

Policy for Handling of Export & Import Transactions under FEMA 23(R)/2026-RB

Citibank N.A. — Export / Import Transactions Handling Policy

Policy pursuant to Regulation 19, Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 [Notification No. FEMA 23(R)/2026-RB dated January 13, 2026], effective October 1, 2026

1. Background:

Regulation 19 of the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 ("the 2026 Regulations") requires every Authorised Dealer (AD) to institute a separate, comprehensive, well-documented internal policy and Standard Operating Procedure (SOP) for handling export transactions (including their reporting). The policy addresses;

- The list of documents, timelines and charges for each process and approval;
- Extension of the time-period for export realisation and repatriation and advance import payments;
- Adjustment (under-, over- and non-realisation) of export proceeds to be realised and repatriated;
- Adjustment (under-, over- and non-payment) of import including BoE Waiver;
- Advance receipts for exports, imports and merchant trade transactions;
- Export, import factoring, Project exports and Merchant Trade transactions
- Delegation of powers for internal approvals for each process; and

This Policy is the Bank's policy for export, import and merchant trade transactions, formulated with reference to the FEDAI Model Policy cum Standard Operating Procedure (24 August 2026) issued pursuant to Regulation 19.

This Policy supersedes, all prior internal instructions issued under the erstwhile Foreign Exchange Management (Export of Goods & Services) Regulations, 2015 and the Master Direction – Export / Import of Goods and Services (January 1, 2016), except as continued under the general trade-practice savings referred to in Section 21 below for export, import and merchant trade transactions.

2. Board Approval and Governance Statement

This Policy has been approved by the Board of Directors CCC committee of Citibank N.A. ("the Bank"), in discharge of the Bank's obligation under Regulation 19 of the 2026 Regulations.

To ensure this Policy can remain current with evolving regulatory guidance and operating practice without recourse to the CCC/Board approval cycle for every change, amendments are classified and governed as follows:

- Material amendments to this Policy (i.e., changes to principles, risk appetite, or regulatory interpretation etc.) require approval of the CCC.

- Operational/procedural updates i.e. change that do not alter the Policy's principles such as: incorporation of subsequent RBI/FEDAI clarifications, circulars or notifications; refinement of process steps, formats, or documentation checklists, adjustments to operational timelines within Board-approved outer limits, delegation thresholds etc.— do not require prior CCC/Board approval. Such updates may be approved by CCC Member from Product / Operations / ICRM Team and inform the Board/Committee at the next scheduled review/annual Policy review for intimation.

3. Objective

To lay down the Bank's principles, documentation requirements, timelines, delegation and escalation framework for handling export or import of goods, services and software (including project exports, Import and export factoring) and Merchant Trade Transactions ('MTT') in compliance with 23(R) FEMA, the 2026 Regulations, and the Foreign Trade Policy (FTP).

4. Definitions

Terms used in this Policy carry the meaning assigned under the 2026 Regulations, including:

- "EDF" — Export Declaration Form, per Regulation 2(1)(c).
- "Specified authority" — Commissioner of Customs/SEZ Development Commissioner (goods); AD/SEZ Development Commissioner (services other than software); AD or STPI/SEZ Development Commissioner (software) — Regulation 2(1)(f).
- "Project Export" — as defined under the Foreign Trade Policy, encompassing civil construction contracts, turnkey engineering contracts (including capital goods on deferred payment), process/engineering consultancy services, and project construction items (excluding steel and cement).
- "Software" - means any computer programme, database, drawing, design, audio/video signals, any information by whatever name called in or on any medium other than in or on any physical medium;
- "export", with its grammatical variations and cognate expressions, means— (i) the taking out of India to a place outside India any goods, (ii) provision of services from India to any person outside India;
- "import", with its grammatical variations and cognate expressions, means bringing into India any goods or services;
- "service" means service of any description which is made available to potential users and includes the provision of facilities in connection with banking, financing, insurance, medical assistance, legal assistance, chit fund, real estate, transport, processing, supply of electrical or other energy, boarding or lodging or both, entertainment, amusement or the purveying of news or other information, but does not include the rendering of any service free of charge or under a contract of personal service ;
- "current account transaction" means a transaction other than a capital account transaction and without prejudice to the generality of the foregoing such transaction includes,— (i) payments due

in connection with foreign trade, other current business, services, and short-term banking and credit facilities in the ordinary course of business, (ii) payments due as interest on loans and as net income from investments, (iii) remittances for living expenses of parents, spouse and children residing abroad, and (iv) expenses in connection with foreign travel, education and medical care of parents, spouse and children;

- All undefined terms carry the meaning assigned under FEMA and its Rules and Regulations.

Regulatory System:

- **"EDPMS"** — Export Data Processing and Monitoring System, or any successor system specified by RBI.
- **"IDPMS"** – Import Data Processing and Monitoring System, or any successor system specified by RBI.
- Any other system proposed by RBI for reporting off Shipping Bills, Bill of Entry, etc.

Regulations:

While reviewing the policy and while processing the transaction, below mentioned guidelines are to be followed as applicable:

1. FEMA 23R (as amended from time to time)
2. FEDAI SOP dated 24 August 2026 and subsequent clarifications
3. SOP of the bank

PART A — EXPORTS FRAMEWORK

5. Declaration of Exports (Regulation 3)

5.1 Export of Goods through EDI Ports (Records featuring on EDPMS)

The EDF is deemed submitted as part of the shipping bill for goods exported through an EDI port (Regulation 3(1)).

The Bank shall additionally obtain, for EDPMS closure purposes:

- (i) invoice details and
- (ii) the applicable transport document (bill of lading/airway bill/lorry receipt/courier receipt) OR details as applicable

Where the Shipping Bill relay is delayed to EDPMS, the Bank shall, at the exporter's request, accept documents/ details and treat the processing as a monitored exception depending on the genuineness of the reason delay.

5.2 Export of goods through Non-EDI Ports

At a non-EDI port — including exports conducted through Post, Railway, or Road — Regulation 3(3) provides for the specified authority (Customs, or the SEZ Development Commissioner for SEZ exports) to forward the duly authenticated EDF, or equivalent document, to the AD named in it, following physical filing by the exporter along with the shipping bill. On receipt, the Bank shall key the EDF into EDPMS within five working days (Regulation 18(1)(a)).

RBI has separately advised that it has requested Customs authorities to direct the concerned Customs to forward a copy of the duly authenticated EDF to the AD's centralised team, rather than relying solely on physical/branch-level receipt.

The Bank shall track further developments on this centralised-sharing mechanism and update this SOP, including the designated contact points and any resulting change to receipt/turnaround timelines, once the mechanism is formally operationalised.

5.3 Export of Software

Software exports are declared via EDF filed with STPI (in the Domestic Tariff Area) or the SEZ Development Commissioner (in an SEZ), both of whom are designated authorities under Regulation 2(1)(f)(iii), on equal footing with the AD. Details transmitted by STPI/SEZ to EDPMS are used to mark off the corresponding inward remittance.

Where the exporter instead routes the EDF declaration through the Bank, the software/IT/ITeS export invoice (bearing the SAC code and description) is the baseline mandatory document. Beyond the invoice, the Bank shall apply a risk-based assessment of the exporter and transaction to determine whether further documentation is required — for example: the underlying master service agreement/contract/work order; evidence of actual export (delivery/acceptance confirmation, completion certificate, or data-transfer/hosting record) etc.

