Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026

Notification No. FEMA 23(R)/2026-RB dated January 13, 2026

Effective Date: October 1, 2026

Policy Owner:

- Section I covers Export and Import of Goods and Services (including Software)
- Section II covers Merchanting Trade Transactions.
- Section III covers Project Exports.
- Section IV covers Export Factoring.

Version: 1.0
Review Date: September 2026. Reviewed Annually
Classification: Restricted

PUBLIC

Executive Summary:

The Reserve Bank of India has notified the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026, vide Notification No. FEMA 23(R)/2026-RB dated January 13, 2026, which will come into force on October 1, 2026.

This comprehensive overhaul of the earlier FEMA (Export of Goods and Services) Regulations, 2015, consolidates both export and import regulations under a single unified framework. This policy document provides guidelines for the Bank's compliance with the new regulations while maximizing customer convenience through simplified procedures, as required by the aforesaid guidelines

Purpose and Scope:

This Policy lays down the service standards and control framework for handling export and import transactions by the Bank under the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026. It is intended to ensure compliant processing, transparent customer handling, uniform approvals, timely EDPMS/IDPMS action, and a documented escalation mechanism for grievances and appeals.

This Policy expressly covers following six minimum areas:

- List of documents, timelines, and charges for each process and approval.
- Extension of the period for export realization and repatriation and import payments.
- Adjustment of export proceeds, including under realization and non-realization
- Advance receipts for exports and advance payments for imports.
- Delegation of powers for internal approvals for each process.
- Export factoring and import factoring.

Guiding principles

The Bank shall make a credit or debit to the account of an exporter or importer only after satisfying itself of the genuineness of the transaction and shall simultaneously close or update the respective EDPMS or IDPMS entry. The receipts and payments for export and import of goods and services shall be handled as per Foreign Exchange Management (Receipt and Payment) Regulations, 2023.

The Bank shall maintain systems to monitor export realization and import payment timelines and may grant extensions where the customer cites reasons, and the Bank is satisfied with those reasons and underlying documentation, as required.

The Bank shall ensure that charges for handling transactions and related processes are reasonable and proportionate to the services rendered.

Authorized personnel in the Bank shall approve this Policy, and the broad delegation framework agreed herein. The Bank shall review periodic MIS on overdue export bills, pending import payments, reduction/write-off approvals, advances, factoring exposures and customer grievances.

PUBLIC

The Bank shall maintain a clear escalation process for customer grievances and an appeal mechanism where the appeal is handled at a higher internal level and decided based on the genuineness of customer submissions.

The Bank shall comply with the reporting and monitoring requirements set out in Regulation 18 of the *Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026* as amended from time to time, for export and import of goods, software and services, including Merchanting trade transactions. All inward and outward remittances relating to exports, imports and Merchanting Trade Transactions (MTT) shall be recorded in EDPMS/IDPMS and monitored to ensure timely mark-off/closure of outstanding entries. Further, the Bank shall report all foreign trade transactions as per guidelines issued by the Reserve Bank from time to time.

For any export or import of goods or services subject to licensing requirements, the customer must ensure that they hold all necessary licenses and authorizations to undertake the export or import transaction. Transaction processing will be subject to FEMA Regulations, applicable RBI directions, and the Foreign Trade Policy/DGFT framework.

The Bank shall apply a risk-based due diligence framework, and all requests, documents, approvals, exceptions, communications and system actions shall be retained in accordance with applicable law and the Bank's record-retention policy. The Bank shall publish or otherwise make available on its website the relevant customer-facing process-related information, including documents, timelines, charges and escalation channels for the processes covered by this Policy.

This Policy shall be reviewed at least annually or earlier if there is a material regulatory or system change.

Pursuant to the **Foreign Exchange Management (Export and Import of Goods and Services) (Amendment) Regulations, 2026** dated **22 September 2026**, banks have been authorized to handle transactions relating to the export and import of goods and services, as well as merchanting trade, undertaken **prior to 1 October 2026**, which hitherto required approval of the Reserve Bank of India.

Accordingly, the existing extant guidelines will continue to apply to transactions initiated prior to **1 October 2026**, and subject to approvals by AD bank.

Further, Exporters who are on the Caution List as at 30 September 2026 will continue to be governed by the relevant RBI order issued under Regulation 16 of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015.

This Policy shall be effective from 1 October 2026.

Mode of Communication with the Bank

Exporters can communicate with the Bank in the following ways:

(a) Bank's Internet Banking portal.
(b) Physical submission at the Authorized Dealer Branch of the Bank.
(c) Any other mode as acceptable to the Bank from time to time.

PUBLIC

Escalation matrix and grievance redressal mechanism

The Bank's website has a grievance redressal mechanism in line with the regulatory complaint management guidelines. Additionally, the Internal Ombudsman framework of the Bank ensures that complaints which are not resolved in favor of customers are reviewed by the independent Internal Ombudsman. The escalation Matrix is covered in the attached Grievance Redressal Policy, which is a board approved policy.

https://www.hsbc.co.in/content/dam/hsbc/in/documents/flow-chart-grievance-redressal-and-escalation-mechanism.pdf

PUBLIC

SECTION I: Export and Import of Goods and Services (including Software).

1.1 Specified Authority for Goods and Services

All customers of the Bank may dispatch shipping documents to the overseas buyer/buyer's Bank directly, under open account Exports.

Exporters must submit an Export Declaration Form (EDF) to the specified Authority as defined in the Regulations, subject to changes from time to time.

