicable

- Upon Complete Repatriation: The specific punitive restrictions or tracking for a failed transaction stop applying the moment the advance amount is fully refunded/repatriated to India and the AD bank reconciles the IDPMS record.
- Upon Actual Fulfillment/Matching: If the goods eventually arrive and clear customs within an approved extended timeline, and the Bill of Entry is matched and closed against the advance remittance, the failed-import tag ceases to apply.

Approaching Another AD Bank

- **Centralized Tracking:** An importer cannot bypass an open, unresolved IDPMS liability by switching banks.
- **Caution/IDPMS Flag:** IDPMS data is shared across all Authorised Dealer (AD) Category-I banks in India. When an importer approaches a new AD bank, the bank runs due diligence, checks the IDPMS Portal Guide for Indian Companies tracking, and will spot pending or adverse marks, meaning the new bank cannot process untracked advance requests until the previous default or open liability is formally regularized or closed.

Documents Required to Close Unmaterialized Import Entries

- **Proof of Repatriation:** Inward remittance certificate or bank statement showing the refund of the advance amount from the overseas supplier back to the Indian bank account.
- **Supplier Confirmation:** A formal cancellation notice or credit note from the overseas vendor confirming that the order is cancelled and funds are returned or adjusted.
- **Self-Declaration/Application:** An application explaining the non-materialization of the import and requesting closure of the open Import Data Processing ad Monitoring System (IDPMS) entry. (For small values up to ₹10 lakh, a simple trader declaration may suffice as stated above).

Merchant Trade Transactions:

Documents for Establishing Bonafides

- **Contracts/Orders:** Back-to-back purchase and sales agreements between the intermediary, foreign supplier, and foreign buyer.
- **Transport Proof:** Foreign-to-foreign Bill of Lading (BL) or Airway Bill (AWB) showing goods move directly between overseas ports.
- **Invoices & Packing:** Commercial invoices from the supplier and to the buyer, plus packing lists and insurance papers.

Documents for Time Extensions

- **Request Letter:** A formal written application detailing the specific commercial reasons for the delay (e.g., shipping disruption or quality dispute).
- **Supporting Evidence:** Correspondence with the overseas counterparty or shipping line proving the justification for the delay.
- **Compliance Declarations:** Proof that the transaction is not under investigation by enforcement agencies like the CBI or ED.

Documents for Third-Party Payments/Receipts

- **Order Narration:** Purchase/sales contracts or invoices explicitly stating that payment will be made to or received from a named third party.
- **Tripartite Agreement:** Firm irrevocable purchase order or a tripartite understanding, where applicable.
- **Due Diligence Proof:** Documentation satisfying the AD bank regarding KYC/AML standards and screening against FATF high-risk jurisdictions.

Handling Losses in Merchant Trade

- **Loss-making restriction:** If an MTT or a related adjustment ends in an overall net loss, standard agency commission or write-off accommodations may be restricted or require specific prior regulatory approval. [1]
- **One-to-One Matching:** AD banks must monitor individual transactions on a strict one-to-one matching basis. If losses or defaults impair the trade cycle such that outstandings cross thresholds (e.g., 5% of annual export earnings), the trader may be placed on the RBI caution list

Remittance leg in Merchant Trade - that involve INR

One of the remittance legs in a Merchant Trade Transaction (MTT) can involve Indian Rupees (INR), provided it is settled through permitted mechanisms like Special Rupee Vostro accounts. [1]

Operational Rules for INR in MTT

- **Rupee Settlement:** The Reserve Bank of India permits cross-border trade transactions to be invoiced, paid, and settled in INR via Special Rupee Vostro accounts.
- **Single AD Bank:** Both the import and export legs of the merchanting trade must still be routed through the same Authorized Dealer (AD) bank in India.
- **Earmarking Funds:** Any early receipts or parked funds in INR must be strictly earmarked or lien-marked to extinguish the corresponding trade liability.

International Trade Invoicing and Settlement in Indian Rupee

Under the RBI Frame work for International Trade Settlement in Indian Rupee , trade invoicing and settlement occur directly in Indian Rupees (INR) through **Special Rupee Vostro Accounts (SRVA)**, utilizing **market-determined exchange rates**, and allowing **EDPMS closure via inward remittance matching** or simplified declarations.

Modus Operandi for Invoicing and Settlement in INR

- **Denomination:** Exporters raise commercial invoices and execute contracts explicitly in INR, citing the SRVA mechanism.
- **Vostro Accounts:** Authorized Dealer (AD) Category-I banks in India open Special Rupee Vostro Accounts for correspondent banks in partner trading nations.
- **Payment Flow:** Importers deposit INR into the designated Vostro account of the partner country's correspondent bank, which then pays the Indian exporter from those funds.

Documents to Submit to AD Bank

- **Commercial Invoice & Contract:** Invoiced in INR with explicit reference to the RBI Rupee settlement arrangement.
- **Transport Documents:** Shipping Bill, Bill of Lading, or Airway Bill.
- Logistics & Compliance Proofs: Packing List, Certificate of Origin, and Marine Insurance.
- **Inward Remittance Message:** Advice from the AD bank showing receipt of funds in the partner country's Special Rupee Vostro Account.

Shipping Bill Filing and EDPMS Closure Process

- **Filing:** Shipping bill to be filed on the customs EDI system declaring the invoice currency strictly as INR, ensuring the export type maps correctly to the Rupee settlement framework.
- **Realization Window:** Realize and repatriate export proceeds within the extended regulatory timeline (up to 18 months for INR-denominated invoices as per current FEMA norms).
- **EDPMS Matching:** The AD bank maps the electronic Inward Remittance Message (INCOM) against the corresponding customs Shipping Bill in the Export Data Processing and Monitoring System (EDPMS).
- **Closure:** For transactions up to ₹10 lakh, closure can be processed via a simplified self-declaration confirming rupee realization, or via standard automated bank matching once Vostro account crediting is verified.

QNB : Charges / TAT / Escalation

Standard Schedule of Charges:

Customers are requested to refer to the applicable enTariffofCharges for trade services.

Transaction Turn Around Time

For same-day processing on a best-effort basis, customers are requested to submit complete documents within the following timelines:

- 2:30 PM for submission at Trade Desk

Processing is subject to submission of complete and satisfactory documents as required by the Bank.

Turnaround time may vary depending on transaction volume, enhanced due diligence requirements, regulatory checks, clarifications required from the customer, or the Bank's case-to-case assessment.

Compliance & Liability: Every trade transaction is assessed to prevent the evasion of FEMA provisions. QNB actively checks for adherence to global trade controls and ensures businesses do not trade with OFAC-sanctioned entities

Approving Authority wherever applicable

Level 1: Branch Office & Relationship Manager
Level 2: Trade Operations and Compliance (in case of any matching hits)
Level 3: Credit Admin / Corporate Banking / Risk
Level 4: CEO India

Escalation Matrix in case of denial of Request

Level 1: Relationship Manager
Level 2: SVP Operations and Infrastructure
Level 3: SVP Corporate and Institutional Banking
Level 4 : CEO - India

Time for disposal of escalation:

Level 1 : same day
Level 2 : T+1
Level 3: T+1
Level 4 : T+2

qnb.com