

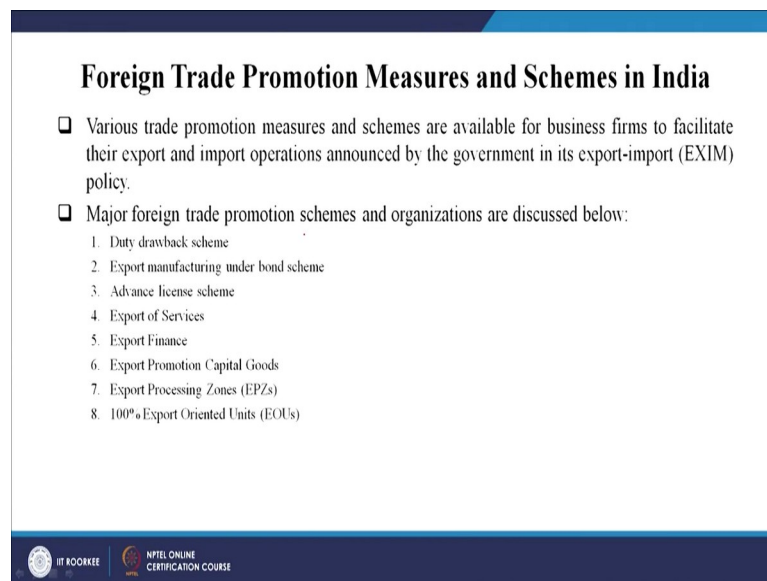
International Business
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Lecture - 42
Foreign Trade Organizations, PNB Scam

Hi friends. Welcome to the class of International Business. Let us continue from where we had left in the last lecture. So, in the last lecture we had discussed about the Foreign Trade promotional measures, the schemes that are prevalent and here the Ministry of Commerce plays a very vital role and it helps in the formulation of the different schemes and the guidelines along with the help of the DGFT, right.



So, what are the some of the schemes and we had discussed are for example like the we had discussed about the duty drawback scheme.

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Foreign Trade Promotion Measures and Schemes in India

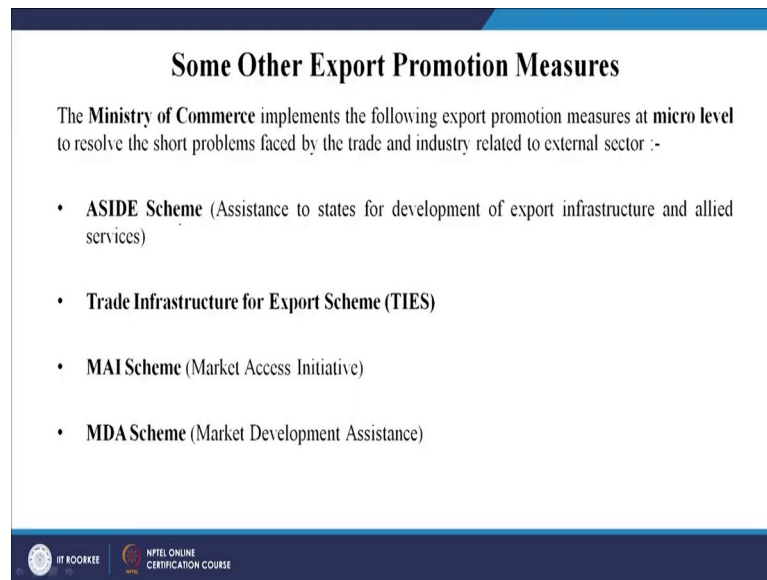
- ❑ Various trade promotion measures and schemes are available for business firms to facilitate their export and import operations announced by the government in its export-import (EXIM) policy.
- ❑ Major foreign trade promotion schemes and organizations are discussed below:
 1. Duty drawback scheme
 2. Export manufacturing under bond scheme
 3. Advance license scheme
 4. Export of Services
 5. Export Finance
 6. Export Promotion Capital Goods
 7. Export Processing Zones (EPZs)
 8. 100% Export Oriented Units (EOUs)

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Then export manufacturing under bond scheme, advanced license scheme, export of services, export finance, export promotional capital goods, export processing zones and 100 percent export oriented units.

So, which majorly the government has made to help in boosting up the export business for from for the Indian exporters, right.

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Some Other Export Promotion Measures

The **Ministry of Commerce** implements the following export promotion measures at **micro level** to resolve the short problems faced by the trade and industry related to external sector :-

- **ASIDE Scheme** (Assistance to states for development of export infrastructure and allied services)
- **Trade Infrastructure for Export Scheme (TIES)**
- **MAI Scheme** (Market Access Initiative)
- **MDA Scheme** (Market Development Assistance)

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And along with this there were a few more measures. For example, like the ASIDE scheme the government had started to assist the for the development of export infrastructure and allied services among the states. Then the TIES which is called the Trade Infrastructure for Export Scheme, then there was an Market Access Initiative which is the MAI scheme right which helps basically in development of foreign markets and try to promote the brands of the exporters. Then there is an Market Development Assistance again scheme which is called the MDA scheme.