Category	DTA / SEZ	Specified Authority
Export of Goods	DTA	Commissioner of Customs.
	SEZ	Development Commissioner of SEZ
Export of Software	DTA	> Authorized Dealer (AD) Bank or
		> Software Technology Parks of India (STPI)
	SEZ	Development Commissioner of SEZ
Services (other than Software)	DTA	Authorized Dealer (AD) Bank
	SEZ	Development Commissioner of SEZ

1.2. Timelines for submission of EDF (in case the Bank is the Specified Authority) and Export transaction details/documents to the Bank.

Category	Timelines for Submission of EDF Form	Timelines for Submission of Export transactions details/ document to the Bank
Export of Goods	Not applicable (AD Bank is not the Specified Authority for EDF submission for Goods).	Exporter to submit necessary information and self-declarations (as required in the Bank's template) to the AD Bank at the time of Export of Goods, immediately upon shipment, but in any case, not later than 15 days before the invoice due date or time period defined in para 1.5, whichever is earlier. Export proceeds will be credited to the Exporter's account only after the Bank has successfully validated the underlying Export transaction(s) and simultaneously update EDPMS as per RBI guidelines.

PUBLIC

Software (including where Bank is the Specified Authority)	Where Bank is the Specified Authority, Exporters must submit the EDF form details along with supporting information and self-declarations (as applicable) within 30 days from the end of month in which an invoice for software exports has been raised. Bank may, on request from the exporter citing reasons for delay, extend the period for submission of EDF form, upon being satisfied with the reasonableness of the request. Note: In case of delay in submission of EDF details for attestation, Customer to submit a request along with reasons for delay. Any extension request submitted, after the specified timeperiod mentioned above, may be approved on a case-to-case basis by the Bank.	Exporter to submit necessary information/ documents and self-declarations (as applicable) to the AD Bank at the time of Export of Software, but in any case, no later than 30 days from the end of the month in which invoice for software exports has been raised or the export realization date, whichever is earlier. Export proceeds will be credited to the exporter's account only once the Bank can successfully validate the underlying Export transaction and simultaneously update EDPMS. Note: Definition of Software as per RBI guideline: "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.
Services (ex-Software)	Exporters must submit EDF form details along with information and self-declarations (as applicable) to the AD Bank at the time of Export of Services, but no later than the Export realization date (date of receipt of Buyer payment). Note: In case of delay in submission of EDF details for attestation, Customer to submit a request along with reasons for delay. Any extension request submitted, after the specified timeperiod mentioned above, may be approved on a case-to-case basis by the Bank.	Exporters submit necessary information/ documents and self-declarations (as applicable) to the AD Bank at the time of Export of Services, but no later than the Export realization date (date of receipt of Buyer payment). Export proceeds will be credited to the exporter's account only once the Bank can successfully validate the underlying Export transaction and attest to its genuineness.

PUBLIC

1.3. Minimum documents and Timelines for EDPMS and IDPMS Reporting

Process	Minimum Documents	Timelines/Service standard
EDF Attestation for Service Exports (including Software).	• Customer Request (including declarations, if any) • EDF and Invoice details Any other documents, as may be required by the Bank from time to time. Note: For export of goods which are supplied free of payment (e.g. trade samples/publicity material goods imported free of cost for re-export; goods exported free of charge; goods sent for testing with re-import; defective goods sent for repair/re-import etc.), Exporter is required to file an EDF with nil/notional value (no GR/EDF waiver or Non-realization certificate is required to be issued by the Bank).	EDF Attestation to be completed within 5 working days of receipt of complete and compliant request.
Export Bill lodgment for Goods and Service Exports (including Software).	• Customer Request (including declarations, if any) • EDF and Invoice details • Any other documents, as may be required by the Bank from time to time. For Deemed Exports or Intra-SEZ imports, additional documents such as Bill of Entry/EOU Certificate/Intra-SEZ Transfer form may be required.	Export Bill will be lodged and EDPMS reporting to be completed within 5 working days of receipt of complete and compliant request.
Export Inward Remittance for Goods and Service Exports (including Software).	<u>Export Advance:</u> • Customer Request (including declarations, if any) • Client disposal instructions	<u>Export Advance:</u> Inward remittance to be credited to the Client's account on the same working day in case received prior to defined cut-off time.

PUBLIC

	<u>Export Proceeds:</u> • Customer Request (including declaration) • EDF and Invoice details • Inward details • Any other documents, as may be required by the Bank from time to time. Note: Where the export value is up to INR 10 lakh per shipping bill for goods or per invoice for services, closure (including reduction and non-realization) may be permitted based on a declaration from the Exporter.	EDPMS to be updated simultaneously with the IRM creation. <u>Export Proceeds:</u> Inward remittance to be credited to the Client's account on the same working day in case received prior to defined cut-off time, subject to Client providing a valid Export Bill reference number. In case Export Bill reference number generated by RBI is not available, Inward remittance would be credited after receipt of complying with underlying transaction details/information/ documents (for completion of EDF attestation and Export bill lodgment). In case the Export Bill reference number generated by RBI is not available due to technical reasons (e.g. underlying EDF is not yet due for submission, EDF yet to be attested by STPI/SEZ etc.), Client to give an undertaking stating the reason with relevant evidence. Inward remittance to be credited by the Bank upon being satisfied with the reasons stated. Client to submit the EDF / export transaction details/ documents as soon as the same is available on EDPMS. EDPMS to be updated and closed simultaneously with the IRM creation.
Extension for Export Realization/ repatriation for Goods and Service Exports (including Software).	Please refer to Section 1.6 of this Document.	To be completed within 5 working days of receipt of complete and compliant request

