

**Ministry of Finance**  
**Department of Financial Services**

**PRESS BRIEF ON THE CABINET NOTE FOR SIGNING OF (I) INTERBANK LOCAL CURRENCY CREDIT LINE AGREEMENT AND (II) COOPERATION MEMORANDUM RELATING TO CREDIT RATINGS BY EXIM BANK UNDER BRICS INTERBANK COOPERATION MECHANISM.**

**Date of decision: 27.09.2017**

**Decision** -The Cabinet has today approved the proposal for signing of the (i) Interbank Local Currency Credit Line Agreement and (ii) Cooperation Memorandum Relating to Credit Ratings by Exim Bank with participating member banks under BRICS Interbank Cooperation Mechanism. As both these umbrella agreement/ MoU are non-binding in nature, the Board of Directors of Exim Bank has been authorised to negotiate and conclude any individual contracts/ commitments within these overall agreement/ MoU.

**Background**

2.1 Exim Bank finances, facilitates and promotes India's international trade. It provides competitive finance at various stages of the business cycle covering import of technology, export product development, export production and export credit at pre-shipment and post-shipment stages and investments overseas.

2.2 Interbank Local Currency Credit Line Agreement – The initial Master Agreement on Extending Credit Facility in Local Currency under the BRICS Interbank Cooperation Mechanism had a validity of five years, which has expired in March 2017. It is understood that some of the member banks (like CDB and VEB; CDB and BNDES) have entered into bilateral agreements for local currency financing under the Master Agreement signed in 2012. Although the current conditions are not conducive to usage, it was useful to keep the same alive as an enabling feature in case a suitable opportunity materializes in future. Exim Bank raises resources in the off-shore market in diverse currencies and swaps to mitigate the risk. The umbrella Agreement would serve as an enabler to enter into bilateral agreements with member banks subject to national laws, regulations and internal policies of the signatories.

2.3 Cooperation Memorandum Relating to Credit Ratings – would enable sharing of credit ratings amongst the BRICS member banks, based on the request received from another bank. This would be an ideal mechanism to mitigate the credit risks associated

with cross-border financing. In future, such a mechanism could also serve as pre-cursor to the proposal of having an alternate rating agency by BRICS nations.

2.4. These two Agreement/ MoU have also been highlighted in the BRICS Leaders Xiamen Declaration made in Xiamen, China on 4 September 2017.

### **Implementation strategy and targets**

3.1 Signing of the Agreement will position Exim Bank in the international platform along with large development finance institutions, like CDB, VEB and BNDES. At an appropriate time, Exim Bank, leveraging this umbrella agreement, could enter into bilateral agreement with any of these member institutions to raise resources for its business. As and when an opportunity arises for co-financing in commercial terms, by any two member institutions (say India and South Africa), lending in single currency by both the institutions would also be possible.

### **Major Impact**

4 The proposal will promote multilateral interaction within the area of mutual interest which will deeper political/ economical relationship with BRICS nations.

### **Expenditure involved**

5. There is no expenditure involved in the signing of the proposed Agreements

### **6. No. of beneficiaries**

- a) Department of Commerce
- b) Ministry of External Affairs
- c) Exim Bank