So, these were the different schemes provided by the Government of India in collaboration with the State, the Central and the State government's. They take up such schemes maybe in different ratios for example somewhere there is an equal participation somewhere.

You know the government gives up around 20 percent of the total fund and the rest is borne by the states and in some different cases there are different aspects, right.

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So, from here today we will talk about the Foreign Trade Organizations. What are the Foreign Trade Organizations and what are the roles right.

So, let us start with this the government of India has set up various institutions right in order to facilitate the process of foreign trade in our country. So, when ever there is a you know whenever you think of foreign trade, so there has to be some organizations. So, these organizations will facilitate the entire process.

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A presentation slide with a white background and a blue header and footer. The title "Foreign Trade Organizations in India" is centered in a bold, black font. Below the title, there is a bulleted list of information. The footer contains the logos of IIT Roorkee and NPTEL Online Certification Course.

- The Government of India has set up various institutions in order to facilitate the **process of foreign trade in our country**.
- **The Ministry of Commerce and Industry administers two departments**, the Department of Commerce and the Department for Promotion of Industry & Internal Trade (formerly Department of Industrial Policy & Promotion).
- The **Department of Commerce** in the Ministry of Commerce, Government of India, is the **apex body** responsible for the country's external trade and all jurisdiction linked with it.
- The **Department for Promotion of Industry & Internal Trade** is responsible for formulation and implementation of promotional and developmental measures for growth of the industrial sector, keeping in view the national priorities and socio-economic objectives.
- It is entrusted with formulating and implementing the **foreign trade policy** and responsibilities relating to **multilateral and bilateral commercial relations**, state trading, export promotion measures, and development and regulation of certain export oriented industries and commodities.

So, the government has set up certain institutions right. The Ministry of Commerce and Industry Administers, two departments largely the Department of Commerce and the Department for Promotion of Industry and Internal Trade formerly which was called as this was formerly known as Department of Industrial Policy and Promotion.

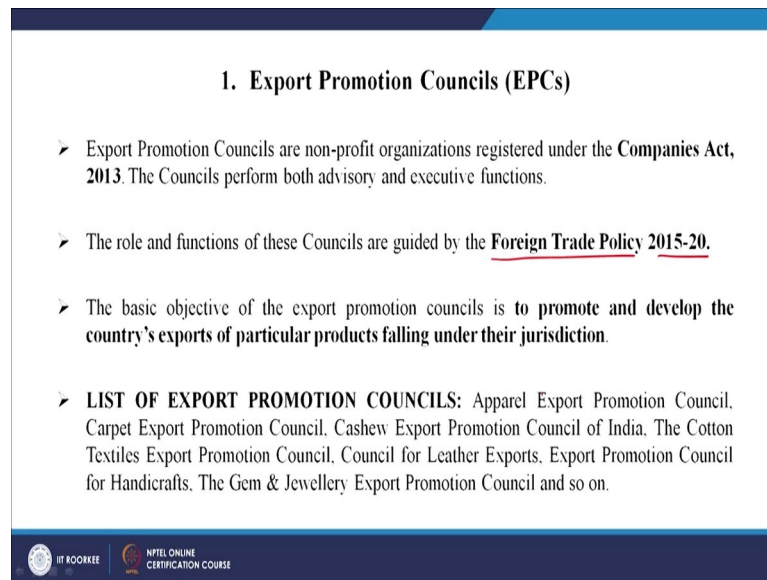
So, now it is called Department of Promotion of Industry and Internal Trade, right. So, these two departments are the apex departments. So, the first one the department of commerce in the Ministry of Commerce Government of India is the body responsible for the country's external trade and all jurisdiction linked with it, right. So, all rules and legal you know connections, all the legal rules and anything that is connected with legality is taken up by the Department of Commerce right for the external trade.

The second one the Department for Promotion of Industry and Internal Trade is responsible for the formulation and implementation of promotional and developmental measures for growth of the industrial sector keeping in view the national priorities and socio-economic objectives.

So, these two major bodies you know are there, right. It is interested with formulating and implementing the foreign trade policy responsibilities relating to multilateral and bilateral commercial relations, state trading export promotion measures and development and regulation of certain export oriented industries and commodities, right.



So, these are the responsible of responsibilities of the Department of Commerce and the Department for Promotion of Industry and Internal Trade, right.

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1. Export Promotion Councils (EPCs)

- Export Promotion Councils are non-profit organizations registered under the **Companies Act, 2013**. The Councils perform both advisory and executive functions.
- The role and functions of these Councils are guided by the Foreign Trade Policy 2015-20.
- The basic objective of the export promotion councils is **to promote and develop the country's exports of particular products falling under their jurisdiction**.
- **LIST OF EXPORT PROMOTION COUNCILS:** Apparel Export Promotion Council, Carpet Export Promotion Council, Cashew Export Promotion Council of India, The Cotton Textiles Export Promotion Council, Council for Leather Exports, Export Promotion Council for Handicrafts, The Gem & Jewellery Export Promotion Council and so on.