5.4 Export of Service - Export Declaration Form (EDF) Mandatory Requirements

An exporter of services shall furnish to the Bank, a declaration in EDF specifying the amount representing the full export value of services, within 30 days from the end of month in which invoice for services has been raised, provided that: (a) the exporter of services who has exported services to one or more recipients in a month, may submit a single EDF for all such exports; (b) the exporter of services other than software, may submit an EDF on or before the date of receipt of payment; (c) the Bank may, on a request from the exporter citing reasons for delay, extend the period for submission of the EDF after satisfying itself about the reasonableness of the request.

Note: For cases where invoice date is before 1st October 2026, no EDF form is required. Payment to be processed basis client confirmation on the invoice date.

5.5 Export of goods/services by SEZ

SEZ units are permitted to undertake overseas job work and directly export goods from host nations provided processing costs are loaded into the export price and full proceeds are realized under standard EDF procedures. The Bank may sell foreign exchange to Domestic Tariff Area (DTA) units for goods supplied or services rendered by SEZ units, provided such transactions and foreign currency settlements are explicitly authorized in the Letter of Approval (LoA) issued by the Development Commissioner SEZ.

5.6 Extension of Time for EDF Submission

The Bank may extend the EDF submission period on the exporter's written request citing reasons, once satisfied of genuineness (Regulation 3(2)(c)). Delayed requests for extension shall be accepted citing the reason for delay and confirmation of alignment of extension with overseas party.

6. Manner of Receipt of Export Proceeds (Regulation 4)

Transaction genuineness must be ascertained prior to credit to the account of the exporter. The bank shall ensure compliance with the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023 (FEMA 14R), FEMA 10R and RBI Circular RBI/2026-27/08 on "Guidelines to Facilitate Faster Cross-Border Inward Payments," for all export, import, Merchant Trade Transactions.

The Bank shall obtain underlying documentation/information appropriate to each scenario set out below.

Documents/Details at the time of Inward Remittance Settlement:**For Goods (Including Software Exporters wherein EDF is submitted to STPI):**

Transaction Type	Documentation	Special Comments
Export Advance	<ul style="list-style-type: none">- Purpose Code & Last date of Shipment- Copy of Purchase Order / Proforma Invoice / Agreement / Any other information as per the satisfaction of the bank to confirm payment is advance remittance	Interest applicable if any must be within prevailing Trade credit guidelines (FED Master Direction No.5/2018-19 updated from time to time).
Export non-Advance	<ul style="list-style-type: none">- Purpose Code- Bill reference number or documents as per Citi requirement to lodge the bill	-

For Services:

Transaction Type	Documentation
Export Advance	<ul style="list-style-type: none">- Form EDF- Purchase Order / Proforma Invoice / Any other information as per the satisfaction of the bank to confirm payment is advance remittance
Export Non-Advance	<ul style="list-style-type: none">- Form EDF- Invoice / Relevant details of Invoice

In the event of the exporter's inability to make the shipment or contract/order cancellation, partly or fully, within three years from the date of receipt of advance payment, remittance towards refund of unutilized portion of advance payment or towards payment of interest shall be allowed only basis additional due diligence against the documentary evidence for the attributed reason confirmed by the client.

If Shipping Bills/EDFs are not available in EDPMS, supporting documents/information (EDF data submitted to STPI/SEZ for software, Shipping Bill/invoice for goods, or EDF data filing for services) will be validation before credit of funds. The IRM will be closed once the relevant EDF for Services and software/Shipping Bill is available in EDPMS. If Inward is received beyond realisation or extended period, reason for delay will be additionally sought from the client.

6.3 Small value bills (Shipping Bills up to ₹10 Lakh or FCY equivalent)

As per Regulation 4(2), shipping bills/invoices up to ₹10 lakh (or FCY equivalent) will be closed in EDPMS based on the exporter's declaration of full/partial realisation, either bill-wise or via a consolidated quarterly declaration. The Bank's self-declaration format shall capture shipping bill number/date, invoice

reference, declared and realised value, date of realisation, reason for shortfall (if any), through an authorised-signatory declaration in physical or digitally.

6.4 Direct Dispatch of Documents:

Direct dispatch of shipping documents by the exporter to the consignee, or their agent, outside the normal channel through the Bank, shall be permitted as prescribed in the Bank's process notes.

In case of doubt, the Bank may consider filing Suspicious Transaction Report (STR) with FIU_IND (Financial Intelligence Unit in India).

7. Time Period for Realisation and Repatriation of Export Proceeds (Regulation 5)

7.1 Standard Timelines

Category	Realisation Period
Goods (other than export to warehouses abroad)	9 months from date of shipment
Services	9 months from date of invoice
Goods exported to a warehouse abroad	9 months from date of sale from the warehouse
Project exports	As per payment terms of the underlying contract
Any of the above, where invoiced/settled in INR including Vostro settlements	12 months from the date of shipment

7.2 Extension of Realisation Period

The exporter shall submit a written request citing specific reasons for extension (buyer dispute, delayed acceptance, financing delay, etc.), along with supporting declaration. Banks to extend the period of realization of export proceeds beyond stipulated period of realization from the date of export, up to a period of one year, at a time. For subsequent extension of an extended bill, the exporter shall additionally submit evidence of follow-up and confirmation of alignment with overseas party. For bills that remain unextended beyond the realisation timeline, the reason for delay shall likewise be sought from the client. Any extension beyond three years will be reviewed as per the delegation matrix.

Extension requests to be followed subject to following conditions:

- a) The export transactions covered by the invoices are not under investigation by Directorate of Enforcement / Central Bureau of Investigation or other investigating agencies,
- b) The exporter submits a declaration that the export proceeds will be realised during the extended period.

8. Reduction / Under-realisation / Non-realisation / Write-off of Export Proceeds (Regulation 6)

8.1 Self-Declaration Route (up to ₹10 lakh)

Where export value per shipping bill/invoice is up to **₹10 lakh (or FCY equivalent)**, reduction (including non-realisation) may be permitted based on the exporter's declaration alone, without further evidence.

8.2 Invoice Reduction (Above ₹10 Lakh or FCY Equivalent)

Invoice reduction refers to a reduction in the invoice value of an export bill — as distinct from a write-off — typically arising from post-shipment quality claims, agreed price adjustments, cash/trade discounts, shortages certified by an approved surveyor, fluctuations in international prices of commodities, or deduction of Withholding Tax (WHT) by the overseas buyer/tax authority at source from the invoice value.

If after the shipment is done, the amount can be reduced for reasons as specified by the exporter in its request letter to Citibank and such reduction can be approved if satisfied with genuineness of the request, provided:

- a. The reduction does not exceed 25 per cent of invoice value:
- b. The exporter is not on the exporters' caution list of the Reserve Bank
- c. The exporter is advised to surrender proportionate export incentives availed of, if any

In the case of exporters who have been in the export business for more than three years, reduction in invoice value may be allowed, without any percentage ceiling, subject to the export outstanding do not exceed 5 per cent of the average annual export realization during the preceding three financial years. Any exception to above conditions needs to be approved as per deviation matrix.

For the purpose of reckoning the percentage of export bills outstanding to the average export realizations during the preceding three financial years, outstanding of exports made to countries facing externalization problems may be ignored provided the payments have been made by the buyers in the local currency

Invoice Reduction of Services

If after the services are rendered, the amount can be reduced for reasons as specified by the exporter in its request letter to Citibank and such reduction can be approved if satisfied with the genuineness of the request, provided the reduction does not exceed 10 per cent of invoice value.

