

## **IMPORTANT GUIDELINES ON EXPORT CREDIT REFINANCE FACILITY\***

- RBI, on the basis of banks' eligible outstanding rupee export credit (pre-shipment and post-shipment), provides export credit refinance (ECR) facility to banks. All authorized dealers in foreign Exchange (excluding RRBs) and who have extended export credit are eligible to avail the facility.
- The quantum of refinance is fixed from time to time based on the stance of monetary policy of the RBI. At present, the banks are provided export credit refinance to the extent of 15% of the outstanding export credit eligible for refinance as at the end of the second preceding fortnight. No margin is required to be maintained. The ECR is repayable on demand or on the expiry of fixed periods not exceeding 180 days. The minimum amount of availment under this facility is Rs. 1 Lakh and multiples thereof.
- ECR is available at the Repo Rate under the Liquidity Adjustment Facility (LAF), as announced from time to time. It is calculated on monthly rests and on daily balances and debited in ECR account at the end of respective month or earlier when the balance outstanding is wiped out.
- RBI provides the ECR against the Demand Promissory Note (DPN) of banks supported by a declaration for having extended the export credit and the outstanding amount eligible for refinance is not less than the loan/advance from the RBI. The facility can be availed at centres where RBI has a Banking Department.
- Penal Interest, as decided by RBI from time to time, would be charged on irregular availment of ECR as under:-
  - i) Utilization of ECR exceeding the total limit.
  - ii) Wrong calculation/reporting of refinance limit by banks.
  - iii) Non-repayment of refinance within 180 days.
  - iv) Delay in reporting excess utilization by banks.
- Banks are required to execute the standard documents as prescribed by RBI (specimen annexed with RBI M. Cir.) for availing the ECR from RBI. Banks are also required to submit to RBI (Monetary Policy Deptt.) a fortnightly declaration together with a statement of Export Refinance Entitlement to enable RBI to monitor the position of the outstanding borrowings under the scheme in relation to its outstanding export credit advances.
- The availing banks are required to report their outstanding export credit eligible for refinance within 5 days from the relevant date in the prescribed format. It is essential that the outstanding ECRs at all times are fully covered by the banks' holding of export bills/amount of eligible pre-shipment advances as reported in

their latest declaration. If at any time it is found that the total amount of bills held by banks/amount of eligible pre-shipment advances covered by the declaration fall below the amount borrowed, the banks should forthwith adjust or repay excess refinance from the RBI.

(SOURCE: RBI MASTER CIRCULAR)