



Foreign Exchange Dealers' Association of India

(Self Regulatory Organisation of all Authorised Dealers)

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All Member Banks

Sub: Clarification on Interpretation of Merchanting Trade Transactions under FTP, 2023

The Reserve Bank of India (RBI), vide A.P. (DIR Series) Circular No. 20 dated January 23, 2020, has, inter alia, prescribed under Para 2(iii) that Merchanting Trade Transactions (MTTs) shall be undertaken only for goods that are permitted for exports/imports under the prevailing Foreign Trade Policy (FTP) of India as on the date of shipment.

FEDAI has been informed by RBI that it has received feedback from exporters' associations regarding AD banks' refusal to facilitate certain Merchanting Trade Transactions due to varying interpretation of the above requirement with reference to the Foreign Trade Policy (FTP), 2023.

In this regard, RBI has clarified that the interpretation of Para 2(iii) of A.P. (DIR Series) Circular No. 20 dated January 23, 2020 may be aligned with the instructions on Merchanting Trade contained in Para 2.39 of the Foreign Trade Policy (FTP), 2023, reproduced below for ready reference:

Para 2.39 – Merchanting Trade

Merchanting trade involving shipment of goods from one foreign country to another foreign country without touching Indian ports, or shipment of goods within one specific foreign country, involving an Indian intermediary is allowed subject to compliance with RBI guidelines, except for goods/items in the CITES and SCOMET list.

Member banks are advised to take note of the above clarification and be guided accordingly.

Chief Executive