8.3 Write-Off (Above ₹10 Lakh or FCY Equivalent)

An exporter who has not been able to realise the outstanding export dues despite best efforts, may either self-write off or approach Citibank, who had handled the relevant shipping documents or invoices (for Export of services), with appropriate supporting documentary evidence. The limits prescribed for write-offs of unrealised export bills are as below:

Goods (Including Softex)

Particulars	Limit	Limit (%) in relation to
Self-write-off by an exporter (Other than the Status Holder Exporter)	5%	Total export proceeds realised during the calendar year preceding the year in which the write-off is being done
Self-write-off by Status Holder Exporter	10%	

Write-off by AD Category-1 Bank	10%	
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Services (Excluding Softex)

Particulars	Limit	Limit (%) in relation to
Write-off by AD Category-1 Bank	5%	Total export proceeds realised during the calendar year preceding the year in which the write-off is being done.

The above limits of self-write-off and write-off by the Bank shall be reckoned cumulatively and shall be available subject to the following conditions:

- a. Satisfactory evidence is furnished indicating that the exporter had made all efforts to realise the export proceeds;
- b. The exporter is banking with for a period of at least 3 months, is fully compliant with KYC/AML guidelines and AD Category – 1 Bank is satisfied with the bonafides of the transaction.
- c. The case falls under any of the undernoted categories or any other categories as received by the bank :
 - i. The overseas buyer has been declared insolvent and a certificate from the official liquidator, indicating that there is no possibility of recovery of export proceeds, has been produced or any other supporting documentation which proves that the overseas buyer has been declared insolvent.
 - ii. The unrealised amount represents the balance due in a case settled through the intervention of the Indian Embassy, Foreign Chamber of Commerce or similar Organization;
 - iii. The goods exported have been auctioned or destroyed by the Port / Customs / Health authorities in the importing country or self-declared by the overseas buyer
 - iv. The overseas buyer is not traceable over a reasonably long period of time.
 - v. The cost of resorting to legal action would be disproportionate to the unrealised amount of the export bill or where the exporter even after winning the Court case against the overseas buyer could not execute the Court decree due to reasons beyond his control
 - vi. Poor quality of Goods or Services as cumulatively agreed between Exporter and Importer and basis which the overseas party has refused to pay the export amount

However, EDF/Softex which are under investigation by agencies like, Enforcement Directorate, Directorate of Revenue Intelligence, Central Bureau of Investigation, etc. as also the outstanding bills which are subject matter of civil / criminal suit would not qualify for Write off as mentioned above.

Documentation required for write-off:

- Application from the exporter for self-write-off stating the reason for non-realisation;
- Evidence of recovery efforts undertaken by the exporter — e.g., correspondence/reminders sent to the overseas buyer, intervention sought from the Indian embassy/consulate or an overseas collection agency, or legal action initiated, as applicable to the value and vintage of the bill;
- Declaration to be taken from the exporter stating they have surrendered the proportionate export incentives. Proof of surrender of proportionate export incentives availed against the bill being written off should be provided by the exporter on bank's demand for audit / Inspection purposes.
- Confirmation that the exporter is not under investigation by, or subject to caution-listing/adverse notice from, any regulatory or enforcement agency in relation to the underlying transaction.

8.3. Refund of Export Proceeds:

Refund of export proceeds for quality-related issues or any other valid reasons shall be processed subject to verifying transaction bonafides as required, customer track record, and sufficient evidence showing surrender of export incentives (where applicable). A re-import the goods must be within three months under normal import procedures, unless re-importation is exempted upon furnishing satisfactory proof that the goods were auctioned or destroyed by accredited overseas authorities.

8.4 Export claims

Export claims will be processed on application from the exporter, provided the relative export proceeds have already been realised and repatriated to India. In all such cases of remittance, the exporter will be advised to surrender proportionate export incentives, if any, in connection with the underlying export.

8.5 Shutout Shipment and Short Shipment

For shipments partially short-shipped or entirely shut out, exporters must submit the prescribed notice to Customs (attaching the unused EDF copy and shipping bill for shut-out cargo, which cancels the original EDF/EDPMS record and requires fresh EDF filings upon re-shipment). If there is a delay in receiving the certified Customs notice, the exporter must furnish an undertaking confirming submission and commit to providing the certificate once available to the bank for records. For closure of Shipping Bills on EDPMS customs certified copy will be sought from the exporter.

8.6 Shipments lost in transit

In cases where export shipments from India, for which payment has not been received through negotiation of bills under Letters of Credit or otherwise, are lost in transit, the exporter shall lodge the insurance claim promptly upon becoming aware of the loss. Any amount recovered or settled, in whole or in part, by shipping companies, airlines, or other carriers under their liability abroad shall be repatriated to India by the exporter without delay. Closure of record on EDPMS will be handled upon receipt of request and required document from the exporter.

8.7 Write off in cases of payment of claims by ECGC and private insurance companies regulated by Insurance Regulatory and Development Authority (IRDA)

Upon receipt of an exporter's application supported by documentary evidence from ECGC or an IRDA-regulated insurance company confirming settlement of the claim, the corresponding export bill shall be

closed in EDPMS against write-off indicator. Such write-off shall not be subject to the prescribed write-off limits for status or non-status exporters. Any surrender of export incentives shall be as per the Foreign Trade Policy. Claims settled in INR by ECGC or IRDA-regulated insurers shall not be treated as export realization in foreign exchange and shall be written off in EDPMS accordingly.

9. Agency commission on exports

(i) We may allow payment of commission, either by remittance or by deduction from invoice value, on application submitted by the exporter. The remittance on agency commission may be allowed subject to conditions as under:

- a) Amount of commission has been declared on EDF/SOFTEX form and accepted by the Customs authorities or Ministry of Information Technology, Government of India / EPZ authorities as the case may be. In cases where the commission has not been declared on EDF/SOFTEX form, remittance may be allowed after satisfying the reasons adduced by the exporter for not declaring commission on Export Declaration Form, provided a valid agreement/written understanding between the exporters and/or beneficiary for payment of commission exists.
- b) The relative shipment has already been made.

(ii) We may allow payment of commission by Indian exporters, in respect of their exports covered under counter trade arrangement through Escrow Accounts designated in US Dollar, subject to the following conditions:

- a) The payment of commission satisfies the conditions as at (a) and (b) stipulated in paragraph (i) above.
- b) The commission is not payable to Escrow Account holders themselves.
- c) The commission should not be allowed by deduction from the invoice value.

(iii) Payment of commission is prohibited on exports made by Indian Partners towards equity participation in an overseas joint venture / wholly owned subsidiary as also exports under Rupee Credit Route except commission up to 10 per cent of invoice value of exports of tea & tobacco.

10. Set-off / Netting of Export Receivables Against Import Payables (Regulation 7)

Regulation 7 permits set-off of outstanding export receivables against import payables (either on net basis or gross basis) involving the same overseas buyer/supplier, or their overseas group/associate companies, subject to the Bank's satisfaction as to bona fides and appropriate reporting in EDPMS/IDPMS.

Conditions:

- Permitted only between the same overseas counterparty, or their 100% group/associate companies, including through an in-house or outsourced centralized settlement arrangement
- Must be completed within the stipulated (or extended) export realisation period under Regulation 5;
- Both legs must be routed through same Bank only
- Permitted across categories (e.g., goods export against services imports and vice-versa); and
- Not permitted where the underlying invoice is under investigation, involves a sanctioned party/jurisdiction, or would circumvent the Regulation 13 unrealised-exports restriction.

- Bank is satisfied with the bonafides of the transactions and ensures that there are no KYC/AML/CFT concerns;
- The invoices under the transaction are not under investigation by Directorate of Enforcement/Central Bureau of Investigation or any other investigative agency;
- Import/export of goods/services has been undertaken as per the extant Foreign Trade policy
- The export / import transactions with ACU countries are kept outside the arrangement;
- Set-off shall not result in tax evasion/avoidance by any of the entities involved in such arrangement.