PUBLIC

Reduction in export value (under-realization/ non-Realisation) for Goods and Service Exports (including Software).	Please refer to Section 1.8 of this Document.	To be completed within 5 working days of receipt of complete and compliant request
Closure of export advance (where no exports took place and refund is not possible) for Goods and Service Exports (including Software).	Please refer to Section 1.11 of this Document.	To be completed within 5 working days of receipt of complete and compliant request.
Import Remittance and IDPMS update for Goods	• Customer Request (including Client declarations) • Invoice and Bill of Entry (BoE) details • Any other documents (including but not limited to tax documents), as may be required from time to time by the Bank. Additionally, for High Sea Sale, copy of the BoE along with the High Sea Sale Agreement to be shared by the Customer. Note: Where the import value is up to INR 10 lakh per bill of entry (BoE) for goods or per invoice for services, closure (including reduction) may be permitted based on a declaration from the Importer.	To be completed within 2 working days of receipt of complete and compliant request. IDPMS to be updated simultaneously with the ORM creation.
Import Remittance and IDPMS update for Services (including Software).	• Customer Request (including Client declarations) • Invoice and Bill of Entry (BoE) details, as applicable • Any other documents (including but not limited to	To be completed within 2 working days of receipt of complete and compliant request. IDPMS to be updated simultaneously.

PUBLIC

	tax documents), as may be required from time to time by the Bank. Note: Where the import value is up to INR 10 lakh per bill of entry (BoE) for goods or per invoice for services, closure (including reduction) may be permitted based on a declaration from the Importer.	
Advance payment for imports for Goods and Service Imports (including Software).	Please refer to Section 1.16 of this document.	To be completed within 2 working days of receipt of complete and compliant request. IDPMS to be updated simultaneously with the ORM creation.
Due Date extension for import payment for Goods and Service Imports (including Software).	Please refer to Section 1.14 of this document.	To be completed within 5 working days of receipt of complete and compliant request. IDPMS to be updated simultaneously with the ORM creation.
Reduction in Import value for Goods and Service Imports (including Software).	Please refer to Section 1.14 of this document.	To be completed within 5 working days of receipt of complete and compliant request. IDPMS to be updated simultaneously with the ORM creation.
Closure of Import advance (where no import took place and repatriation is not possible) for Goods and Service Imports (including Software).	Please refer to Section 1.18 of this document.	To be completed within 5 working days of receipt of complete and compliant request. IDPMS to be updated simultaneously with the ORM creation.

PUBLIC

1.4 Charges policy

Charges are disclosed in the Bank's tariff schedule and on the website:
Forms, Products & Services | Download Center | HSBC India

1.5 Export Realisation and Repatriation

As defined by regulations, the full export value, or reduced export value permitted by the Bank, shall be realized and repatriated within

- 9 months from the date of shipment for Goods
- 9months from the date of invoice for Services, including Software
- 9 months from the date of sale from warehouse for Goods exported to warehouse outside India,
- As per contract terms for project exports, and
- where exports are invoiced and/or settled in INR, the period is 12 months from the date of shipment in case of goods or from the date of invoice in case of services,

For international trade invoicing/settlement in INR, the Bank shall be guided by the extant RBI guidelines on the INR trade settlement framework and shall comply with any instructions issued by RBI from time to time.

Note: These time periods are subject to change, from time to time, as per guidelines or subsequent notifications by Reserve Bank of India.

Note: Bank may update and close EDPMS entries where residual invoice value is 5% or less (capped at USD 200), which may be on account of Bank charges (including Forex conversion charges).

1.6 Extension of Export Invoices /Bills beyond the invoice due date:

The Bank may, at the request of the Exporter and upon citing reasons for delay, allow extension beyond the specified period, subject to being satisfied with the reasons, as per the matrix defined below:

Description	**Extension requests beyond invoice due date or time period defined in 1.5, whichever is earlier, up to a period of -** **2 years from the date of shipment for export of goods/date of invoice for export of Services/ date of sale from warehouse for Consignment Exports**	**Extension requests beyond invoice due date or time period defined in 1.5, whichever is earlier, beyond -** **2 years from the date of shipment for export of goods/ the date of invoice for export of Services/ the date of sale from warehouse for Consignment Exports and up to 4 years**

PUBLIC

Documents required	> Request Letter • Self- Declaration in the prescribed format of the Bank. • Reasons for delay such as Buyer financial difficulty, commercial dispute, quality issues, Others • Expected date of realization. • Any other documents, as may be required by the Bank.	• Request Letter • Self- Declaration in the prescribed format of the Bank. • Reasons for delay such as buyer financial difficulty, commercial dispute, quality issues etc. • Expected date of realization • Copy of latest Correspondence with the Buyer or any document supporting the extension request, to the satisfaction of the Bank. • CA Certificate establishing the reason for extension and confirming that the receivable is outstanding in the books of the Exporter.
Turnaround time for processing of request by the Bank	Bank will update the respective entry on EDPMS **within 5 working days**.	Bank will update respective entry on EDPMS **within 5 working days**

Requests for extension should be submitted before expiry of the applicable due date or promptly after the expiry to AD bank for consideration. No extensions would be granted if the bank is not satisfied with the genuineness of the delay and the bonafides of the transactions. Maximum extensions will be granted up to 4 years from the shipment date.

