Framework for Managing Cross-Border Transactions

1. **Cross Border Remittances (under Current Account & Capital Account)**

   A. **Current Account Transaction:** It is defined as any transaction which includes all transactions that do not result in any alteration of the assets or liabilities of a resident outside India or the assets or liabilities of a non-resident in India

   - **Outward Remittances:** Outward remittances refer to the cross-border transfer of funds by a resident Indian to a beneficiary outside India for any Bonafide purpose permitted under the Foreign Exchange Management Act (FEMA), 1999, and the rules and regulations issued thereunder
   - **Inward Remittances:** An inward remittance refers to the receipt of foreign exchange in India from overseas through authorized banking channels

Both inward and outward remittances are regulated by the provisions of FEMA and the directions, regulations, and guidelines issued by the Reserve Bank of India (RBI) from time to time

   B. **Capital Account transaction:** As defined in the FEMA, "capital account transaction" means transactions which alters the assets or liabilities, including contingent liabilities outside India, of persons resident in India or assets or liabilities, in India, of persons resident outside India. Such transactions primarily include:

   - **Foreign Direct Investment:** Investments through an equity instrument by a person resident outside India, in an unlisted Indian company; or 10% or more of the post issue paid-up equity capital in a listed Indian company, on a fully diluted basis. The amount of consideration may be paid as inward remittance from abroad through banking channels or out of funds held in any repatriable foreign currency or Rupee account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations.
   - **Overseas Direct Investment:** Investment in an unlisted foreign entity by way of acquisition of equity capital or subscription as a part of the Memorandum of Association of the foreign entity (irrespective of % stake) or Investment in a listed foreign entity where the stake is 10% or more or where investment is less than 10% (with control) of paid-up equity capital.
   - **External Commercial Borrowings:** External Commercial Borrowings are commercial loans raised by eligible resident entities from recognised non-resident entities . Such borrowings should have prior approval from RBI to obtain LRN (Loan Registration Number) as per Foreign Exchange Management (Borrowing and Lending) Regulations.
   - **Establishment of Branch Office (BO) / Liaison Office (LO) / Project Office (PO) in India by foreign entities:** Applications from foreign companies (a body corporate incorporated outside India, including a firm or other association of individuals) for establishing BO/ LO/ PO in India shall be considered by the AD Category-I bank as per the guidelines given by Reserve Bank of India (RBI).
     Currently as a bank we do not facilitate any transactions for such nature.
   - **Establishment of Representative Office by India Entities in Overseas Geographies**
     Currently as a bank we do not facilitate any transactions for such nature**.**

2. Managing Import Trade Transactions and Trade Credit

A. Letter of Credit: A Letter of Credit (LC) is an irrevocable undertaking issued by the buyer's/importer's bank (Issuing Bank), at the request of the buyer/importer (Applicant), in favour of the seller/exporter (Beneficiary). Under this undertaking, the issuing bank agrees to honour payment of a specified amount in a specified currency, provided the beneficiary presents documents complying with all LC terms and conditions, within the stipulated time. A Letter of Credit provides payment assurance to the seller in both international and domestic trade transactions. The issuing bank will require a security from the applicant, such as a collateral, margin or fixed deposit, as per the underlying the credit arrangement.