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So, under these there are few more institutions which have been started. For example, the first one we will start with today is the Export Promotion Council. Now what is this institution and what is its role?.

The Export Promotion Councils are non-profit organizations registered under the Companies Act 2013. This council performs both advisory and executive functions. The role and functions of these councils are guided by the Foreign Trade Policy 15-20 ok.

What is the basic objective of this export promotion council? It helps to promote and develop the country's exports of particular products falling under this jurisdiction, right.

What are the lists of products? So, they are basically Apparel Export Promotion Council for apparels, Carpet Export Promotion Council, Cashew Export Promotion Council of India, the Cotton Textiles Export Promotional Council, Council for Leather Exports, Export Promotional Council for Handicrafts, Gem and Jewellery Export Promotional Council and so on. So, there are some of the you know Export Promotional Councils in relation to the different kinds of goods the government has made, right.

So, it is basically a advisory you know creates has an advisory function, right. The second is the Export Inspection Council, right.

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2. Export Inspection Council (EIC)

- The Export Inspection Council (EIC) is the official export certification body of India which ensures quality and safety of products exported from India.
- The Export Inspection Council of India was setup by the Government of India under **Section 3 of the Export Quality Control and Inspection Act 1963**.
- The council is an **apex body** for controlling the activities related to **quality control and pre-shipment inspection of commodities meant for export**.
- The Export Inspection Council is located **at Delhi**.
- EIC provides **mandatory certification** for various Food items namely fish & fishery products, dairy product, honey, egg products, meat and meat products, poultry meat products, animal casing, gelatine, ossein and crushed bones and **while other food and non-food products** are certified on **voluntary basis**.

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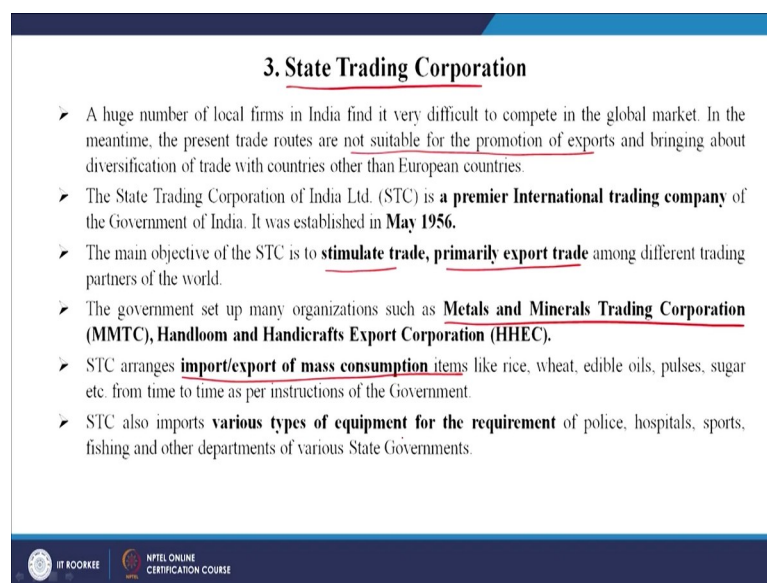
So, what is this Export Inspection Council? It is the official export certification body. So, it is a export certification body which ensures quality and safety of the products being exported from India.

So, if you have to export who will certify it, right. Somebody has to certify that, right. So, this certification will be done by this Export Inspection Council. It was set up by the Government of India under Section 3 of the Export Quality Control and Inspection Act 1963. The council is an apex body for controlling the activities related to quality control and pre-shipment. That means before you have shipped the goods to the buyer.

Pre-shipment inspection of the commodities meant for the export it is located at Delhi. Now the export inspection council provides mandatory certification for various food items namely fish, fishery products, dairy, honey, egg products, meat and meat products, poultry, meat products, animal casing, gelatine, ossein and crushed bones while other food and non-food products are certified on voluntary basis.

So, for some of the food related items it is compulsory, mandatory and for some others it might be on a voluntary basis, right.

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3. State Trading Corporation

- A huge number of local firms in India find it very difficult to compete in the global market. In the meantime, the present trade routes are not suitable for the promotion of exports and bringing about diversification of trade with countries other than European countries.
- The State Trading Corporation of India Ltd. (STC) is a **premier International trading company** of the Government of India. It was established in **May 1956**.
- The main objective of the STC is to **stimulate trade, primarily export trade** among different trading partners of the world.
- The government set up many organizations such as **Metals and Minerals Trading Corporation (MMTC), Handloom and Handicrafts Export Corporation (HHEC)**.
- STC arranges **import/export of mass consumption items** like rice, wheat, edible oils, pulses, sugar etc. from time to time as per instructions of the Government.
- STC also imports **various types of equipment for the requirement** of police, hospitals, sports, fishing and other departments of various State Governments.

