

GRC BULLETIN

APRIL - 2025, VOLUME: I

RBI

Master Direction – Export of Goods and Services

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CORPORATE LAWS

Authority

Reserve Bank of
India (RBI)

Circular Date

Mar 17, 2025

Circular Number

RBI/2022-23/90
A.P. (DIR Series)
Circular No.10

Effective Date

Mar 17, 2025

RBI – MASTER DIRECTION – EXPORT OF GOODS AND SERVICES

Applicability:

- *All exporters and importers in India who engage in cross-border trade transactions.*
- *Authorized Dealer (AD) Banks in India that facilitate international trade transactions under the INR settlement mechanism.*

The Reserve Bank of India (RBI) issues the Master Direction on Export of Goods and Services to oversee foreign exchange dealings associated with the export of goods and services from India. It operates according to Section 7, Sections 10(4), and 11(1) of the Foreign Exchange Management Act (FEMA), 1999, along with relevant regulations such as the FEMA (Current Account Transactions) Rules, 2000, and FEMA Notification No. 23(R)/2015-RB. The Master Direction brings together regulatory guidelines and reporting requirements for Authorized Dealer Category-I (AD-I) Banks and exporters, ensuring adherence to India's foreign trade and exchange control regulations.

According to the most recent circulars

1. Method of Receiving and Paying

- According to FEMA (Manner of Receipt & Payment) Regulations, 2023 (Notification No., proceeds from exports must be obtained via AD Banks. FEMA 14(R)/2023-RB.
- Under RBI guidelines, payments using credit cards and online payment gateways are allowed.

2. INR Trade Settlement System (From July 2022)

- Trade transactions can now be invoiced, paid, and concluded in Indian Rupees (INR) via Special Rupee Vostro Accounts.
- Needs prior authorization from the RBI's Foreign Exchange Department.
- Encourages international trade in INR, diminishes reliance on major currencies, and aids trade with nations experiencing foreign exchange issues.



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3. Reforms of the Asian Clearing Union (ACU) Mechanism

- Participants have the option to complete transactions in ACU Dollar, ACU Euro, or ACU Yen.
- Allowances for Indo-Myanmar, Indo-Iran, Indo-Sri Lanka, and Indo-Maldives trade to utilize freely convertible currencies.
- ACU Euro activities have been on hold since July 1, 2016.

4. Payments by Third Parties

- Allowed under stringent conditions, including legitimate documentation and passage through banking systems.
- Exporters are accountable for the collection and return of earnings.

5. Transactions in Currencies Lacking a Direct Exchange Rate

- AD banks can enable settlements in currencies lacking a direct exchange rate, provided conditions exist.

6. Prepayments and Assurances

- Rules for obtaining advance payments for exports (for long-term supply contracts, up to 10 years).
- Arrangements for providing Bank Guarantees for dealings within the INR trading system.

7. INR and MVR Two-Way Trade with Maldives (March 2025 Update)

- Trade between India and Maldives can now be conducted in INR and Maldivian Rufiyaa (MVR) within a bilateral framework.

SOURCE: [Click Here for more details](#)



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