

HO:BD:ECIB(WT-PS):

Dt :

Name & address of the Insured Bank

Dear Sirs,

Re.: Export Credit Insurance for Banks (Whole turnover Post-shipment) ECIB (WT PS)

With reference to your proposal dated _____, we are pleased to inform you that we have renewed the **ECIB (WT PS) No. _____** valid for the period _____ to _____. Please find enclosed herewith the following documents:

- 1) ECIB Bond
- 2) The Schedule
- 3) Important obligations/ Do's & Don'ts to be observed by the bank
- 4) ECGC country classification as on **30.06.2014**
- 5) Endorsement on compliance with section 64 VB of Insurance Act.
- 6) Circular on sale of financial assets by banks.
- 7) Addendum on Restricted cover countries.
- 8) Circular to Banks dt.13.9.2013 on Fresh Interventions under WT-ECIB
- 9) Circular to banks dt.2.4.2014 on interventions under WT-ECIB cover
- 10) Circular regarding Iron ore

ECGC service net work can be viewed on our website www.ecgc.in.

The salient features of the ECIB and the important procedural steps that the bank is required to take are given below:

A. Salient features of the ECIB:

- i. **Whole-turnover principle:** The ECIB is issued on the clear understanding that the bank shall offer for cover all the accounts that are required to be covered as indicated in the proposal form. Therefore, it shall be the responsibility of the bank at the Corporate level to ensure that all such accounts are properly covered and due premium is paid on the accounts. No account that ought to have been covered shall be excluded without the prior approval of the Corporation. Similarly no account that belongs to the excluded category shall be covered under the ECIB. The same shall be covered under the ECIB (IN PS) that may be obtained by the concerned bank branch from the nearest office of the Corporation. It may be noted that failure to include and pay premium on any account of a branch of the bank that should have been included may have an adverse impact on a claim received in respect of any other account with any branch of the bank that would have been properly covered.



- ii. **Percentage of cover:** The percentage of loss payable by the Corporation will be as under:

Particulars		% of cover
Non Policy-holder	Cover for bills drawn on non associates	
	Upto Set Limit of Rs.	
	Beyond Set Limit of Rs.	
	Cover for bills drawn on associates	
Policy-holder	Cover for bills drawn on Non associates	
	Cover for bills drawn on Associates	

In respect of exporters dealing in the commodity Gem, Jewellery and Diamonds (GJD), the percentage of cover will be 50 only for the fresh or incremental limits sanctioned during the period 1.7.2012 to 28.2.2014. Cover continues to be available under the ECIB-WTPC for the advances granted against limits sanctioned by the bank prior to 1.3.2014 and approved by ECGC, wherever required. No cover is available under the ECIB-WTPC for fresh or enhancement in limits sanctioned to exporters dealing in GJD on or after 1.3.2014. However, Individual ECIB covers may be obtained by bank for such exporters.

In respect of exporters dealing in the commodity Iron Ore, the percentage of cover is 50 only.

(Note: Exporter holding Shipments Comprehensive Risks Policy/ Small Exporters Policy / Export Turnover Policy / Multi-buyer Exposure Policy / Multi-buyer IT enabled services Policy and complying with respective terms and conditions of the Policy is treated as Policy-holder).

- iii. **Discretionary Limit:** The DL fixed under the cover is Rs ____ lakhs. Limits not exceeding the DL, sanctioned by you at your own discretion, but in accordance with your rules and procedures, to any new exporter customers, will be eligible for cover ,without any specific application (except a notification of such limits in prescribed format to be filed within 30 days of sanction), subject to the terms and conditions of the ECIB. For any limit beyond the DL, sanctioned to new customers, prior approval of the Corporation is necessary. However, accounts of exporters classified as Standard Assets as per RBI



norms do not require the prior approval of the Corporation if the exposure of the bank against PC/Post-shipment limits sanctioned to the exporter and its group concerns is less than Rs.200 crores. These accounts shall be notified to the Corporation's nearest office within 30 days from the date of sanction/enhancement of limit. Accounts classified as Standard Assets where bank's exposure on the exporter or exporter's group is Rs.200 crores or more and Accounts classified as Substandard, Bad and Doubtful, irrespective of the limit, require prior approval of the Corporation.