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The third institution which is important in terms of the export-import business is the State Trading Corporations, right. So, what is this a huge number of local firms in India find it very difficult to compete in that global market obviously because we do not have a lack of we have a lack of knowledge, expertise, finance. In the meantime the present trade routes are not suitable for the promotion of exports, right. Some of the trade routes are not suitable.

For example, we do not have share a very close relationship with certain countries. So, the boundaries through this when we go it is difficult and bringing about diversification of trade with countries other than the European countries. So, this is a Premier International Trading Company which was established in May 1956.

The main objective of the State Trading Corporation is to stimulate trade primarily export trade among different trading partners of the world. So, it tries to stimulate trade by you know joining hands and trying to create partnership with different organizations across the world.

The Government has set up many organizations, such as Metals and Mineral Trading Corporation right which is MMTC, Handloom and Handicraft Export Corporation, HHEC right. So, these organization arranges import export of mass consumption items like rice, wheat, edible oil, pulses, sugar etcetera from time to time as per the instruction of the government.

The STC also imparts various types of equipment for the requirement of police, hospitals, sports, fishing and other departments of various state governments. So, it is corporation which helps in partnering across different organizations across the world for export purpose, right. The next is the Indian Institute of Foreign Trade which is an educational institute right which was set up in 63 by the Government of India and registered under the Societies Registration Act.

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4. Indian Institute of Foreign Trade (IIFT)

- The Indian Institute of Foreign Trade is an institution that was **setup in 1963** by the **Government of India** as an autonomous body registered **under the Societies Registration Act** with the prime objective of **professionalizing the country's foreign trade management**.
- It was conferred the status of **Deemed University in 2002**.
- It provides **training** in international trade, **conduct researches** in areas of international business, and analyzing and disseminating data relating to international **trade and investments**

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The prime objective of this act was to professionalize the country's foreign trade management right. It was it was conferred the status of Deemed University in 2002, right and it provides training in international trade, conduct researches in the areas of international business and analyzing and disseminating data relating to the international trade and investments, right.

So, this is basically it has become; it has become largely institute, academic institute today and the purpose is also the same and it is it has been done to do research and educate people on issues of foreign trade, right. Then you have another important organization in India which is called the Indian Institute of Packaging, right.

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5. Indian Institute of Packaging (IIP)

- The Indian Institute of Packaging was set up as a national institute jointly by the **Ministry of Commerce, Government of India, and the Indian Packaging Industry and allied interests** in 1966.
- Its headquarters and principal laboratory is situated at Mumbai and three regional laboratories are located at Kolkata, Delhi and Chennai.
- It is a training-cum-research institute pertaining to packaging and testing.
- It caters to the packaging needs with regard to both the domestic and export markets.
- It also undertakes technical consultancy, testing services on packaging developments, training and educational programs, promotional award contests, information services and other allied activities.

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So, what is this Indian Institute of Packaging? Indian Institute of Packaging was set up as a National Institute jointly by the Ministry of Commerce, Government of India and the package Indian Packaging Industry and allied interests in 1966.


Why did this institute, what are the importance of this institute? So, it is a training cum research institute pertaining to packaging and testing. So, they teach the best methods of packaging and how to ensure that this package you know does not go wrong when it travels long distances and all and it is headquartered at the principal laboratory is situated at Mumbai and three regional you know laboratories are at Kolkata, Delhi and Chennai, right. It is in terms of packaging the most famous Institute, right. It caters to the packaging needs with regard to both the domestic and export markets.

The packaging industry also takes technical consultancy testing services on packaging developments, training and educational programs, promotional award contests, information services and other allied activities.

So, basically you know because if you understand whenever we are you know shipping a consignment or something, it becomes very important that packaging does not mean only we have different kinds of packaging. So, the packaging is not only important in you know saving the item from getting damaged, but also packaging include several other things like for example labeling.

So, what is the different you know what should be containing in the outside information and so that every you know according to the rules and regulations of various countries. So, this institute helps in educating you know the exporters on this basis right.

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6. India Trade Promotion Organization

- The Indian Trade Promotion Organization was setup on 1 January 1992 under the Companies Act 1956 by the Ministry of Commerce, Government of India.
- ITPO was formed by the merger of the two government agencies - Trade Development Authority and Trade Fair Authority of India.
- Its head office is at Pragati Maidan, New Delhi.
- It is a **service organization** and maintains **regular and close interaction** with trade, industry and government and support export organizations engaged in international trade fairs and exhibitions, etc
- It serves the industry by organizing trade fairs and exhibitions—both within and outside the country i.e. technical consultancy, testing services on packaging developments, training and educational programs, promotional award contests, information services and other allied activities

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Next one is the India Trade Promotion Organization, right. So, the Indian Trade Promotion Organization was set up on 1st of January 1992 under the companies act right 1956 by again the Ministry of Commerce. So, as we see everything these are large, this everything entire trade businesses coming under the Ministry of Commerce, right.

ITPO was formed by the merger of two agencies. Now earlier it was called they were Trade Development authority and Trade Fair Authority. So, these two was merged to form the India Trade Promotion Organization. So, head office is at Pragati Maidan, New Delhi. So, you must have seen if you have ever visited Delhi.