1.7 Unrealized Exports

As per guidelines, if export proceeds remain unrealized beyond one year from the original due date or the extended period allowed by the Bank, the exporter shall undertake further exports for that Buyer, only against full advance or an irrevocable letter of credit. The Bank will flag such customers in its monitoring system for the same.

Once the unrealized amount is resolved — either fully realized and repatriated, or a reduction/write-off is approved and the EDPMS entry closed under Regulation 6 — the Regulation 13 condition lifts, and the Exporter may resume normal (non-advance/non-LC-secured) export activity through the Bank.

1.8 Reduction (Under-realization and non-realization) of Export proceeds.

The Bank may, at the request of the Exporter upon citing reasons (examples below), allow reduction in realization of export value where under-realization or non-realization of the full export value is justified, subject to being satisfied with the reasons provided along with relevant documentation.

PUBLIC

- Short Shipment
- Destroyed in Testing
- Lost in Transit
- Re Import of Unsold Items
- Re Import of Finished Items
- Free of Cost Goods
- Cash discount for early payments
- Price renegotiation
- Quality – dispute or rejection
- Trade discounts or rebates
- Freight and insurance adjustments
- Commercial disputes settled at lower amount
- Agency commission adjustment,
- Write off on account of Buyer protracted default or insolvency
- Destruction/ Confiscation
- Insurance /ECGC settlement
- Others, reasons to be specified.

Note: Reduction is not permitted for EDF/ invoices 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.

Reduction % of Invoice value	**Required Documentation**
Up to 10% of invoice value	• Customer Request • Self-declaration from Exporter in the format prescribed by the Bank • Reasons for Reduction • Confirmation of return of benefits/incentives availed against such exports. • Any other documents, as may be required by the Bank.

PUBLIC

Greater than 10% of invoice value	• Customer Request
	• Self-declaration from Exporter in the format prescribed by the Bank.
	• Reasons for Reduction
	• Confirmation of return of benefits/incentives availed against such exports
	  ◦ Documentary evidence indicating (a) correspondence with the Buyer, evidence of the reasons for reduction to be submitted, along with other documents, as may be required by the Bank.
	  ◦ In the event of write-off of 100% bill value, documentary evidence indicating (a) Overseas buyer has been declared insolvent or (b) Overseas Buyer is not traceable /non-responsive over a reasonable period or (c) any other bonafide reason for write-off.
	
	Note: Documentary evidence to be submitted as follows (indicative only):
	• buyer correspondence;
	• an insolvency/liquidator's certificate;
	• non-traceability evidence;
	• a destruction/confiscation certificate;
	• an arbitration award or settlement documentation for disputed claims;
	• the insurer's/ECGC's settlement advice for insured losses.

Turnaround time for processing of request by the Bank	Bank will update respective entries on EDPMS and send reverse confirmation to the Exporter within **5 working days** of receipt of request along with complete documentation from the Exporter.

1.9 Advance receipt for Exports

An Exporter shall route the Export Advance amount and subsequent Export realization, if any, through the same AD Bank, unless the Exporter has intimated the change to both ADs.

Requirement	**Details**
Documentation	Disposal instructions given by the Exporters towards the Export Advance, including expected date of shipment. Any other documents as may be required by the Bank.
Turnaround time	Bank to credit Client’s account the same day upon receipt of required information/ documents from the Exporter prior to cut off time.

PUBLIC

1.10 Refund of Export Advance

Bank may consider refund of advance export advance or refund of export proceeds of goods or services exported from India after satisfying themselves of the following:

- Request letter from the Exporter Client stating the reason for refunding the Export advance.
- Confirmation from the Exporter that total Advance returned in the calendar year is less than 10% of their total Export turnover in the previous calendar year via a Chartered Accountant's Certificate
- The bona-fides of the transactions based on underlying transactional documents and Buyer correspondence
- Undertaking from the Exporter no incentives have been availed by the Exporter, or the same has been surrendered.
- For Interest payment, refer to para 1.20 for requirements.

1.11 Write-off of Export Advance

Further, the Bank may, on request by an exporter citing reasons, close the EDPMS entry (Advance IRM) relating to export advance transactions where no export has been made and refund of such advance is not possible, subject to

- Request letter from the Exporter Client stating the reason for the inability to export / refund the Export advance.
- Confirmation from the Exporter where in total Advance returned in the calendar year is less than 10% of their total Export turnover in the previous calendar year via a Chartered Accountant's Certificate
- The bona-fides of the transactions based on underlying transactional documents and Buyer correspondence agreeing to the write-off of Export advance.
- Undertaking from the Exporter no incentives have been availed by the Exporter, or the same has been surrendered.
- The Bank being satisfied with the genuineness of the reasons, the underlying contract position, buyer correspondence and any other supporting evidence considered necessary under the Bank's risk-based due diligence framework

1.12 Extension of IRM / Inward remittance:

The Bank may, at the request of the Exporter and upon citing reasons for delay in shipment or rendering of service, along with supporting information, allow extension of the advance inward remittance, subject to being satisfied with the reasons, as per the matrix defined below:

Description	**Extension requests up to a period of 2 years from the date of IRM generation for export of**	**Extension requests beyond 2 years from the date of IRM generation for export of and**

PUBLIC

	Goods and Services (including Software)	Services (including Software) up to 4 years
Documents required	• Customer Request • Self- Declaration along with Reasons for delays such as Delay in shipment, Change in contract terms etc. • Expected (Revised) date of shipment / revised date for rendering of service.	• Customer Request • Self- Declaration along with Reasons for delays such as Delay in shipment, Change in contract terms etc. • Expected (Revised) date of shipment / revised date for rendering of service. • Copy of latest Correspondence with the Buyer or any document supporting the extension request, to the satisfaction of the Bank. • CA Certificate establishing the reason for extension and confirming that the advance is outstanding in the books of the Exporter.
Turnaround time for processing of request by the Bank	Bank will update the respective entry on EDPMS **within 5 working days**.	Bank will update respective entry on EDPMS **within 5 working days**

1.13 Timeline for Import Payments

The Bank shall monitor IDPMS' entries and follow up with importers to ensure payment within the period specified in the underlying contract.