For Set off / Netting off under the said guidelines, bank will receive a detailed request letter from the client explaining full facts of the case along with supporting documentation prescribed by the bank.

11. Third-Party Receipts (Regulation 8)

Regulation 8 permits receipt of export proceeds from a party other than the contracted buyer, provided the Bank is satisfied of the bona fides and the third party's relationship to the actual buyer is evidenced and reported.

Third-party receipt (from a party other than the buyer under the underlying export contract) for export transactions will be permitted basis documentary evidence.

Documentation: Commercial invoice/PO/contract identifying the buyer; tripartite agreement or other arrangement involving exporter, buyer and third party; group/associate confirmation where relevant; factoring/subrogation documents, where applicable; and completion of the EDF's dedicated third-party field (name, address, relationship), consistent with supporting documents.

Any centralized treasury arrangement and exchange house will not be treated as third party.

12. Unrealised Exports (Regulation 13)

Where export proceeds remain unrealised beyond one year from the due date of realisation (or extended period permitted), RBI has clarified that ADs may handle such cases based on the declaration of the exporter/importer concerned. Suitable EDPMS/IDPMS reports will be made available from 1 October 2026 to facilitate tracking of outstanding entries, including where the customer banks with more than one AD.

Scope of restriction: The requirement that further exports be undertaken only against full advance payment or an irrevocable Letter of Credit applies only to future export transactions between the specific exporter and the specific overseas buyer responsible for the unrealised proceeds — it does not extend to the exporter's dealings with other buyers, or its other business with the Bank.

This restriction operates at the exporter's/importer's IEC/PAN level, across all AD banking channels. An exporter/importer cannot bypass it by routing transactions through another AD. The Bank shall rely on the customer's declaration, supplemented by the EDPMS/IDPMS reports referenced above, to identify and apply this restriction.

13. Project Exports (PEM) (Regulation 15)

13.1 Intimation

The Bank will satisfy itself of the genuineness of the project based on the exporter's intimation before permitting receipts/payments or basis the approval letter issued by the bank. The exporter shall submit a request letter on or before handling project export transactions, and the Bank shall acknowledge receipt with a project export reference number. Project Awarded prior to 1st Oct 2026 old PEM regulation will follow.

13.2 Realisation Timelines

Per Regulation 5(1)(c), project exports follow the payment terms of the underlying contract.

13.3 Deployment of Temporary Cash Surplus Abroad

A project exporter may deploy temporary cash surplus generated outside India in short-term instruments (original/residual maturity of one year or less), including treasury bills and bank deposits abroad (Regulation 15(2)) subject to monitoring of such bills/deposits by bank. The exporter shall submit an intimation/declaration (format at Appendix D) confirming compliance with Regulation 15.

13.4 Losses, Termination and Mid-Project Dissolution

The exporter shall report any project loss to the Bank with supporting evidence and duly certified accounts. For mid-project dissolution, the exporter shall provide termination/settlement documentation (mutual termination agreement, arbitration/court order, or force majeure notice), details of work executed, financial settlement and certified accounts. The Bank shall examine the circumstances and, as applicable, permit repatriation of amounts due and/or consider reduction/write-off under Regulations 6 and 15, ensuring appropriate settlement, reporting and closure of the project.

13.5 Third Country Payments and INR Receipts

Regulation 8 does not itself prescribe the settlement currency; this is governed by Regulation 4(1) and the Manner of Receipt and Payment Regulations, 2023, which permit settlement in Indian Rupees or any foreign currency for trade with non-ACU countries (and via the ACU mechanism or in INR for Nepal/Bhutan/other ACU members, as applicable). A payment/receipt in a currency other than the invoice currency is accordingly permissible, subject to the bank being satisfied of the bonafides of the transaction and the conversion being transacted at the prevailing exchange rate;

13.6 Export on elongated credit terms

Exporters intending to export goods on elongated credit terms may submit their proposals giving full particulars under PEM.

14. Consignment Exports

For consignment exports, freight and marine insurance must be arranged in India. Shipping documents shall be released only against a Trust Receipt or undertaking for timely remittance of proceeds. Net sale proceeds may be remitted by agents/ consignees after deducting verified receipt, storage, and handling

expenses. Abandonment of unsold goods may be permitted, with the value reflected in Account Sales. Any exceptions shall be reviewed basis documentary evidence submitted by the exporter.

15. Opening / hiring of warehouses abroad

Exporter requests for opening/hiring warehouses abroad will be approved where export outstanding does not exceed 5% of the previous financial year's exports, the exporter has a minimum export turnover of USD 100,000 in the preceding financial year and export proceeds are realized within the prescribed period. Approval shall initially be valid for one year and may be renewed subject to continued compliance. Approval records shall be maintained, and all such transactions must be routed through the designated branch.

Opening/hiring of a warehouse in Bharat Mart by an exporter holding a valid IEC may be permitted without the above eligibility criteria, subject to assessment of the reasonableness of the request.

16. Export & Import Factoring

This Policy distinguishes export factoring (with-recourse and without-recourse) from import factoring, each with distinct regulatory and documentation treatment.

16.1 Export Factoring:

The Bank shall maintain a distinct process for **with-recourse** and **without-recourse** factoring, given the different points at which EDPMS closure is appropriate:

- **Without-recourse factoring:** the factor assumes the credit risk of the overseas buyer's non-payment. EDPMS may accordingly be closed upon receipt of the factoring proceeds by the exporter (i.e., realisation is deemed to occur on receipt from the factor), following the Bank's extant standard process.
- **With-recourse factoring:** the exporter retains the credit risk — if the overseas buyer fails to pay, the factor can claim back the funds advanced from the exporter. Accordingly, EDPMS shall be closed only after the exporter confirms that payment has actually been made by the overseas buyer to the factor (i.e., final realisation, not the initial factoring advance, is the closure trigger).

Documentation Requirements

- Copy/Extract of the factoring agreement between the exporter and the factor, specifying whether the arrangement is with-recourse or without-recourse;
- For with-recourse arrangements, subsequent confirmation (from the exporter or factor) evidencing actual payment by the overseas buyer, prior to EDPMS closure.

RBI is separately developing dedicated guidelines on export factoring, including specific treatment of with-recourse arrangements. This Section shall be updated upon issuance of RBI's specific instructions and any consequent FEDAI guidance, and until such guidance is issued, the Bank shall apply the risk-based approach set out above.

16.2 Import Factoring

Nature of the Arrangement: Under import factoring, an importer's payment obligations to an overseas supplier may be settled through an international factoring company, which advances funds to the supplier and collects from the Indian importer, typically on deferred payment terms.

Permitted Counterparties and Regulatory Basis

The Bank may enter into arrangements with international factoring companies of repute — preferably members of Factors Chain International (FCI) or an equivalent recognised international factoring association — without requiring specific RBI approval for each arrangement, provided the Bank ensures compliance with:

- extant foreign exchange directions relating to imports;
- the Foreign Trade Policy in force; and
- any other guidelines/directives issued by RBI in this regard from time to time.

Interest and Third-Party Supplier Credit

Where import factoring involves an element of supplier credit or deferred payment (including arrangements structured as Usance Payable at Sight, "UPAS"), the applicable interest/cost shall be assessed for consistency with the Bank's Trade Credit guidelines and the extant Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, including reporting obligations where applicable. *[Detailed operating parameters for UPAS/third-party supplier credit structures under import factoring are to be finalised by Product and appended to this Section prior to Board approval.]*

17. Forfaiting

We may undertake forfaiting, for financing of export receivables. Remittance of commitment fees, service charges, and other related charges approved by EXIM Bank or the Bank may be permitted, either as an upfront lump-sum payment or at monthly intervals, as approved by the delegated authority. Self-declaration from the exporter will be sought confirming that there is no double financing against the bill.