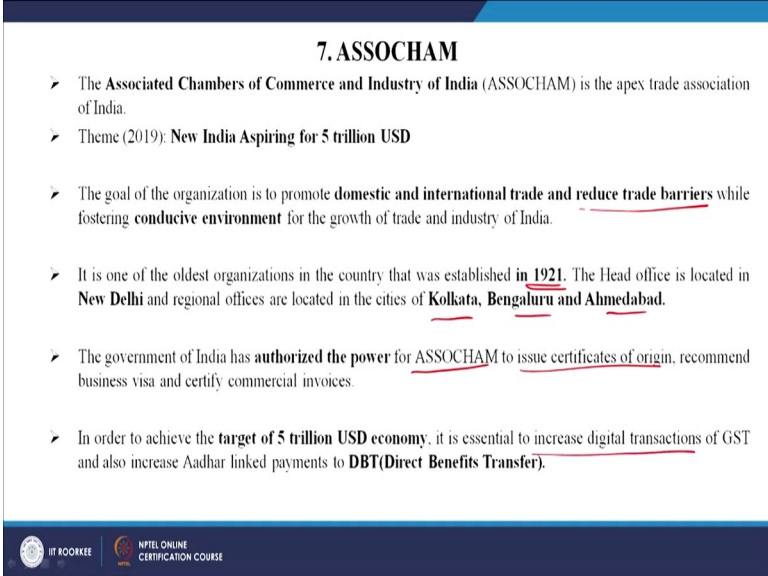
So, there are lots of you know events going on in the Pragati Maidan like for example, trade fairs, promotions, events largely for in different sectors like handloom, handicrafts across different right. So, this is a place whoever wants to do research and you know and the understand the behavior of the exhibitors, organizers and all you can reach to ITPO and try to take permission and do your research out there also.

It is a service organization and maintenance regular and close interaction with the trade, industry and government and support export organizations engaged in international trade

fairs and exhibitions right. It supports the export organizations engaged in international trade fairs and exhibitions. So, this is largely a promotional organization.

So, what is the use? The ITPO serves the industry by organizing regular trade fairs and exhibitions both within and outside the country, right. So, it helps in technical consultancy, testing services on packaging developments, training and educational programs, promotional award contest, information service and also other allied activities right.

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7. ASSOCHAM

- The **Associated Chambers of Commerce and Industry of India (ASSOCHAM)** is the apex trade association of India.
- Theme (2019): **New India Aspiring for 5 trillion USD**
- The goal of the organization is to promote **domestic and international trade and reduce trade barriers** while fostering **conducive environment** for the growth of trade and industry of India.
- It is one of the oldest organizations in the country that was established **in 1921**. The Head office is located in **New Delhi** and regional offices are located in the cities of **Kolkata, Bengaluru and Ahmedabad**.
- The government of India has **authorized the power** for ASSOCHAM to **issue certificates of origin**, recommend business visa and certify commercial invoices.
- In order to achieve the **target of 5 trillion USD economy**, it is essential to **increase digital transactions of GST** and also increase Aadhar linked payments to **DBT(Direct Benefits Transfer)**.

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The next important organization is the ASSOCHAM right, the Associated Chambers of Commerce and Industry of India right. So, ASSOCHAM is the apex trade association of India right. So, the 2019 theme for it was new India aspiring for 5 trillion USD. So, you must have you must be aware that our Prime Minister Narendra Modi has a dream of making India a 5 trillion economy.

So, here ASSOCHAM has its theme is the same, right. Now the goal of the organization is to promote domestic and international trade and reduce the trade barriers while fostering conducive environment for the growth of trade and industry of India. So, ASSOCHAM basically as the is the suggest the associated chambers of commerce and industry.

It helps in the reducing trade barriers and trying to promote domestic international trade and formulate helps in the formulating guidelines also, right and creating a conducive environment for the growth of trade and industry. It is one of the oldest organizations right in the country and established in 1921.

So, it has been a long time when it has been there, right. Head office is located in New Delhi and the Regional offices are in Kolkata, Bangalore and Ahmedabad. The government of India has authorized the power for ASSOCHAM to issue certificate of origin. Now you must have we have discussed in our last few lectures that certificate of origin also is a very important criteria when it comes to international trade.