Further, as per extant regulations on Trade Credit, maximum usance tenor for Imports shall be 1 year for raw material and 3 years for capex for goods. For Services, maximum usance tenor shall be 1 year for short term services and 3 years for Services that are part of capex and capitalized in the books of the Importer.

For any time period proposed in the underlying contract that is greater than the maximum usance tenor captured above, Importer to seek upfront approvals from the Bank to ensure reporting under the Master Directions for External Commercial Borrowings, Trade Credits and Structured Obligations.

Note: Bank may update and close IDPMS entries where residual invoice value is 5% or less (capped at USD 200), which may be on account of Bank charges, commission deductions, Fx. conversion without seeking requests from the Importer Client.

PUBLIC

1.14 Extension of Import Payment date

The Bank may, at the request of the Importer and upon citing reasons for delay, allow extension beyond the specified period, subject to being satisfied with the reasons, as per the matrix defined below:

Description	**Extension requests up to a period of 2 years from the original due date as per contract**	**Extension requests beyond 2 years from the original due date as per contract**
Documents required	• Request Letter • Self- Declaration in the format prescribed by the Bank. • Reasons for delay: extension of payment terms, financial difficulty, commercial disputes, quality issues, or other reasons. • Revised invoice due date.	• Request Letter • Self- Declaration in the format prescribed by the Bank. • Reasons for delay: extension of payment terms, financial difficulty, commercial dispute, quality issues or other reasons • Revised invoice due date. • Copy of Correspondence with the Supplier or any document supporting the extension request, to the satisfaction of the Bank. • CA Certificate establishing the reason for extension and confirming that the payable is outstanding in the books of the Importer
Trade Credit/ External Commercial Borrowing Reporting for Goods or services	For extension request on account of revised payment terms under the underlying contract (agreed with the Supplier), reporting under Trade Credit / External Commercial guidelines, as applicable, to be done.	For extension request on account of revised payment terms under the underlying contract (agreed with the Supplier), reporting under Trade Credit / External Commercial guidelines, as applicable, to be done.
Turnaround time for processing of request by the Bank	Bank will update respective entries on IDPMS **within 5 working days**	Bank will update respective entry on IDPMS **within 5 working days**

Note: Delayed import payment beyond three years, without interest, can be made by the Customer. Requests for extension should be submitted before expiry of the applicable due date or promptly after the expiry to AD bank for consideration. No extensions will be granted beyond a period of 4 years from the original due date as per the contract.

PUBLIC

1.15 Reduction in Import value.

The Bank may approve reduction in the value of Import transactions (**reduction in BoE amount)** basis genuineness of the request which may be on account of the following reasons, as per the matrix defined in the table:

Reduction % of Invoice value	**Documentation**
Up to 25%	• Customer Request • Self- Declaration in the prescribed format of the Bank. • Reasons for Reduction: Bank charges, Trade discounts, quality/quantity issues, Re-export, any other reason with reason to be specified. • Evidence of Import Payment (ORM details) for the reduced value.
Greater than 25%	• Customer Request • Self- Declaration in the Bank's prescribed format • Reasons for Reduction (Trade discounts, quality/quantity issues Re-Export, any other reason with reason to be specified). • Evidence of Import Payment (ORM details) for the reduced value. • Documentary evidence is furnished indicating (a) correspondence with the Supplier, evidencing the reasons for reduction. • In case of 100% reduction in BoE, Importer to share evidence of Overseas Supplier has been declared insolvent or (b) Overseas Supplier is not traceable or is non-responsive over a reasonable period. (c) any other bonafide reason leading to 100% reduction (including write off) on BoE value
Turnaround time for processing of request by the Bank	Bank will update respective entries on IDPMS and send reverse confirmation to the Importer within **5 working days**.

1.16 Advance payments for imports

An Importer shall route the advance payment and subsequent payments, if any, through the same AD Bank, unless the importer has intimated the change to both ADs along with documents like a written intimation of the change, addressed to both the existing and the new AD; the existing AD's confirmation/letter of intimation (or at minimum, a statement of the outstanding advance position and EDPMS/IDPMS reference) for the new AD's records; and the underlying export/import contract, to enable the new AD to continue monitoring the shipment/import

PUBLIC

obligation against the advance already received/paid. The Bank may permit advance remittance for Import after satisfying itself of the genuineness of the requirement and may prescribe thresholds beyond which such payments require a Standby letter of credit or a Guarantee from a Bank of International repute, or any other document mandated by the Bank from time to time.