18. International Trade Settlement in INR — Export Leg (Regulation 17)

Export invoicing and settlement in INR shall be facilitated via the -Rupee Vostro Account (RVA) mechanism maintained by the Bank with the overseas correspondent bank, in accordance with RBI's extant RVA framework. Documentation required: INR-denominated commercial invoice, export contract, shipping bill/EDF, and confirmation that the overseas buyer's bank maintains an active RVA arrangement with an Indian AD. The standard Regulation 3/4/18 EDF-filing and EDPMS-closure process applies, with the invoice currency marked as INR; the realisation period for such exports is **12 months** (as per the Regulation 5(1)).

PART B — IMPORTS FRAMEWORK

19. Manner of Payment (Regulation 4)

Transaction genuineness must be ascertained prior to debit / credit to the account of the importer, consistent with FEMA 14R and FEMA 10R. The Bank shall obtain underlying documentation/data appropriate to each scenario below:

19.1 Import Advance (Regulation 10): Copy of Proforma Invoice / Purchase Order / Contract evidencing payment terms as advance for making the outward remittance. Contract Due Date in case of Services (expected Bill of Entry date in case of Goods) will be sought from the importer to ascertain the agreed/estimated date of Import in the country.

Regulation 10(3) leaves the AD to "consider specifying thresholds for advance payment, beyond which the payment may require a standby Letter of Credit or a guarantee".

PSU/ Govt departments may comply with their respective Ministry / Department directions or guidelines in this regard. No separate conformation needs to be sought from the PSU / Govt department, as FEMA 23 does not prescribe any such documentary evidence / threshold for such entities.

Thresholds for Advance Payment – Goods:

Amount Range	Client Comfort Letter	KYC-Overseas Beneficiary Bankers Confirmation / D&B report	Bank Guarantee / SBLC	Internal Approval	Criteria
Up to USD 300,000	Not Required	Not Required	Not Required	Not Required	
> USD 300,000 to USD 1,000,000	Required	Not Required	Not Required	Not Required subject to criteria	<p>Minimum of 6 months Citi relationship vintage with the importer client.</p> <p>If less than 6 months, no approval is required subject to below-</p> <ul style="list-style-type: none">○ This is new entity of already group company with which we bank for more than 2 year OR This is new account of existing entity we are banking with more than 6 months

					<ul style="list-style-type: none"> Supplier buyer relationship vintage is >2 years with 0 default from supplier in last 2 years (as per client comfort letter)
> USD 1,000,000 to USD 5,000,000	Required	Required	Not Required	Not Required subject to criteria	<p>Minimum of 6 months Citi relationship vintage with the importer client.</p> <p>If less than 6 months, no approval is required subject to below-</p> <ul style="list-style-type: none"> This is new entity of already group company with which we bank for more than 2 year OR This is new account of existing entity we are banking with more than 6 months Supplier buyer relationship vintage is >2 years with 0 default from supplier in last 2 years (as per client comfort letter)
>USD 5,000,000 to USD 10,000,000	Required	Required	Not Required	Required	<p>Minimum of 6 months Citi relationship vintage with the importer client.</p> <p>If less than 6 months, no approval is required subject to below-</p> <ul style="list-style-type: none"> This is new entity of already group company with which we bank for more than 2 year OR This is new account of existing entity we are banking with more than 6 months

					<ul style="list-style-type: none"> ○ Supplier buyer relationship vintage is >2 years with 0 default from supplier in last 2 years (as per client comfort letter)
					-Supplier vintage with bene bank> 2 years (as per Telex from bene bank)
					-Low/Medium Risk rating as per D&B report or a similar credit agency report.
					-In case of High risk rating as per D&B report or a similar credit agency report, Bank Guarantee will be required beyond USD 5 Million
Beyond USD 10,000,000	Bank Guarantee is Mandatory				

Thresholds for Advance Payment – Services including softex

Advance Amount (per transaction)	Client Comfort Letter	Overseas Beneficiary Bankers Confirmation / D&B report	Bank Guarantee / SBLC	Internal Approval*	Criteria
≤ USD 500,000	Not required	Not Required	Not Required	Not Required	
USD 500,001 – USD 1,000,000	Required	Not Required	Not Required	Not Required	<p>Minimum of 6 months Citi relationship vintage with the importer client.</p> <p>If less than 6 months, no approval is required subject to below-</p> <ul style="list-style-type: none"> ○ This is new entity of already group company with which we bank for more than 2 year OR This is new account of existing entity we are banking with more than 6 months <p>Supplier buyer relationship vintage is >2 years with 0 default from supplier in last 2 years (as per client comfort letter)</p>
USD 1,000,000 – USD 1,500,000	Required	Required if the overseas bene is not a Citi client	Not Required	Required	<p>- Minimum of 6 months Citi relationship vintage with the importer client.</p> <p>If less than 6 months, no approval is required subject to below-</p> <ul style="list-style-type: none"> ○ This is new entity of already group company with which

					<p>we bank for more than 2 year OR This is new account of existing entity we are banking with more than 6 months</p> <p>-Supplier buyer relationship vintage is >2 years with 0 default from supplier in last 2 years (as per client comfort letter)</p> <p>-Supplier vintage with bene bank > 2 years (as per Telex from bene bank)</p> <p>-Low/Medium Risk rating as per D&B report or a similar credit agency report.</p> <p>-In case of High risk rating as per D&B report or a similar credit agency report, Bank Guarantee will be required beyond USD 5 Million</p>
> USD 1,500,000	Required	Bank Guarantee is Mandatory.			

Note : For Services payment done for international Artist Fees for doing concert in India under the ceiling of USD 1,000,000 the supplier's KYC need not be demanded.

Any deviation to be raised as per deviation matrix.

- The above threshold amounts are based on advance amounts per purchase contract (PO/ PI), and not to be reckoned at remittance level.
- KYC check- For overseas beneficiaries, comfort on beneficiary credentials will be established through either a banker's confirmation from the beneficiary's bank or a credit report issued by D&B or a similar credit agency.

Indicatively, the client comfort letter to mention below –

- Vintage of relationship with the supplier (in months)
- Track record of any default with the specific supplier since inception of Trade with supplier or in last 24 months whatever is shorter and any other factors basis which importer desires to make advance remittance for purchase of goods without BG / SBLC from the overseas beneficiary.

19.2 Refund of Advance Payment

Where an importer is unable to import within the contract period, or the extended period or due to cancellation of contract the importer shall ask supplier to refund the advance payment made. Advance ORM will be closed on IDPMS once refund is processed on request of Importer.

19.3 Remittances against Replacement Imports (Where advance is paid)

Where goods are short-supplied, damaged, short-landed or lost in transit or if the original goods which have been lost, fresh remittance for replacement imports may be permitted subject to the insurance claim relating to the lost goods has been settled in favour of the importer.

It may be ensured that the consignment being replaced is shipped within the validity period of the license. We shall ensure that proper remark/indicator is entered for ORM mark off/closure of Bills in IDPMS etc. as per extant IDPMS guidelines.

19.4 Guarantee for Replacement Import

In case replacement goods for defective import are being sent by the overseas supplier before the defective goods imported earlier are reshipped out of India, we may issue guarantees at the request of importer client for dispatch/return of the defective goods, according to our commercial judgment.

19.5 Goods Misplaced/Damaged during transit - Remittances to supplier (Where advance is not paid)

For the goods lost /damaged in transit If necessary insurance claim proceeds received then based on clarification, supportive documents payment to supplier can be processed if otherwise .

