

## India-Iran rupee payment deal: How exporters can benefit



**LEFT:** From left, Mr Uday N Mitra, General Manager, Treasury and International, UCO Bank addressing the gathering. On his left are Mr Sushil Patwari, Managing Committee Member FIEO and Mrs Debdatta Nandwani, Dy. Director General, FIEO(ER). **RIGHT:** Mr Ramesh Kumar Agarwal, Regional Chairman, FIEO(ER) 2nd from left delivering his welcome address. On his left is Mr Uday N Mitra, and on his right are Mr Pravin Saraf and Sri Prakash Thakker, Managing Committee Members, FIEO.

FIEO organized a meeting with UCO Bank to discuss the various issues involved in the recent developments in the India-Iran rupee payment settlement.

UCO Bank is the designated bank for interfacing with Iranian banks in order to settle payments against Indian exports to Iran. In total, 40 exporters from different leading sector companies attended the meeting.

Welcoming Mr Uday N. Mitra, General Manager Treasury & International, UCO Bank, FIEO Regional Chairman (Eastern Region), Mr Ramesh Kumar Agarwal, said the Indian Government was keen to establish a continuing relationship with Iran despite the international sanctions Iran was facing. He said a payment mechanism has been put in place for Indian exporters to be reimbursed their export payments smoothly and effectively through UCO Bank.

Providing a small brief about Mr Mitra, who is currently in-charge of executing the payment mechanism,

he invited the banker to explain the process and procedures of the payment mechanism to the exporters. He invited the exporters to also put forth their queries to Mr Mitra.

Addressing the gathering, Mr Mitra said the payment mechanism with Iran started in January 2012 and effectively started from February 29, 2012. Although it started in January, UCO Bank is in a position to support export payments prior to January 2012 in foreign currency mostly through the Dubai route and for those payments which got stuck when Dubai banks closed down the banking channels with Iran.

The process is to obtain a certification in the format of UCO Bank from the banks which have handled the documents and the equivalent rupee amount which is to be agreed between the buyer and seller i.e the Indian buyer and the Iranian seller.

UCO Bank has account relationships with four Iranian banks namely, Parsian Bank, Pasargad Bank, E.N.

Bank and Saman Bank of Iran. The last three banks have been included in the last one week. UCO Bank advises the L/Cs from these four banks. The designated branch for handling transactions in Kolkata is UCO Bank Flagship Corporate branch, opposite General Post Office, Kolkata. Till date, UCO Bank has advised 300 L/Cs amounting to more than Rs 650 crore only from one bank i.e Parsian Bank.

UCO Bank has paid 104 claims amounting to Rs 230 crore in the last one and half months. The system does not support advance payment mechanism at this moment. With regard to export to Iran, there is a misconception that India will deal in only three commodities namely medicine, food and medical equipments but UCO Bank is handling all commodities being exported to Iran except SCOMET items. UCO Bank is maintaining VOSTRO accounts of all the four banks.

During the discussions, following queries were raised:

- a) **Will UCO Bank confirm the**

**L/Cs?** The GM replied in the negative, he said the L/Cs will be advised and reimbursed on the same day of receipt of debit advice. This is basically a credit decision since ECGC cover is not provided.

**b) What about L/cs of any other Indian banks negotiated with Iran?** Mr Mitra replied the same is possible if the bank submits the format of UCO Bank duly filled in. UCO Bank may be contacted by the banks for the formats.

**c) Will UCO Bank reimburse L/Cs negotiated by other Iranian banks?** Mr Mitra assured the amount will be reimbursed in Indian rupees to the exporter on receipt of L/cs in SWIFT messages are sent through any of the four banks. For any other L/cs, the bank will return the L/cs.

**d) For payments, both pre and post the present payment mechanism:** The collection advice is to be sent to the importer's banker to raise debit advice which will be reimbursed by UCO Bank to the exporter.

**e) UCO Banks charges:** The GM said these are normal rates which

are charged for any other country's Lc collection.

**f) Exchange rate:** The importer in Iran should calculate the exchange rate in his currency; the reimbursement of the amount to Indian exporter is in INR as the L/Cs are being advised in INR.

**g) Advance payments:** Mr Mitra replied the reasons why the exporters should get advance payments are:

1. Risk is eliminated.
2. Pre shipment credit requirement comes down.

UCO Bank has written to the RBI on this issue on March 29, 2012 and they are yet to provide a reply. In this regard, FIEO can represent to the central bank and UCO Bank by providing a list of members of FIEO to be finalized for advance payments to be sent to the RBI. This will ensure due diligence exercise undertaken is reduced and will also eliminate the threat of money laundering, etc. undertaken. The Regional Chairman assured the same shall be undertaken.

**h) Circulation of the format to other banks:** UCO Bank has not

done so as a discretionary measure. The other banks may write to UCO Bank Treasury, Mumbai (Mr Shankarnarayan, AGM Treasury) for obtaining the format.

i) There has been no incidence of non-payment after UCO Bank has commenced operations.

j) With regard to shipping lines not agreeing to extend their services to Iran, the exporter has been asked to represent the issue to FIEO Iran-cell in FIEO which will represent it to the Ministry of Commerce, Government of India.

k) The Regional Chairman, FIEO Eastern Region has been requested to take up the issue with ECGC on revising the category 2 restrictive category given to Iran.

Delivering the vote of thanks, Mr Pravin Saraf, Managing Committee Member, FIEO, said the representations by the exporters as well as Mr Mitra would be made to concerned authorities like RBI, ECGC, etc. He also advised the exporters to get in touch with FIEO Eastern Region for further clarifications or queries. ■