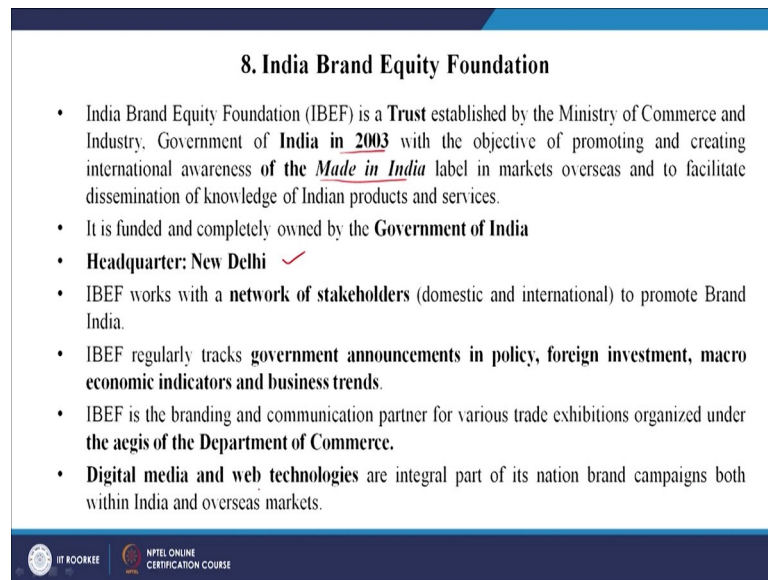
While some nations they take pride some products when it for example, when you talk about electronics from Japan or let us say you talk about Engineering from Germany. So, their certificate of origin or they know the nationality of a country becomes very important within relation to certain products.

So, ASSOCHAM issues certificates of origin recommended business visa and certify the commercial invoices in order to achieve the target of 5 trillion economy. It is essential to increase digital transactions of GST which has recently been started by the present government, the goods and services taxes and also increase Aadhar linked to payments to direct benefit transfer. So, this is some of the very essential functions which comes under the ASSOCHAM.

So, digital transactions, increasing digital transactions for example the government has started up several initiatives right in order to improve digital transaction. So, the main idea behind digital transactions could be for example like there would not be any you know unnecessary you know we do not have to print loads of you know currencies and second is we do not have to then there can be there will be lot of transparency in the transactions.

So, ultimately it is good for any economy, right and the government has been trying to do that and also linking it through Aadhar. And all makes it easier for you know for you know transfer of money, right so the because identity is clear and very much transparent.

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8. India Brand Equity Foundation

- India Brand Equity Foundation (IBEF) is a **Trust** established by the Ministry of Commerce and Industry, Government of **India in 2003** with the objective of promoting and creating international awareness of the *Made in India* label in markets overseas and to facilitate dissemination of knowledge of Indian products and services.
- It is funded and completely owned by the **Government of India**
- **Headquarter: New Delhi** ✓
- IBEF works with a **network of stakeholders** (domestic and international) to promote Brand India.
- IBEF regularly tracks **government announcements in policy, foreign investment, macro economic indicators and business trends**.
- IBEF is the branding and communication partner for various trade exhibitions organized under the **aegis of the Department of Commerce**.
- **Digital media and web technologies** are integral part of its nation brand campaigns both within India and overseas markets.

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The next organization which we will be discussing under important organization are the is the India Brand Equity Foundation right. So, this is a trust established by the Ministry of Commerce and Industry in 2003 with the objective of promoting and creating international awareness of the made in India label in market overseas and to facilitate dissemination knowledge of Indian products and services.

It is funded and completely owned by the Government of India, right and it is headquartered in New Delhi. The IBEF works with a network of stakeholders, domestic and international both to promote the brand India.

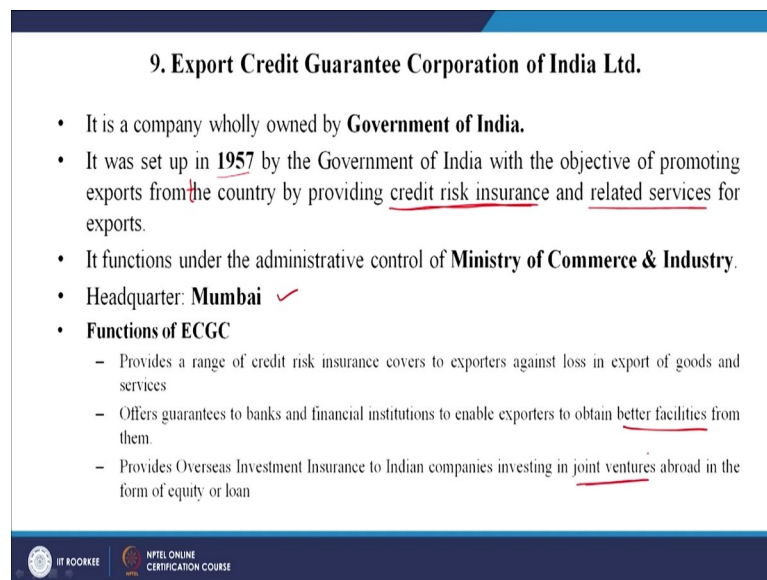
So, the whole objective of the government was to promote the you know national brand or the brand India, right. As we talk about the brand, Japan the brand Germany, the brand USA, similarly they wanted to promote our country India right.

IBEF regularly tracks government announcements in policy, foreign investment, macro economic indicators and business trends it is the branding, IBEF is the branding and communication partner for various trade exhibitions organized under the department of AEGIS of the department of commerce, ok. So, it is largely a as a name itself suggest a brand equity foundation. It helps in the branding you know and promotion of the different you know products.