19.6 Advance Remittance for Import of Aircraft, Aviation Equipment, and Shipping Vessels:

1. As a sector specific measure, entities which have been permitted under the extant Foreign Trade Policy to import Shipping Vessels, Aircrafts and Helicopters (including used / second hand aircraft and helicopters) or any other person who has been granted permission by the Directorate General of Civil Aviation (DGCA) to operate Scheduled or Non-Scheduled Air Transport Service (including Air Taxi Services), can make advance remittance without bank guarantee or an unconditional, irrevocable Standby Letter of Credit, up to USD 50 million. Accordingly, Bank may allow advance remittance, without obtaining a bank guarantee or an unconditional, irrevocable Standby Letter of Credit, up to USD 50 million, for direct import of each Shipping Vessel, Aircraft, Helicopter and other aviation related purchases.
2. Importers of Aircrafts/ Helicopters and other Aviation related Purchases, not eligible under clause (1) above can make advance remittance without bank guarantee, in terms of Para 19.1 above.
3. The remittances for the transactions at 1 and 2 above shall be subject to the following conditions:

i. Bank will undertake the transactions based on their commercial judgment and after being satisfied about the bonafide of the transactions. KYC and due diligence exercise will be done for the Indian importer entity and the overseas manufacturer company as well.

ii. Advance payments should be made strictly as per the terms of the sale contract and directly to the account of the manufacturer (supplier) concerned – Third Party may be allowed as per the Third-party guidelines followed by the bank subject to approval of Business Head and Product Head.

iii. Physical import of goods into India is made within six months (three years in case of capital goods) from the date of remittance and the importer gives an undertaking to furnish documentary evidence of import within fifteen days from the close of the relevant period. It is clarified that where advance is paid as milestone payments, the date of last remittance made in terms of the contract will be reckoned for the purpose of submission of documentary evidence of import.

iv. Prior to making the remittance, the AD Category – I bank may ensure that the requisite in principle approval of the Ministry of Civil Aviation in case of Scheduled Air Service Operators and in other cases approval of the Director General of Civil Aviation / other agencies in terms of the extant Foreign Trade Policy has been obtained by the company, for import.

vii. In the event of non-import of aircraft and aviation sector related products, Bank will follow up with client to ensure that the amount of advance remittance is immediately repatriated to India

19.7. Import of Gold and Silver and other precious metal: No advance remittance shall be permitted for the import of gold or silver in any form.

Documentation required for import of other precious metals like Rough Diamond / Diamond / Synthetic Semi Precious Stones are added to the process notes based on the category of import as per certification specifications for the same.

19.8 Imports other than advance:

Import bills and documents should be received from the banker of the supplier or the supplier can submit directly to Citi bank to make payment directly to overseas beneficiary. Bank can make remittances where import bills have been received directly by the importers from the overseas supplier.

Request for payment to be submitted for bill of entry featuring in IDPMS digitally or in Physical for processing remittance. No invoices or transport documents are required as long as all the details are available in IDPMS . Outward Remittance Message (ORM) will be created in IDPMS once documents are clean and import payment is processed simultaneously bill of entry record will be closed on IDPMS against the ORM. For payment requests wherein Bill of entry is not featuring in IDPMS such as

- **Shipment in Transit (SHTR)** - To process payments, clients must submit valid transport documents confirming shipment. The Outward Remittance Message (ORM) will remain open until the corresponding Bill of Entry (BOE) appears in IDPMS. Clients are advised to regularize pending ORMs promptly once the Bill of Entry is updated. Please note that subsequent SHTR transactions will be put on hold for accounts with ORMs outstanding beyond 60 days.

- **Non-EDI shipments, Courier imports** etc.- Bill of entry copy to be submitted for remittance. ORM will be closed with appropriate indicator basis copy received. Details of import (of customers) as received from non-EDI port; AD bank will create records in IDPMS within five working days of receipt of documents.
- **Deemed Imports** where Bill of Exports is available in EDPMS, can be processed upon submission of Commercial invoices, Bill of Export/ Shipping bill details, debit authority (for physical submission)
- **Deemed Imports** where data is not available in E/IDPMS, below documents to be submitted for processing
 - Commercial invoice, Debit Authority, Bill of export, LOA copy, Status certificate (EOU), Intra Unit Transfer Units, Transport documents or delivery challan or any evidence that goods has been received by buyer Gate pass in case of hand delivery, Airway bill in case of Courier or Acknowledgement by buyer on Invoice that goods are received)

Services: Payment for Imports will be made based on underlying documentation submitted to the Bank. The Bank will complete IDPMS reporting along with the payment.

20. Small Value Imports (up to ₹10 Lakhs):

For imports where the Bill of Entry (for goods) or invoice (for software) is up to ₹10 lakh (or its equivalent in foreign currency), entry in IDPMS may be closed based on a declaration from the importer to the effect that the payment for import has been made either in full or otherwise. Alternatively, such declaration may be submitted by an importer to the bank on a quarterly basis for bulk closure of entries in IDPMS.

21. Import Not Materialized (regulation 12):

If the goods are not imported by the importer against advance payment within the contract period or extended period, any future advance payment for imports by the importer shall require an unconditional, irrevocable standby Letter of Credit or a guarantee from an international bank of repute or a guarantee of an Authorised Dealer in India, which is issued against a counter-guarantee of an Authorised Dealer in India. Bank shall rely on the report from RBI for marking such restrictions on the importer. The regulatory restriction for Import not materialized applies at the Importer level (linked to the Importers IEC/PAN) across all banking channels.

Cross-AD application: The regulatory restriction applies at the importer level, linked to the importer's IEC/PAN, across all AD banking channels. An importer cannot bypass the advance/LC or guarantee requirement, or any other cautionary condition, merely by routing transactions through another AD Bank. The Bank shall have regard to the importer's declaration and, from 1 October 2026, the dedicated IDPMS reports designed to surface such cross-AD exposure, before permitting a further import advance.

22. Third-Party Payments for Imports (Regulation 8):

- Third-party payments for import transactions may be permitted where the Bank is satisfied with the bona fides of the transaction. Required documentation: a written request identifying the third party and its relationship with the actual seller (e.g., group/associate company, buying/paying/collection agent); the underlying import agreement/contract/invoice; and

documentary evidence of the relationship (group-company confirmation, tripartite agreement, or similar).

- For goods, if BOE evidence names of all 3 parties, no documentation is required.
- Where practical circumstances in the buyer's jurisdiction (e.g., forex shortages or externalisation restrictions) necessitate third-party settlement, the Bank shall apply a risk-based approach with appropriate KYC/AML/sanctions checks. Settlement in a currency other than the invoice currency is permissible, subject to bona fides, market-rate conversion, and justification of the currency mismatch by the exporter or importer.

23. Time Period for Making Import Payment (Regulation 9)

Import payments must be executed within the contractual payment timeline stipulated by the importer and aligned with the overseas supplier.

Regulation 9 prescribes no absolute maximum — unlike Regulation 13 for unrealised exports, there is no equivalent hard trigger for delayed import payment under the 2026 Regulations. Extension remains available on a continuing basis, each time subject to the AD's satisfaction of the reasons cited.

The written extension request with reasons; invoice/Bill of Entry; evidence supporting the cause of delay (buyer-side dispute correspondence, a quality/quantity claim, or financing documentation); and, where the delay is prolonged, a repayment plan or revised settlement timeline for the AD's assessment. Delayed import payment beyond three years, without interest, can be made.