- iv. (a). **Advances covered:** All post-shipment advances granted by all your branches in India as per R.B.I. guidelines, by way of purchase/discount/negotiation of export documents or advances granted against documents sent on collection basis are covered. other than the excluded advances

(b). **Advances excluded:**

- a. advances granted for exports made on deferred terms of payment, turnkey projects, construction works and service contracts;
- b. **Advances granted to Govt. Cos.**
- c. **Advance granted by OBUs**
- d. **Advances against LC**
- e. advances granted to exporters against their export entitlements like CCS (Cash Compensatory Support), DDB (Duty Draw Back)

* Government company means any company in which not less than 51% of the paid up share capital is held by the Central or by any State Government or Governments or partly by the Central Government and partly by one or more State Government and includes a company which is a subsidiary of a Government company)

It is; however, open for you to obtain Export Credit Insurance for Banks (Individual Post-shipment) separately for each account falling under the above mentioned excluded category of advances. The extent of cover and premium rate for the ECIB issued to cover advances in category (a) will be the same as applicable to ECIB (WT PS). For others except (b) they will be as applicable to Export Credit Insurance for Banks (Individual Post-shipment). In respect of (b), banks can opt for Export Credit Insurance for Banks (Export Finance) ECIB (EF) for an exporter but the benefit of cover and premium rate as applicable to ECIB (WT PS) will be available under the ECIB (EF).

- v. **Maximum Liability:** The Maximum Liability under the ECIB i.e., the maximum amount up to which claims will be paid to the bank for the Post shipment credit advances granted during the ECIB cover period of one year is **Rs. _____ Crores (Rupees _____ Crores Only).**

- vi. Accounts which are in default (NPA) and bills which are remaining overdue as on the date of commencement of the ECIB cover (applicable for fresh



ECIB(WT PS) will not be covered under ECIB(WT PS) but will continue to be covered under ECIB(IN PS), if bank has obtained such ECIB. Once these accounts become regular and the advances against overdue bills are liquidated, they can be covered under ECIB (WTPS). **Please note that the accounts which are in the Specific Approval List (SAL) of the Corporation as on date of commencement of cover, or those that are placed in SAL during the cover period, will not be covered under ECIB-WTPS, unless prior specific approval is obtained from the Corporation.**

- vii. **Interest & Exchange Loss** : Interest payable by the exporter on the post-shipment advances and the exchange loss incurred by bank on bills returned unpaid will not be eligible for cover under ECIB (WT-PS).
- viii. **Payment of advance premium**: The schemes of the Corporation are governed by the Insurance Act which prescribes under Sec. 64 VB that the premium in respect of a risk assumed shall be available with the Corporation well before the assumption of the risk. Thus the Corporation would desire that the bank remits at least one month premium in advance on an estimated basis. As per the Act, it is also in order if you provide Bank Guarantee in lieu of advance premium on a stamp paper. The guarantee should be a revolving one and it should be for a value equivalent to the estimated monthly premium. The amount of advance premium may be worked out on the basis of the limits sanctioned or on the basis of the outstanding for **March ____**.
- ix. **Premium**: Premium is payable on a monthly basis at the rate of _____ **paisa** as specified in the schedule per Rs.100/- per month on the average daily product. Premium shall be remitted by the branch of the Bank maintaining the account to the nearest office of the Corporation on or before the last working day of the subsequent month.

B. Important Procedural Steps.

Some of the procedural aspects under the ECIB are given below for your information and compliance. These are not the complete set of procedures. You are advised to carefully read the terms and conditions detailed in the ECIB documents. The list of service net work of the Corporation will help you in identifying the nearest branch office of the Corporation and in availing of necessary services. We may also request you to avail of our e-connectivity for accessing our website (www.ecgc.in) for updates. It shall be the Corporation's endeavor to attend to queries which you may have on these matters.