The following are the thresholds for advance payments for Importers:

Advance Value	**Requirements**
Up to $ 2,000,000, where in the shipment period is up to 1 year from the Import advance date, or in the case of services the delivery period is up to 1 year from the Import advance date	• Customer Request • Client declaration on FEMA compliance • Proforma Invoice / PO copy (capturing the expected date of shipment) • No outstanding cases of Imports not materialized, beyond the contract period or extended period. **For the Business Banking segment,** the threshold for advance payment to be restricted to $ 200,000. Accordingly, any Import advance remittance beyond $ 200,000 or where the shipment period is greater than 1 year requires a Guarantee or Standby Letter of Credit from a Bank of International repute.
Greater than $ 2,000,000 and/ or where the shipment date is greater than 1 year from the Import advance date, or in the case of services the delivery period is up to 1 year from the Import advance date	• Customer Request • Client declaration on FEMA compliance • Proforma Invoice / PO copy (capturing the expected date of shipment) • Advance payment to backed by BG / SBLC. The Bank may consider waiving this requirement on a case-by-case basis the bonafide of the transaction basis internal approvals. In such cases, the Bank will additionally seek the following: o Third party information Report or HSBC Group office feedback (on the Suppliers)
Extension for shipment period or service delivery period (as per revised/updated contract) against Import advance	Importer to submit the following: • Customer Request • Client Undertaking as per the Bank's prescribed format • Reasons for extension / delay such as Change in Contract Terms, financial difficulty, commercial dispute, Others along with details) • Revised Contract copy (or equivalent/ extract thereof). The maximum extension of ORM will be done by the Bank for up to 3 years. No further extension to be granted by the Bank beyond 3 years from the Advance remittance date.

PUBLIC

Turnaround time	Bank affects the payment the same day upon receipt of request from the Importer prior to cut off time, else the next working day. For extension request, Bank will update respective entry on IDPMS **within 5 working days**

Note: No advance remittance shall be permitted for the import of gold or silver.

1.17 Imports not materialized

Where an Importer is unable to import within the contract period or the extended period, the importer shall repatriate the advance payment. If the advance is not repatriated within the contract or extended period, or the related IDPMS entry is not marked off, future advance import payments by that importer shall require an unconditional and irrevocable standby LC or guarantee from an international bank of repute, or a guarantee of an AD in India backed by a counter-guarantee of such international Bank.

The above requirement will not be applicable if the unresolved advance is regularized — either the goods or services are eventually imported and the Bill of Entry lodged with the IDPMS entry marked off, or the advance is repatriated and the IDPMS entry closed on that basis or write-off of the entry in IDPMS subject to satisfactory reason.

1.18 Closure of Import advance (ORM) without Imports

Importer to inform the Bank immediately for Import advance payment cases where refund is not possible. Bank to close such Import advances subject to the following.

1. Request letter from the Importer stating the reason for the inability to seek refund of the Import advance.
2. Reasons: Supplier Insolvent, Supplier Not Traceable, Supplier Unresponsive, Amount withheld by Supplier due to cost incurred, any other reasons along with the details.
3. Requests should be submitted promptly upon the importer becoming aware that imports will not materialise or refund is not possible**.** Delayed requests may also be considered on merits, subject to the Bank's satisfaction and escalation under the applicable approval matrix
4. The bona-fides of the transactions based on underlying transactional documents and Supplier correspondence.
5. Confirmation on the track record of the Importer where in Total Import Advance not returned in the calendar year is < 5% of their total Import turnover in the previous calendar year via a Statutory/Chartered Accountant's Certificate.

In case of three or more instances of such requests, the Bank may put additional restrictions on new Import Advance Remittance requests for such Importers and /or Suppliers.

1.19 Setoff of Export Receivables Against Import Payables

The Bank may allow set-off of export receivables against import payables from or to the same overseas Buyer or Supplier or with their overseas group or associate companies within the stipulated period for export realization or the extended period allowed by the Bank and subject to being satisfied with the genuineness of such requests.

PUBLIC

Type of Set-off	Documentation Requirement
Bilateral set off between the same counterparties (Goods or Software or Service	• Set-off agreement/ correspondence between the counterparties. • Request letter from the Client (Importer/Exporter). • Self-declaration from the Client as per the Bank's prescribed format. • Reason for the set-off evidence of the commercial reasons for the same. • Relationship between the two counterparties. • Details of export invoice and corresponding EDPMS entries (same should not be overdue) • Details of import invoice and corresponding IDPMS entries (same should not be overdue) • Both the Import and Export leg of the transaction to be routed through the Bank.
OR Multi-lateral set off between the Group or Associate companies for the same/ different type of underlying.	• Master/Transactional Agreement evidencing the set off arrangement. • Request letter from the Client (Importer/Exporter). • Self-declaration as per the Bank's prescribed format • Reason for the set-off evidencing the commercial reasons for the same. • Relationship between the two counterparties. • Details of export invoice and corresponding EDPMS entries • Details of import invoice and corresponding IDPMS entries. • Documentary Evidence establishing the relationship between counterparties that are Group or Associate Companies • Both the Import and Export leg of the transaction to be routed through the Bank.
Turnaround time for processing of request by the Bank	• Bank will process the request and update respective entries on EDPMS and IDPMS within**5 working days** of receipt of request from the Exporter

PUBLIC

1.20 Third Party Receipts and Payments:

These are permitted scenarios for handling inward remittances from counterparties other than the Buyer:

- Payment by parent/holding company of buyer.
- Payment by subsidiary/group company of buyer
- Centralized treasury arrangements.
- Payment through overseas agent/intermediary
- Payment by buyer's bank (on buyer's behalf)
- Payment by end-customer when buyer is intermediary.
- Payment by Overseas Factor
- Both are same entities (name mismatch)
- Any other acceptable reasons.