In accordance with applicable regulatory guidelines, payment extensions may be granted subject to Authorized Dealer (AD) Bank approval, with permissible extensions of up to one (1) year for raw materials/services and up to three (3) years for capital goods (capex) from the date of import; any extension exceeding these prescribed limits requires satisfactory supporting documentation, commercial justification, and a revised settlement timeline for AD evaluation.

23.1 Advance ORM Extension:

We may, on request from the importer citing reasons for the delay in submission of Bill of Entry / evidence of import, allow extension of time for submission of Bill of Entry and regularisation/extension Advance Outward Remittance (ORM) in IDPMS beyond the prescribed period, if we are satisfied with the reasons cited by importer. Importers can extend ORM up to one (1) year for raw materials/services and up to three (3) years for capital goods (capex) from the date of remittance; any extension exceeding these prescribed limits requires satisfactory supporting documentation, commercial justification, and a revised settlement timeline for AD evaluation.

24. Write off - Imports:

Bank can consider closure of Bill of Entry/ORM in IDPMS that involves write off to the extent of 5% of invoice value in cases where the amount declared in Bill of Entry varies from the actual remittance due to operational reasons and AD bank is satisfied with the reason/s submitted by the importer such as:-

- (i) up to 5% of invoice value for operational remittance variances upon verified justification, and

- (ii) without monetary limit for variances arising from quality defects, short shipments, or port/customs/health authority destructions, subject to satisfactory documentary evidence and updating appropriate Adjustment Indicators in IDPMS. Such closures are operational facilitations that do not absolve the importer of underlying payment/recovery obligations should circumstances change, and are strictly contingent upon confirming that the transaction is not subject to any pending civil or criminal litigation.

24.1 Free of Cost (FOC) Cases:

For cases where FOC is not captured on Bill of Entry, we will close such BoEs, basis submission of the document like

- Importer declaration as per format specified in the process note
- Supplier confirmation or PO / Invoice / Contract evidencing FOC arrangement
- CA certificate confirming that these are not o/s as payable in their last audited balance sheet and they confirm that they have not made any remittance against said BOE
- Intimation to customs will be required for such cases with a cooling period of 7 days from date of intimation to customs.

Prior approval for FOC closure is required as per below:

	Invoice Value	% of FOC against total imports for the year of BOE	Approvals
BAU	<INR 10 lakh	5%	No Approval required – in line with small value closure
Approvals	INR 10- INR 25 Lakhs	5%	Product Manager Relationship Manager
	> INR 25 lakh	5%	Trade Product Head Banking Segment Head

24.2 Discount Cases: Many of our importer clients import goods under agreed sales discount. However, customs does not consider the discount part in Bill of Entry, and incorporate the gross amount only, and duty is collected on such gross amounts. To the extent of the discount applicable being <5%, we are closing such cases under the write-off guidelines. However, we have clients where the discount ranges up to 15% or may be higher as per agreement / sufficient documentary evidence available if any, where BoEs remain open for the incremental discount portion. We would close such BoEs, basis submission declaration from importer confirming that the residual values are discounts pre-agreed with suppliers; POs / invoices/agreement and credit note (if any, and dated prior to shipment of goods) confirming the discount percentage/ value, to the extent of which the BOE value is outstanding.; Declaration from Importer that all applicable taxes and duties have been paid. Cases where discount is >15% will need approval from Product.

PART C — MERCHANTING TRADE TRANSACTION (MTT) FRAMEWORK:

25. Definition:

For a trade to be classified as merchanting trade, the goods acquired shall not enter the Domestic Tariff Area (DTA). Where the goods require specific processing/value-addition, transformation of the goods may be permitted, subject to satisfactory documentary evidence and confirmation of bona fides submitted by the merchant trader. MTT shall be undertaken only for goods that are permitted for export/import under the Foreign Trade Policy (FTP) in force as on the date of shipment. Goods that are prohibited for export/import (e.g., under the FTP negative list or specific RBI/DGFT prohibitions) shall not be routed as MTT.

26. Manner of Receipt and Payment

As outlined in the said guideline's transaction genuineness must be ascertained prior to debit / credit to the account of the merchant trader. Given the same we propose obtaining an underlying document for each of the given scenarios below.

MTT Transaction Type	Documents along with Application and annexure
MTT Export Advance	Purchase Order / Proforma Invoice/Contract
MTT Export Non-Advance	Invoice and Transport Documents
MTT Import Advance	Purchase Order / Proforma Invoice/Contract
MTT Import Non-Advance	Invoice and Transport Documents

Third-party involvement (either leg): A written request citing reasons for the third-party arrangement, together with documentation establishing the relationship or basis for it — for example, a group/associate company confirmation, an assignment/factoring agreement, or equivalent evidence — sufficient for the bank to satisfy itself of the reasons cited before permitting receipt from, or payment to, a party other than the actual overseas buyer/seller. . The Bank shall conduct screening and due diligence on the bona fides of the transaction and the track record of the parties, and shall have regard to FATF statements, before permitting any third-party remittance. Third Party Guidelines regulation as mentioned above for normal imports / export transactions (as applicable) to be followed.

26.1. Profitability Check

As a specific control unique to MTT (given that the merchant trader neither exports nor imports the underlying goods in the conventional sense, but rather earns a margin on the intermediation), the Bank shall verify the profitability of each MTT transaction, or set of related transactions, at the time of processing.

A trade reflecting a loss, or a negative, shall not be processed as a standard transaction; it shall be referred for enhanced due diligence to confirm bona fides.

26.2 Interim Earmarking on the MTT Transaction

Given that the outward (import leg) and inward (export leg) remittances of an MTT do not settle simultaneously, the Bank shall continue to follow its **current, extant earmarking practice** for the intervening exposure period between the two legs.

26.3 Advance payment for import leg of Merchanting Trade transaction

For MTT advance payments up to USD 500,000, following will be checked:

- No import advances would be allowed if Merchant Trader has any MTT guidelines breach
- Overall import leg advances for a particular Merchant Trader for all open/unsettled MTTs, cannot exceed USD 5,000,000

Beyond USD 500,000 advance payment (per transaction), a Bank Guarantee / SBLC is mandatory.

27. Extension of MTT Transactions: The period between the outward remittance and inward remittance or vice versa does not exceed six months. If bills are not settled with the stipulated period, then respective bills (Export / Import Leg) will be extended basis request and required documents citing reason for extension. The earmarking maintained shall continue for the duration of any such extension.

28. Reduction in MTT Transactions: Reduction in MTT Transactions will be allowed subject to satisfactory documentation / details provided for the said transaction being requested for reduction. On approval of a reduction, the earmark maintained shall be adjusted to reflect the reduced outstanding value. Any reduction that erodes the transaction's margin to nil or negative shall be treated as a loss-making trade and escalated accordingly.

PART D — OTHER SECTION:

29. Legacy Transactions — Powers to Authorised Dealers (Transitional Provision)

Per RBI's clarification/amendment, Authorised Dealers are empowered to handle transactions relating to export and import of goods and services, as well as merchanting trade, that were **undertaken prior to 1 October 2026** and which, under the erstwhile framework — the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015, the Master Direction – Export of Goods and Services (FED Master Direction No. 16/2015-16, dated 1 January 2016, as updated up to 17 July 2026), and the Master Direction – Import of Goods and Services (FED Master Direction No. 17/2016-17, dated 1 January 2016, as updated up to 12 January 2026) — hitherto required specific approval of the Reserve Bank of India.