- (i) **Statement of Limits**: In terms of the ECIB, the bank has to intimate to the Head Office of the Corporation particulars of all post-shipment limits in force as on 31st March of every year in the formats in a consolidated form. The said statements shall be sent along with the proposal for renewal of the ECIB. **Any changes (additions, deletions or changes) in the position given in the statement should be notified, case by case within 30 days from the**



date of such change. This notification should be sent by the branch which maintains the account to the nearest Branch Office of the Corporation. However, it may be noted that the notifications shall apply only to new accounts and accounts classified as standard assets where the bank's exposure on the exporter and exporter's group is less than Rs.200 crores

- (ii) **Statement of Account in default:** In addition to the statement of limit as indicated in previous paragraph, the bank shall also submit a statement of accounts in default as on 31st March of every year under the Post-shipment Credit Scheme as per format..
- (iii) **Statement of Account involving prudential write off:** Apart from the statements of limits and default, the bank shall also submit 2 statements as per format, one indicating the details of accounts prudentially written off and the other giving the latest position of recovery action in respect of such accounts.
- (iv) **Application for approval of limits:** In terms of the ECIB, you are required to obtain the approval of the Corporation for any limit granted to any new exporter in excess of **Rs. _____ lakhs (Rupees _____ lakhs only)**. Applications for the purpose should be made in the prescribed format and should be sent by your branch maintaining the account to the nearest Branch Office of the Corporation within 60 days from the date of sanction/enhancement of limit. Such approvals are also required for all accounts classified other than "standard" irrespective of the limit sanctioned. Approval of limits/compliance is also required as per the circular dt.13.9.2013 (attached) on fresh interventions under ECIB covers.
- (v) **Credit Insurance Policies vis a vis ECIB:** The ECIB provides cover to the bank for the post-shipment advances granted against export bills. Thus a non-payment of advances may arise on account of non-receipt of export proceeds from the buyers/importing countries. In order to safeguard the exporters as well as the banks, the Corporation provides credit insurance protection under its Policy covers. Therefore, the bank shall have to ensure that in respect of an exporter holding an appropriate Policy cover, all the requirements of the Policy like obtention of appropriate Credit Limit (Drawee-wise Limit), premium payment, etc. have been complied with, so that the benefit of a higher coverage applicable for policyholders is available under the ECIB. In respect of non-policyholders, it is mandatory that the bank take suitable safe guards like obtaining recent and satisfactory credit reports on the buyers from reputed credit information agencies and satisfy itself that the payments will be received in the normal course based on its assessment of the buyers, prior to extending credit against bills drawn on overseas buyers.
- (vi) **Verification of BSAL:** ECGC maintains a record of buyers that have come to its adverse notice, known as the Buyer Specific Approval List (BSAL), which is updated on a daily basis. It is mandatory for Banks to verify the BSAL of ECGC and ensure that the buyers on whom bills are drawn do not figure in the BSAL, prior to granting advances at post shipment stage. The BSAL is



accessible through our website www.ecgc.in, to bank branches through an E-connectivity facility. Bank branches which currently do not possess this e-connectivity facility, can approach the nearest office of ECGC servicing them, for the same. A login name and password would be provided by ECGC, to each such bank branch.

- (vii) **Monthly declaration and premium:** In terms of the ECIB, your branch offices have to send monthly declaration of post-shipment advances granted as per the prescribed format to the nearest Branch Office of the Corporation, along with the premium due thereon. The declaration for any calendar month along with the premium due thereon shall be sent on or before the last working day of the subsequent month. As per your renewal proposal we observed that _____ **accounts** are to be included under this cover apart from the new accounts that may get included during the cover period. Kindly ensure that all the accounts are reported with outstanding and relevant premium every month. In case no premium is payable against a particular account, a 'Nil' statement may be furnished. The premium payable may be rounded off to the nearest rupee for each exporter and the minimum premium payable shall be Re.1.
- (viii) **Time up to which premium is payable:** As far as remittance of premium is concerned, the bank will have to pay premium up to and inclusive of the month in which the Report of Default is submitted to the Corporation in accordance with the requirements stated above or in case of insolvency of the exporter (if it is earlier), up to and inclusive of the month in which the insolvency occurred.
- (ix) **Extension in due date of advances** : If the due date of a post-shipment advance has to be extended, you may grant such extension at your own discretion, subject to internal approvals, so long as the total period of the advance does not exceed 180 days (360 days in the case of status holders) counted from the date of advance. If the extension is considered for a period beyond 180/360 days as the case may be, you are required to obtain Corporation's prior approval. The application duly completed (in duplicate) should be submitted by the bank branch maintaining the account to the nearest Branch Office of the Corporation.
- (x) **Report of Default:** A "Report of Default" in respect of an account shall have to be submitted by the bank within one month from the date of calling up of advances by the bank or within four months from the due date/extended due date of the outstanding PS advances as the case may be, whichever of the two is earlier in point of time. This report of default has to be sent to the nearest Branch Office of the Corporation in the prescribed format by the bank branch concerned.
- (xi) **Accounts under nursing and accounts classified as Substandard/ Bad and Doubtful:** When an account becomes sticky and if the bank proposes to continue or grant fresh export credits to such exporter in respect of accounts



