

Memorandum of Understanding (MoU) between India and Iran  
on  
Bilateral Trade Payments.  
Tehran, August 11-13, 2012

1. An Indian delegation headed by Dr. Thomas Mathew (Joint Secretary, Department of Economic Affairs, Ministry of Finance, Government of India) and an Iranian delegation headed by Ms. Minoo Kiani Rad, Vice Governor of Central Bank of Iran (BMJII) met on August 11-13, 2012 to discuss bilateral trade payment issues. The composition of the delegations is at Annexure.
2. The Iranian side expressed appreciation for the payment of all the arrears, including the outstanding amount due from RBI, by the Indian side. The Indian side also expressed appreciation for the efforts the Iranian side has taken to ensure that oil supplies to India have remained uninterrupted.
3. The two sides agreed to the following:
  - 3.1. The payments for oil imports by the Indian oil companies will be made in the ratio of 45%:55% in Indian Rupees and Euro respectively as agreed to in the MoU signed on January 18, 2012.
  - 3.2. The Rupee payments will continue to be made in the Rupee account(s) opened by any Iranian bank in the UCO Bank or in any other Indian bank in India by crediting 45% of the total payment for each invoice, automatically without the requirement of any additional certification or authorization.
  - 3.3. The two sides noted that three MoUs were signed between BMJII and the Government of India, through the Department of Economic Affairs, and that these were concluded on 31 May 2011, 5 October 2011 and 18 January 2012, wherein payment ratios in Rupee and Euros were agreed to. The Indian side stated that a large amount of excess payments have been made in Euro by the Indian oil companies. Both sides discussed the various options to deal with the excess payments, including the option to allow Indian oil companies that are not able to make

payments in Euro to make 100% payment in Rupees. Both sides agreed to resolve the issues related to excess payment at a later date subject to the arrangement stated in paragraph 3.4.

- 3.4. It was agreed that all arrears of payments that should have been made in Indian Rupees from 1 April 2012 would be calculated as an interim arrangement and the amount so calculated would be credited from future payments due to NIOC. These arrears would be adjusted over a period of twelve months from the date of signing of this MoU. The payments that would be due thereafter, would be paid in the proportion 45:55 as stated above, subject to any decision that may be arrived at in pursuance of the step outlined in paragraph 3.3 above.
- 3.5. It was agreed that Indian oil companies that have an account in Halk Bank or in any other bank through which Euro payments can be made, would make payments as agreed to in the ratio stated in paragraph 3.1. The Indian oil companies that do not have an account in Halk Bank or in any other bank through which Euro payments can be made, would make 100% of the payments in Indian Rupees in the accounts of Iranian banks in UCO Bank or in any other Indian bank.
- 3.6. The two sides also agreed that the ratio of the total rupee payments and total Euro payments for all the Indian oil companies would be maintained at 45%:55% on an aggregate basis, and for ensuring this arrangement, the Indian side would maintain appropriate records.
- 3.7. BMJII agreed to instruct NIOC to amend the contracts that the latter has with Essar Oil Ltd., HPCL, BPCL, IOC and MRPL to reflect the payment arrangement as stated in paragraphs 3.1, 3.2, 3.3, 3.4, 3.5 and 3.6 above within seven days of the signing of this MoU.
- 3.8. The Indian side stated that Indian oil companies should not be liable for any penalty or claims on account of any delay in payment due to non-availability of payment channels arising out of sanctions. BMJII agreed to take up this issue with NIOC to confine any such demand to only to the amount received by the Indian oil company for the use of

- funds, and not to any penalty of interest or any other claim.
4. Since the Rupee payment arrangement would not result in the outgo of foreign exchange reserves of Iran, the Indian side requested, and the Iranian side agreed to convey the Indian side's request to the Ministry of Industries, Mines and Commerce to exempt the Rupee payment arrangement from exchange control regulations, including the requirement of registration of proforma invoice (Sabt-e-Sefaresh) with the Iranian Ministry of Industries, Mines and Commerce (Trade), which is required for the release of foreign exchange by BMJI on priority basis. This would mean that Iranian banks would open LCs in Indian Rupees without any restrictions and without any requirement for registration (Sabt-e-Sefaresh) with the said Ministry of Industries, Mines and Commerce (Trade).
  5. The Indian side requested the Iranian side to increase sourcing of goods and services from India in view of the present balance of trade, which is overwhelmingly in favour of the Iranian side. In this context, the Indian side requested Iranian side to also buy Indian wheat for which payments can be made in Rupees, as this will also help save Iran's foreign exchange reserves. The Iranian side agreed to consider the Indian request to take up this matter with the concerned Government authorities.
  6. The Iranian side expressed appreciation for the approval given to four Iranian banks to open special rupee vostro accounts in the UCO Bank. The Iranian side also requested the Indian side for early completion of all approvals and formalities for opening of additional Rupee account by some more Iranian banks in UCO Bank or other Indian banks acceptable to BMJI. The Indian side agreed to facilitate opening of INR accounts by such banks as per Indian rules/regulations as expeditiously as possible.
  7. The Iranian side requested necessary permission for purchasing of NIOC office in Mumbai. Indian side agreed to expeditiously process the proposal according to Indian rules/regulations and would inform NIOC of the steps that

India has taken in this direction and the decision that has been taken in this regard within 10 working days.

8. BMJII insisted on the issuance of the license for opening a branch by Bank Parsian or any other Iranian Bank in Mumbai. Indian side agreed to facilitate the request as soon as possible.
9. The Iranian side requested for, and the Indian side agreed to, extend the validity period of the Line of Credit of USD 200 million extended by Exim Bank in favour of seven Iranian Banks until December 2013 and that the communication confirming this arrangement would be sent to Iran in 7 working days. BMJII requested that the value of the credit line be increased to USD 500 million, and the Indian side agreed to consider the request.
10. Both sides agreed to send a joint delegation to explore the possibility of identifying other banks in third countries to establish alternate payment channels with a view to providing further robustness to the existing payment arrangements in reserve currencies. For this purpose, the Iranian side would suggest the banks with which negotiations could be held with a view to finalizing additional banking channels.
11. BMJII requested that interest at the overnight money market rate may be paid on the balances in the special rupee vostro accounts maintained by the Iranian banks in UCO Bank or any other Indian bank in India. The Indian side informed that the present regulations do not provide for payment of interest on balances in the rupee vostro accounts. However, the Indian side agreed to examine the request expeditiously and inform the Iranian side of the outcome.
12. BMJII requested the Indian side to facilitate the placement of deposits with UCO Bank and for purchase of government securities from out of the balances maintained in the special rupee vostro accounts of the Iranian banks in UCO Bank. The Indian side informed that the present regulations do not provide for such investments from out of the balances held in the rupee vostro accounts. However, The Indian side agreed to examine the request expeditiously.

and inform the Iranian side of the outcome. The Iranian side requested the facility for utilizing Rupee balances in accounts of the Iranian commercial banks with UCO Bank or any other approved Indian banks to finance third country imports by Iran. Such item would first be imported by Indian companies and then re-exported to Iran according to applicable Indian rules and regulations. All charges on account of these transactions would be borne by the Iranian importers.

13. Both sides agreed to continue intense efforts to enhance India-Iran trade. India would make all efforts to continue making payments for its oil imports through different channels acceptable to both sides and Iran would continue to supply crude oil to Indian companies.
14. Both sides agreed to review this MoU as required.
15. Both sides agreed to keep this MoU strictly confidential.
16. Signed in Tehran, Iran on Monday, the 13<sup>th</sup> of August 2012.



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