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(Ph.D., MBA, LLB, B.Sc.)
Secretary General, AEPC

AEPC/HO/SG/R&PA/2022
14th January, 2022

Dear Members,

Sub: Use of any Alternative reference rate in place of LIBOR for interest payable in respect of export / import transactions and Export Credit in Foreign Currency – Benchmark Rate.

The Interest Equalization Scheme is an important instrument for reducing the cost of working capital for the exporters. Given the difficulties being faced by the exporters, as the extension of the Interest Equalization Scheme beyond September, 2021 is still awaited, the exporters may like to avail of the following options, provided by RBI, for reducing the cost of working capital:

i) Use of any Alternative reference rate in place of LIBOR for interest payable in respect of export / import transactions

RBI Letter No. RBI/2021/2022/101 dated 28/09/2021

On the above subject, RBI has issued instructions vide its letter No.RBI/2021/2022/101 dated 28/09/2021. RBI Instructions, provides as follows:

“In view of the impending cessation of LIBOR as a benchmark rate, it has been decided to permit AD banks to use any other widely accepted/Alternative reference rate in the currency concerned for such transactions. All other instructions in this regard shall remain unchanged. The necessary enabling amendment to FEMA 23(R)/2015-RB has since been notified vide Notification No. FEMA 23(R)/(5)/2021-RB dated September 08, 2021”.

RBI letter No.RBI/2021/2022/101 dated 28/09/2021 is enclosed along-with for information please.

ii) Export Credit in Foreign Currency – Benchmark Rate

RBI Letter No. RBI/2021-22/79 dated 06/08/2021

On the above subject, RBI has issued instructions vide its letter No. RBI Letter No. RBI/2021-22/79 dated 06/08/2021. RBI Instructions, provides as follows:

“As per the extant guidelines, authorized dealers are permitted to extend Pre-shipment Credit in Foreign Currency (PCFC) to exporters for financing the purchase, processing, manufacturing or packing of goods prior to shipment at LIBOR/EURO LIBOR/EURIBOR related rates of interest.

In view of the impending discontinuance of LIBOR as a benchmark rate, it has been decided to permit banks to extend export credit using any other widely accepted Alternative Reference Rate in the currency concerned. All other instructions in this regard shall remain unchanged”.

RBI letter No. RBI/2021-22/79 dated 06/08/2021 is enclosed along-with for information please.

2. The exporters may like to explore the above alternatives.
3. This is for your kind information please.

With warm regards,

Yours sincerely,

Dr. L.B. Singhal
Secretary General