So the digital media and web technologies are integral part of its nation brand campaigns both within India and overseas market. So, India Brand Equity Foundation is has a very important role to play because whenever it comes to popularize the brand India, it is one of those important organizations that helps in branding and promoting India right wherever it finds an opportunity.

The next is the Export Credit Guarantee Corporation of India Limited.

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9. Export Credit Guarantee Corporation of India Ltd.

- It is a company wholly owned by **Government of India**.
- It was set up in **1957** by the Government of India with the objective of promoting exports from the country by providing credit risk insurance and related services for exports.
- It functions under the administrative control of **Ministry of Commerce & Industry**.
- Headquarter: **Mumbai** ✓
- **Functions of ECGC**
 - Provides a range of credit risk insurance covers to exporters against loss in export of goods and services
 - Offers guarantees to banks and financial institutions to enable exporters to obtain better facilities from them.
 - Provides Overseas Investment Insurance to Indian companies investing in joint ventures abroad in the form of equity or loan

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So, the next body important organization in India is Export Credit Guarantee Corporation of India Limited. As the name suggests if you can see from here only. So, what it is saying export credit guarantee, right somebody its credit guarantee corporation.

It is a company wholly owned by the Government of India set up in 1957 with the objective of promoting exports from the countries from the country by providing credit risk insurance and related services for exports.

So, when we when we are into the business of exports and imports, then obviously there is a risk attached and when you are an exporter, so you are you maybe the money would come after some time. So, for this there is a credit risk insurance which is made and it is taken care of this by this body, right. It functions under the administrative control of the Ministry of Commerce and Industry and headquartered in Mumbai.

Let us see what are the functions of this ECGC, right. It is largely called ECGC, right Export Credit Guarantee Corporation. It provides range of credit risk insurance covers to exporters against loss in export of goods and services. So, suppose there is any loss, so there is that insurance which is what kind of insurance should be done and all is being provided by ECGC. It offers the guarantees to the banks and the financial institutions.

So, it is an intermediary which comes like savior right between the in the between the parties right. So, it offers guarantees to the banks and financial institutions to enable the exporters to obtain better facilities from them. The third important function of the ECGC is to provide overseas investment insurance to Indian companies investing in joint ventures.

Now, I hope you understand joint venture when two organizations try to share risk and what they try to you know do a common activity. They do activity commonly, so that the risk is shared and it is generally done for a new venture. So, in such conditions the ECGC helps in providing overseas investment insurance right in the form of equity or loan.

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10. Federation of Indian Export Organizations

- It is the **apex body** of the export promotion councils, commodity boards and export development authorities in India.
- It was set **up jointly** by the **Ministry of Commerce, Government of India** and **private trade and industry in the year 1965**. ✓
- It is an **ISO 9001-2008** certified Organization ensures high quality service to its members and associates.
- It has served as a **platform of interaction** between exporters and policy makers, and promoted the efforts of Indian exporting community.
- The organization is responsible for representing and assisting **Indian entrepreneurs and exporters in foreign markets**.
- The headquarter is located in **New Delhi** and four Regional Offices are located in Delhi, **Chennai, Kolkata and Mumbai**.
- FIEO's mobile app – **Niryat Mitra**.
- FIEO confers "**Niryat Shree**" and "**Niryat Bandhu**" Awards to its exporters and export facilitators respectively for their outstanding performance in exports.

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Then we have the next organization which is the Federation of Indian Export Organizations.

So, this is the another apex body of the export promotion councils, commodity boards and export development authorities in India. So, this federation was set up jointly by the Ministry of Commerce, Government of India and private trade and industry in the year 1965, it is an ISO 9001-2008 certified organization ensures high quality service to its members and associates.

So, the whole objective of this organization is to provide high quality service to its members, right. It has served as a platform for interaction between exporters and policymakers. So, what are the problems the policy the exporters are facing and what services or the you know what kind of facilities they require?.

So, for that the policy makers also has to understand the you know problems of the exporters. So, this acts as a platform for such interaction, right and promoted the efforts of Indian exporting community, the federation of Indian export is responsible for representing and assisting Indian entrepreneurs and exporters in foreign markets.

It is a representation, it is a representative for the exporters in the foreign markets located in New Delhi and it has four regional offices Chennai, Kolkata and Mumbai, right. So, its it should be 3. So, New Delhi is the main headquarter. So, there are the four are the rest remaining three are Chennai, Kolkata and Mumbai. It has a mobile app which is called Niryat Mitra, right.

So, it is somewhat like Mitra means friend, right. It confers Niryat Shree and Niryat Bandhu awards to its exporters and export facilitators respectively for their outstanding performance exports, right. So, the basically the we have understood the federation of Indian Export Organization is somebody responsible to understand the problems and try to create accordingly right policies for the exporters and it also to promote exporting and.

You know it helps in it has created a app called Niryat Mitra and it awards gives awards to its exporters and facilitators.