These are permitted scenarios for handling outward remittances to counterparties other than the Buyer:

- Payment to parent/holding company of supplier.
- Payment to subsidiary/group company of supplier
- Centralized treasury arrangements.
- Payment to overseas agent/intermediary
- Payment to Overseas Factor
- Both are same entities (name mismatch)
- Any other acceptable reasons.

Documentation Requirement:

- Customer request
- Self-declaration as per the Bank's prescribed format
- Details of export/ import invoice and corresponding E/IDPMS entries
- Reason for third party payment as defined above.
- In case third party remittances are not on account of the approved scenarios defined above or said invoice is overdue, then Bank seek Agreement evidencing the arrangement.

1.21 Interest payable

Regulation 10(4) requires that interest payable on an advance receipt for exports, or on delayed import payment, must not exceed the all-in-cost ceiling for trade credit prescribed under the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, as amended from time to time.

Further, for other scenarios like (a) imports - pre-payment of usance bill / receipt of interest for the advance payment made by importer; (b) exports – receipt of delayed payment / extension on time for export realization, the interest payable can be as per the contractual rate agreed between the importer and exporter.

PUBLIC

Section II: Merchanting Trade Transactions

Based on the guidelines, the Bank may permit MTT transactions subject to adherence of the following conditions:

- **Transactional Documents:** The trade contract with the overseas seller and the sale contract with the overseas buyer; invoices for both legs; the transport document/bill of lading showing the goods moving directly from the seller's country to the buyer's country without entering India; confirmation (per the Foreign Trade Policy) that the goods do not require an import/export license for the transaction to proceed as MTT.
- **Outlay**: The outlay between the outward remittance and inward remittance or vice versa does not exceed 6 months.
- **Third party payments**: Outward remittances are sent only to the overseas seller, and inward remittances are received only from the overseas buyer. In case of third-party payments, where inward remittance is received from third party other than Buyer or where the outward remittance is sent to a third party other than Seller, the underlying Agreement evidencing the payment arrangement to be sought along with a written request citing reasons for the third-party arrangement.
- **Import advance remittance:** Any advance payment to be made to overseas Supplier to be restricted to $ 200,000 (All customer segments excluding Business Banking). Any advance payment beyond $200,000 or for Clients from Business Banking segment will require a Standby letter of credit or a Guarantee from a Bank of International repute, or any other document mandated by the Bank from time to time. Any exception to be approved on a case-to-case basis, based on the approval matrix defined in the SOP. Further, there is no cap in case Import payment is being made on a basis of receipt of export advance/proceeds.
- **Shipment period:** Shipment to be completed within 9 months of the outward or inward remittance date, whichever is first.
- **Extension of outlay:** For any extension of timeline beyond 6 months, Client to submit a written request citing the specific reason the six-month period between the outward and inward remittance cannot be met (e.g., a shipping delay, a buyer-side payment delay, or a documentary discrepancy), together with the underlying trade contracts/invoices for both legs and evidence of the cause of delay. Maximum extension to be granted up to 12 months.
- Provision for reduction/write-off, including loss: Any request for (a) reduction/write-off and/ or (b) closure of MTT transactions at a loss, to be approved on a case-to-case basis based on the bonafides of the transaction and Business segment Head approvals.
- **Reporting:** Bank shall enter details of inward and outward remittances for all exports, imports and Merchanting Trade Transactions (MTT) in EDPMS and/ or IDPMS.

PUBLIC

Section III: Project Exports

"Project Export" shall have the same meaning as defined in the Foreign Trade Policy, as amended from time to time.

Procedure for clearance of Proposal

SL No	Activities Description	Timelines for submission
1	**PEM Approval - Submission by Exporter:** • The Exporter must submit the Customer Request Letter, together with the required information/documents to the Authorised Dealer (AD) within 30 days of entering into the contract. • If the documents are incomplete or not in order, bank will notify the exporter for the required documentation. • Where submission is delayed beyond 30 days, the Exporter must provide reasons for late submission; the AD may accept or reject the request at its discretion.	Customer submits the Project Export request within 30 days from entering into a Contract.
2	**PEM Approval- Approval by the Bank** • After the exporter submits the required information and documents, AD will review the submission and issue PEM approval. • Before granting clearance/approval for exporters with overseas contracts, AD would consider, if the proposal is technically feasible and economically viable.	Within 7 working days from receipt of Customer Request.
3	**PEM Approval Amendment:** • If a material change is anticipated, the exporter must submit a PEM change request to AD for approval. • Material changes include amendments to contract terms (for example, scope of contract, contract value, profitability impact, losses or any penalties imposed, etc).	Customer to submit the Project Export amendment request within 30 days of any material change

Project Due Diligence:

As part of the approval and amendment process, the Client submits the following details to the Bank for review, as required from time to time.

- Detailed review of the contract terms, including scope of work, contract value, payment terms, escalation clauses, penalty/liquidated damages provisions, force majeure clauses, arbitration clauses and dispute resolution mechanisms.
- Assessment of the project timeline, milestones, and the exporter's project execution plan.
- The Bank shall review details submitted by Exporters with respect to list of Sub-contractors/Sub-suppliers and Inter Project Transfer of Funds/Machinery done.