classified as Substandard / Bad & Doubtful, you should obtain Corporation's prior approval for availing of its cover under the ECIB before granting such advances. The application with necessary documents for approval should be submitted to the nearest Branch Office of the Corporation by the bank branch concerned.

- (xii) **Time for filing of claims:** The bank should file a claim in respect of an account within six months from the date a report of default. A representation against a decision on a claim has to be made within 90 days from the date communication of the decision. A maximum of two representations only will be entertained by the Corporation.
- (xiii) **Placing of Exporters and connected persons under the Specific Approval List (SAL):** The reports of default received from the bank under the ECIB are intended to be examined by the Corporation with a view to understand the seriousness of problems in these accounts as evidenced in the reports. In cases where the Corporation considers it desirable to monitor the grant of further advances or cover for fresh limits that may be sanctioned to such accounts, they are included in a separate circular instruction to banks called the Specific Approval List (SAL). ***The complete list of exporters and their associates placed in the S.A.L is available in our website at www.ecgc.in. Your bank branch has to obtain a login name and password from Corporation for visiting the site and obtaining the details, which will be provided free of cost on the basis of an application.*** These will serve as a caution to the banks while dealing with such clients or persons connected with such accounts. It may be noted that the advances granted to any of the exporters in the list or to exporting units in which any of the persons (Proprietor/Partners/Directors/Guarantor) contained in the list are connected, will not be covered under the ECIB unless prior approval of the Corporation has been obtained.
- (xiv) **Advances in respect of exports to Restricted Cover Countries:** "Countries facing serious foreign exchange problems due to economic and political difficulties are placed in the Restricted Cover Category (RCC). In respect of such countries, the bank should ensure, before granting post-shipment advances that the concerned exporter has obtained the Corporation's specific approval under policy issued to the exporter. If the exporter is not a policy- holder, where the exporter has not sought and obtained the corporation's specific approval, the bank should obtain prior approval before granting post- shipment advances. Prior approval is not required for grant of pre-shipment advances in respect of orders/LCs from such countries but banks intending to seek cover for the relevant post-shipment advances under ECIB-(WT-PS)/ ECIB (IN-PS), may obtain such approvals at the pre-shipment stage itself, thereby facilitating a seamless coverage even at the post-shipment stage" The country classification list as on 30.06.2014 is attached and this list is updated and posted in our website.



- (xv) **Compliance of the Whole-turnover Principle:** Please note that we have agreed to receive monthly declarations, notification of limits, consider approval etc. in respect of packing credit accounts from your Branch Offices only for the sake of administrative convenience. This arrangement is not to be taken as dilution of the Whole-turnover principle underlying the ECIB. Accordingly, the failure of any of your Branch Offices in complying with the terms and conditions of the ECIB will be deemed to be bank's failure under the ECIB as a whole.
- (xvi) **Single Exporter Exposure Norms:** ECGC's exposure on a single exporter will be restricted to 30% of ECGC's networth and exposure upto 40% of net worth can be considered with the approval of ECGC's Board. The Bank need to remit premium only upto the limits approved by ECGC. (This stipulation applies to fresh/enhancement cases, while existing accounts prior to March 1, 2014, continue to enjoy their erstwhile covers as of 28.2.2014)
- (xvii) **Renewal of the ECIB (WT-PS):** The ECIB (WTPS) is renewed up to _____. For renewal of the ECIB beyond this date, you should submit a renewal proposal along with (a) A Statement of limits in force as on 31st March _____ (b) Statement of accounts in default as on 31st March _____ (c) Statement of accounts prudentially written off as also the latest position of recovery action in respect of such account as on 31st March, _____.

We request you to send a copy this covering letter to all your concerned branches for their information and compliance.

Thanking you,

Yours faithfully,

Asst General Manager (Bank Division)
AUTHORISED SIGNATORY

Encl: As above