Key Events in the lifecycle of LC

- **Issuance of Letter of Credit:** The issuing bank, on the request of its customer(importer), opens the letter of credit. The issuing bank makes a commitment to honour compliant presentation made under the credit.
- **Amendment to an LC:** An amendment to an LC signifies any change made to the terms of an LC after it has been issued. An amendment can be made at any time after an LC has been issued and before its expiry date.
- **Bill Lodgement:** Bill lodgement refers to the process of recording and examining documents presented under an LC to determine whether they comply with the terms and conditions of the credit. Upon receipt of the documents, the issuing bank scrutinizes them and lodges the bill for further processing under the LC.
- **Bill Acceptance:** Bill acceptance refers to the issuing bank's undertaking to pay a usance/deferred payment bill on its maturity date, following determination that the documents presented comply with the terms and conditions of the LC or explicitly accepted by applicant in instance of non-compliant presentation. Acceptance establishes the bank's obligation to honour the bill at maturity.
- **Import Bill Payment / Realisation:** Bill payment refers to the settlement of the amount due under an LC in accordance with its terms. Payment may be affected at sight or Usance upon determination of a compliant presentation or on the maturity date in the case of usance/deferred payment credits, thereby discharging the issuing bank's obligation under the LC.
- **Cancellation/Closure of an LC:** As per UCPDC 600, cancellation of a Letter of Credit (LC) refers to the withdrawal, revocation, or termination of a Letter of Credit before its expiry or utilization.
  A letter of credit can neither be amended nor cancelled without the agreement of the issuing bank, the confirming bank (if any) and the beneficiary.

B. Import collections: Import bill collection is a mode of payment under which the overseas supplier sends the original commercial and financial documents through their Bank to the importer's Bank. Based on the collection instruction received from the supplier's

Bank, the importer either makes the payment or accepts the draft to make the payment at later date.

C. **Advance import payments:** Advance import payment is a mode of payment under which an importer makes the payment to the overseas supplier prior to the shipment of goods. The amount of advance and delivery would be as per terms agreed between the importer and the supplier and would normally be covered in the sales contract or proforma invoice.

D. **Direct import payments:** Direct import payment is a mode of payment under which an importer makes payment to the overseas seller after shipment of goods. The payment terms or usance period would be as per terms agreed between the importer and the supplier and covered in the commercial invoice.

E. **Trade Credit:** Credits extended by the overseas supplier, bank, financial institution and other permitted recognized lenders for imports of capital/non-capital goods into India. Depending on the source of finance, such TCs are classified as Suppliers' Credit and Buyers Credit

- **Buyers' Credit:** Buyers' credit is a facility for importers to borrow in foreign currency from overseas lenders such as banks and other financial institutions to finance purchase of goods from overseas suppliers. Availing buyers credit helps in extending the credit period for import while ensuring that the suppliers are paid on time as per the agreed payment terms.
- **Suppliers' Credit:** Refers to credit period extended by the overseas supplier to an Indian importer for imports into India. Banks support such financing by issuing a letter of credit favouring the overseas supplier with extended credit period for the Indian importer.

3. Managing Export Trade Transactions and Trade Credit

A. Steps undertaken by LC recipient Indian Bank:

The transactions under export LC are as follows:

i. Advising of export LC & its amendment
ii. Confirmation of export LC & its amendment
iii. Transfer of an export LC
iv. Cancellation of an export LC

B. Export Bill under Collection

An Export Bill under Collection is a trade finance arrangement where the exporter's bank forwards shipping and commercial documents to the importer's bank for collection of payment. The bank acts only as a collecting agent and does not provide a payment guarantee. The documents are released to the importer either against payment (D/P) or against acceptance of a usance bill (D/A).

C. Advance against Exports

Advance against Exports is a pre-shipment or post-shipment financing facility extended by a bank to an exporter against confirmed export orders, export bills, or receivables. It helps exporters meet working capital requirements and maintain liquidity while awaiting payment from overseas buyers.

D. Direct Dispatch of Export Bills

Direct Dispatch of Export Bills is a process where the exporter sends the shipping documents directly to the overseas buyer or the buyer's bank, instead of routing them through the exporter's bank. This method is generally used in trusted business relationships and open account transactions, enabling faster document delivery and quicker processing of goods at the destination