PUBLIC

- Details of facilities required/taken (Fund based & Non fund based) - including any facilities from EXIM Bank, FCY accounts opened/used abroad/domestically, Offices abroad, Third Country Supplies, Agency Commission, ECGC Cover availed (if any).
- In case of turnkey contracts, economic and technical viability thereof as well as special features relating to erection, supervision and commissioning of the contract.
- Customer Request should cover the details of FCY account abroad viz., account number, name of the bank, place and country where such account is opened, purpose of such account, any other details as required by the bank from time to time.
- Periodic monitoring of progress reports on half yearly basis.
- Subject to monitoring by the bank, a project exporter may deploy temporary cash surplus, generated outside India, from such exports, for investments in short-term instruments (with original or residual maturity of one year or less) including in treasury bills and in deposits with banks, outside India.
- Export proceeds shall be realized and repatriated to India within the due date and the due date must be within the contract expiry date. In case of delay in realization, beyond the prescribed period, the exporter shall request the AD for an extension of the PEM expiry date.
- Bank may permit receipts/ payments for project exports as per the underlying contract, after satisfying itself of the genuineness of the project.

PEM Closure process

Exporters should take the following steps after completion of the contract:

- close the foreign currency accounts and transfer the balances to India;
- wind up site and liaison offices opened abroad;
- ensure that the guarantees for performance of the contract and other guarantees issued are cancelled and returned.
- liquidate fully overseas borrowings/overdrafts obtained, if any and cancel counter-guarantees;
- make suitable provision for payment of taxes, customs and other statutory obligations in the country of project;
- dispose of the equipment, machinery, vehicles, etc. purchased abroad and/or to arrange their import into India.
- recover funds, if any, transferred to another overseas project/s and repatriate them to India.

In addition to the above exporter to submit a report giving full account of the various steps taken to the AD, within one month from the completion of the project. In case of any delay in submission exporter to submit request to the AD and extend the submission timelines. The following documents should also be forwarded along with such report:

a) Statements of income and expenditure and profit and loss account of the project duly certified by a Chartered Accountant/Project Manager.
b) Any other document / information as required by the Bank.

PUBLIC

Annexure: PEM related Forms, Annexures & Customer Reports/Requests

FORMS	
Customer Request	Application/Request letter to be submitted by exporters after award of contract
Progress Report	Progress Report for the Project to be submitted on a half-yearly basis.

PUBLIC

Section IV: Factoring

This section captures the policy of the Bank on Factoring as mandated by the Reserve Bank of India (RBI) in Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026. The policy provides the overall governance framework with respect to Factoring product offered by the Bank in India.

The Factoring business will be undertaken in compliance with the statutory provisions under the Factoring Regulation Act, 2011, with registration of assignment of the receivables purchased by the Bank done via Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI).

Bank will undertake requisite due diligence of the receivable portfolio proposed to be purchased by the Bank as part of the factoring facility approval process. This will be followed by in-life monitoring of the facilities on an ongoing / pre-agreed frequency.

Factoring variant offered by the Bank

b) With Recourse RF

Bank can purchase the receivables and make payments (discounted proceeds) to Customer (Seller) for all or part of the Receivables portfolio (i.e. domestic and/or export receivables), any time before the invoice due date, depending on the terms and structure of the agreement. Under this structure, the Bank has full recourse to the Customer (Seller) in case of non-payment from the Buyers.

b) Limited/Without Recourse RF

Bank can purchase the receivables and make payments (discounted proceeds) to the Customer (Seller) for all or part of the Receivables' portfolio (i.e. domestic and/or export receivables), depending on the terms and structure of the agreement. Under this structure, the Bank underwrites the Buyer payment risk in the event of insolvency of any buyer (Debtor) or protracted delay in their payment. The exposure shall be reckoned on the 'Assignor/Customer/Seller' or the 'Buyer/Debtor', for factoring on limited/without recourse factoring, depending on the terms of agreement with the Customer.

The Bank may retain recourse rights against the Seller for certain non-payment events, such as Seller non-performance, commercial disputes, fraud, breach of conditions/representations/warranties under Agreements executed with the Bank etc.

Trade Credit Insurance (TCI) can be availed by the Bank for the above variants, to mitigate the Buyer payment risk. Bank can also rely on the Seller-owned TCI policy, in case the Customer (Seller) has obtained one, basis the same being acceptable to the Bank. Availing of TCI is subject to guidelines issued by Insurance Regulatory and Development Authority of India (IRDAI), from time to time.

PUBLIC

Key Facility-level documentation:

- **Receivable Purchase Agreement (RPA)** with the Customer (Seller) which captures the variant being offered and the Customer (including the recourse events to the Seller), terms and conditions of the facility, and the various condition precedents to availing the facility.
- **Notice of Assignment (NoA)** to be sent to the Buyer(s) informing them of the assignment of receivables to the Bank by the Customer. The NoA may be served by the Customer on the Buyers, at the outset of the facility and/or during the life of the facility, as maybe required by the Bank.
- **Letter of Disclaimer** will be sent by the Bank to other working capital Banks of the Customer informing them of the assignment of receivables.
- **Board Resolution**
- **Any other documents** as required by the Bank from time to time.

Marking of Exposure under the Facility:

- The Exposure shall be reckoned on the **Customer (Seller/Assignor)** for **With-recourse factoring** facility.
- The exposure shall be reckoned on the **Customer (Seller/Assignor) or on the Debtor (Buyer)** for **Limited/No-recourse factoring** facility, depending on the terms of the Agreement.

The Bank does not offer Import Factoring currently.

PUBLIC