Accordingly:

- For any pre-1 October 2026 export, import, or MTT transaction that remains open, unresolved, or otherwise requires a regularisation/exception decision (e.g., extension, reduction, write-off, set-off, or closure) which would previously have required RBI's specific approval under the 2015 Regulations, the pre-2026 standalone MTT guidelines, or the above Master Directions, the Bank may now process and approve such matters itself, applying this Policy's equivalent provisions by analogy, to the extent consistent with the terms of the erstwhile regulation/guideline/Master Direction under which the transaction originated.
- Where the erstwhile regulatory framework prescribed conditions, limits, or documentation materially different from this Policy's current framework/SOP, the Bank shall apply the current policy framework.
- This transitional power does not extend to any new transaction originated on or after 1 October 2026, which shall be governed solely by the 2026 Regulations and this Policy in the ordinary course.

Other points:

- Regulation 8 does not prescribe the settlement currency; this is governed by Regulation 4(1) and the Manner of Receipt and Payment Regulations, 2023, permitting settlement in INR or any foreign currency for non-ACU trade (ACU mechanism/INR for Nepal/Bhutan/other ACU members). Payment/receipt in a currency different from the invoice currency shall be permissible subject to Citibank being satisfied of the bona fides of the transaction and conversion at the prevailing exchange rate;
- **GR/EDF waiver no longer required for no-forex movements:** For goods taken abroad for samples, exhibition, or repair with no foreign exchange involved, GR/EDF waiver approval from Citibank is no longer prescribed; the exporter shall instead file a NIL-value EDF

30. Monitoring and reporting (Regulation 18):

Periodic reminders will be sent to monitor all transactions in EDPMS and IDPMS for closure of outstanding entries and follow-up with an exporter, an importer and person undertaking MTT for submission of documents for the same.

(1) EDPMS (Export Data Processing and Monitoring System) and IDPMS (Import Data Processing and Monitoring System) -

(a) EDPMS and IDPMS will be updated within five working days of receipt of details as stated in the guidelines as below

1. EDF details for non-EDI (Electronic Data Interchange) port received from the Exporter
2. EDF details of service on receipt of EDF from an exporter
3. Details of import from non-EDI port in IDPMS on receipt of documents from importer.
4. Import of service details, in IDPMS, as declared on receipt of documents from the importer.

(b) Details of inward and outward remittances for all exports, imports and Merchanting Trade Transactions (MTT) in EDPMS and/ or IDPMS once transaction is processed.

Closure of entries:

- Mark-off the entry in EDPMS for exports after ensuring that the export value has been realised.
- Mark-off the entry in IDPMS for imports after ensuring that the payment for the import has been made.
- On request by an exporter citing reasons, close the entry relating to export advance transactions in EDPMS, where no export has been made and where refund of such advance is not possible, after having been satisfied of the genuineness of the reasons cited basis documentary evidence submitted.
- On request by an importer citing reasons, close the entry relating to import advance transactions in IDPMS, where no import has taken place and where repatriation of such advance is not possible, after having been satisfied of the genuineness of the reasons cited basis documentary evidence submitted.
- On the request of importer, close the entry in IDPMS where import transaction has been settled at reduced value, after having been satisfied of the genuineness of the reasons cited.
- In the case of an MTT, close or update the respective entry in EDPMS and IDPMS after making the receipt and payment for both legs of the MTT.
- All export transactions shall additionally be reported through FETERS per extant RBI guidelines.
- Deemed exports (DTA to EOU/EPCG) and non-EDI port EDF transmission mechanisms are presently under RBI examination; the Bank shall track and incorporate further RBI clarification once issued.

31. Delegation Matrix

This Deviation Matrix consolidates all instances across the Export & Import Transactions Handling Policy where a deviation, exception, (thresholds, documentation, timelines, or eligibility criteria) may be required. All deviations identified below shall be raised to Product for review. Product shall assess the rationale and supporting documentation (if applicable) submitted and shall either:

- Approve the deviation, or

- Recommend/route the matter for further approval to the next appropriate authority (e.g., Business Head/BH, RM Unit Head, Sales Unit Head), where the nature, value, or risk of the deviation so warrants.

Regulatory requirements under FEMA 23(R)/2026 Regulations shall not be overridden by internal delegation or Product approval. Any deviation touching on regulatory interpretation, sanctions, or AML concerns shall be additionally referred to respective ICRM.

#	Policy Area / Process	Deviation Trigger
1	Invoice Reduction	Any exception to standard reduction conditions
2	Export - Write-Off	Self-write-off or Bank write-off exceeding the 5%/10% cumulative limits (Goods/Software/Services) or any exception to standard conditions
3	Extension of Realisation Period Beyond 3 Years	Export realisation extension request beyond the three-year outer limit
4	Set-Off/Netting	Any deviation from standard set-off conditions (e.g., counterparty relationship, documentation etc.)
5	Import Advance — (Goods)	Any exception to standard conditions requires: Upto USD 10 MM - Product Manager and RM. >USD 10 MM Product Head and Banking (Segment Head)
6	Import Advance — Threshold Deviation (Services incl. Softex)	Any exception to standard reduction conditions requires: Upto USD 1.5 MM - Product Manager and RM. >USD 1.5 MM Product Head and Banking (Segment Head)
7	Import Advance — Aircraft/Aviation/Shipping Vessels	Deviation from standard conditions for advance remittance
8	Third-Party Payments (Export /Import)	Any exception to standard conditions
9	Import Payment Extension Beyond Usance Tenor	Extension beyond 1 year (raw materials/services) or 3 years (capex) from date of import
10	Advance ORM Extension Beyond Prescribed Period	Extension beyond 1 year (raw materials/services) / 3 years (capex) from date of remittance
11	FOC (Free of Cost) BoE Closure — Deviation	Any deviation from standard FOC closure process requires approval Any exception to standard conditions requires Trade Head approval.
12	Discount Cases	Any exception to standard conditions

13	MTT — Profitability/Loss-Making Trade	Trade reflecting a loss or negative
14	MTT — Extension Beyond 6 Months (Sec. 27)	Any exception to standard conditions
15	MTT - Advance payment for import leg	Product will evaluate such exceptions on a case-to-case basis and determine whether any further such advances are to be allowed with Trade Head approval.
16	Export Factoring	Any exception in EDPMS closure timing/documentation for factoring arrangements
17	Legacy/Transitional Transaction	Pre-1 October 2026 transactions requiring regularisation/exception decisions previously needing RBI approval, where erstwhile and current frameworks materially differ.
18	Collection of required documents/information at the time of processing for specific transaction (goods or services, inward or outward)	Product shall assess the and shall either: <ul style="list-style-type: none"> • Approve the deviation, or • Recommend/route the matter for further approval to the next appropriate authority (e.g., Business Head/BH, Product Head, RM Head, Sales Head etc.), where the nature or risk of the deviation so warrants.
19	General Policy Deviation (Exceptions and Deviations)	Any deviation not otherwise specifically categorized above

32. Escalation and Grievance Redressal

A clear matrix outlines different levels of escalation is communicated to our clients with Service contact points.

Grievance Redressal: A formal process for lodging and resolving customer grievances, including acknowledgment, tracking, and final resolution communication is available on below Link:

<https://www.citigroup.com/rcs/citigpa/storage/public/India/key-policies-commitments/grievance-handling-policy-corporate-clients.pdf>

33. Standard Charges

A comprehensive schedule of standard charges applicable to different cross-border transactions can be found on Citi India website:

Link to the standard pricing grid attached herewith:

<https://www.citigroup.com/rcs/citigpa/storage/public/India/key-policies-commitments/tts-pricing-grid.pdf>

Disclaimer: Charges are subject to change and may vary based on transaction specifics and intermediary bank fees

34. Website Disclosure

Per Regulation 19(4), the Bank shall publish on its website the documents, timelines, charges and customer-facing process information for export transactions covered by this Policy.