E. Export Credit

- **Packing credit :** Pre-shipment / Packing Credit' means any loan or advance granted or any other credit provided by a bank to an exporter for financing the purchase, processing, manufacturing or packing of goods prior to shipment / working capital expenses towards rendering of services on the basis of letter of credit opened in his favour or in favour of some other person, by an overseas buyer or a confirmed and irrevocable order for the export of goods / services from India or any other evidence of an order for export from India having been placed on the exporter or some other person, unless lodgement of export orders or letter of credit with the bank has been waived.
- **Export bill discounting:** Export bills (under LC and Non-LC) used in terms of sale contract/ order may be discounted or purchased by the banks. This facility is extended to exporters with good track record with sanctioned limits.
- **Export Bills Negotiation (Bill under LC)** : It refers to the purchase or advance of funds by a bank against export documents presented by an exporter under a valid and compliant Letter of Credit (L/C) issued by the importer's bank

4. Bank Guarantees

An Outward Bank Guarantee (OBG) is a guarantee issued by an Authorized Dealer (AD) bank in India in favor of an overseas beneficiary on behalf of its customer (the applicant). Through the guarantee, the issuing bank undertakes to pay the beneficiary a specified amount if the applicant fails to fulfill its contractual, financial, or performance obligations under the underlying agreement. Outward Bank Guarantees are commonly used in international trade, overseas project execution, import transactions, bid submissions, and performance contracts. Such guarantees are issued in accordance with the provisions of FEMA, RBI regulations, and the bank's internal credit and risk management policies.

Key Events in the Life Cycle of an Outward Bank Guarantee

- **Issuance:** The bank issues the guarantee directly to the overseas beneficiary or through a correspondent bank, specifying the guarantee amount, validity period, and terms and conditions.
- **Advising / Transmission:** The guarantee is transmitted to and advised through the overseas beneficiary's bank or another designated correspondent bank.
- **Amendment:** Changes may be made to the guarantee upon request, including:

  - Increase or decrease in amount
  - Extension of validity
  - Modification of terms and conditions
  - Change in beneficiary details

- **Extension / Renewal**: The guarantee may be extended if the underlying contract or obligation remains outstanding beyond the original expiry date.
- **Reduction**: The guarantee amount may be reduced partly or fully based on:

  - Completion of contract milestones
  - Partial discharge of obligations
  - Beneficiary consent

- **Invocation / Claim:** In the event of non-performance or default by the applicant, the overseas beneficiary may invoke the guarantee by submitting a claim in accordance with its terms.
- **Payment under Guarantee:** Upon receipt of a valid claim, the issuing bank honors the guarantee and remits funds to the beneficiary, creating a liability on the applicant.
- **Expiry:** The guarantee expires automatically on the specified expiry date if no claim is received within the validity or claim period.
- **Cancellation / Discharge: The** guarantee may be cancelled before expiry upon:

  - Fulfilment of contractual obligations;
  - Receipt of a discharge from the beneficiary; or
  - Return of the original guarantee, where applicable.

- **Closure:** Following expiry, cancellation, or settlement of claims, the guarantee is marked as closed and all contingent liabilities are released.

Approving Authorities for Cross-Border Transactions

All cross-border transactions shall be processed in accordance with the Bank's approved internal policies, governance framework, and Standard Operating Procedures (SOPs). Any exception to or deviation from the prescribed policy framework shall be reviewed and approved in accordance with the Bank's Trade Deviation/Delegation of Powers (DOP) Authority Matrix. The same is defined as per designation of required officials. The Officials includes employees from Trade Ops, Business, Credit Team & Internal Compliance Team.

Documents Required for Trade and Fx Transactions

Kindly refer the below link: documents-required-trade-fx-transactions-09072026.pdf

Indicative TAT for processing Trade Transactions

For more details you may visit the link: https://www.csb.bank.in/pdf/tat-servicing-timelines-09072026.pdf

Grievance Redressal & Escalation Matrix

For more details you may visit the link: https://www.csb.bank.in/complaints-redressal

Schedule of Charges

For more details you may visit the link: https://www.csb.bank.in/pdf/TradeSOC_Effective_29-01-2024_28122023.pdf

Customer Request Letter Formats

For more details you may visit the link: https://www.csb.bank.in/corporate-banking