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11. Directorate General of Foreign Trade

- Directorate General of Foreign Trade (DGFT) organization is an attached office of the Ministry of Commerce and Industry and is headed by **Director General of Foreign Trade**.
- It is responsible for formulating and implementing the **Foreign Trade Policy** with the main objective of promoting India's exports.
- The headquarter is located in New Delhi and it monitors their corresponding obligations through a network of 36 regional offices.
- All regional offices provide facilitation to exporters in regard to **developments in international trade**, i.e. WTO agreements, Rules of Origin and anti-dumping issues, etc. to help exporters in their import and export decisions in an **internationally dynamic environment**.

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The last is the Directorate General of Foreign Trade. So, the most important organization I can easily say it is an attached office of the Ministry of Commerce and Industry and is headed by the Director General of Foreign Trade.

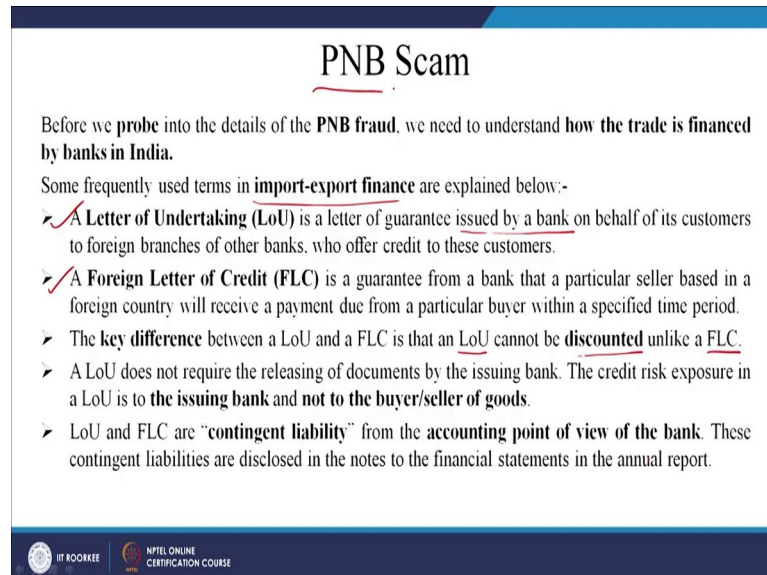
It is responsible for formulating and implementing the Foreign Trade Policy with the main objective of promoting India's exports. So, this is the body which in fact makes most of the guidelines and rules right. It is again headquartered in New Delhi and monitors the corresponding obligations through a network of 36 regional offices across India.

All regional offices provide facilitations to exporters in regard to development in international trade such as that is WTO agreement, World Trade Organization agreements rules of origin and anti-dumping issues etcetera to help promoters in their import and export decisions in an international dynamic environment.

So, the Directorate General of Foreign Trade is the organization which takes into account several you know issues. For example, what are the WTO, we are member of WTO, so what are the agreements we have with them and accordingly what should be the rules of origin the anti-dumping issues etcetera. It tries to educate and make guidelines accordingly and this is the one of the most important organizations right which makes which takes helps the exporters to carry on the business smoothly.

Now, before I wind up I would I thought I should share a very interesting you know case which recently happened in India.

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PNB Scam

Before we probe into the details of the PNB fraud, we need to understand how the trade is financed by banks in India.

Some frequently used terms in import-export finance are explained below:-

- A Letter of Undertaking (LoU) is a letter of guarantee issued by a bank on behalf of its customers to foreign branches of other banks, who offer credit to these customers.
- A Foreign Letter of Credit (FLC) is a guarantee from a bank that a particular seller based in a foreign country will receive a payment due from a particular buyer within a specified time period.
- The key difference between a LoU and a FLC is that an LoU cannot be discounted unlike a FLC.
- A LoU does not require the releasing of documents by the issuing bank. The credit risk exposure in a LoU is to the issuing bank and not to the buyer/seller of goods.
- LoU and FLC are "contingent liability" from the accounting point of view of the bank. These contingent liabilities are disclosed in the notes to the financial statements in the annual report.

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The PNB scam. Now why I am saying this it is a part of the international trade. So, that is why I brought it here and how this became a very big scam. This fraud called largely the PNB fraud or the Nirav Modi scam largely. You must have heard how it happened and what happened in there. So, you might be interested.

So, what it say is this is a this fraud which happened how the trade is financed by banks in India. It is a case of that. So, some of the frequently used terms in import export finance are like for example a letter of undertaking, a foreign letter of credit. So, what is this? What are the difference between these two? So, a letter of undertaking is a letter of guarantee issued by a bank.

So, these organizations which we had just discussed, they help in some of them help in issuing guarantee, right. So, issued by a bank on behalf of its customers to foreign branches of other banks who offer credit to those customers. So, what happened a letter of undertaking is a letter of guarantee issued by a bank maybe because of the intervention of some of the you know that these apex organizations.

So, the bank will issue a letter of guarantee on behalf of its customers to the foreign branches of other banks, then they would offer credit to the customers and there is a

foreign letter of credit which is a guarantee from a bank that a particular seller let us say x based in a foreign country will receive a payment due from a particular buyer within a specific time period.

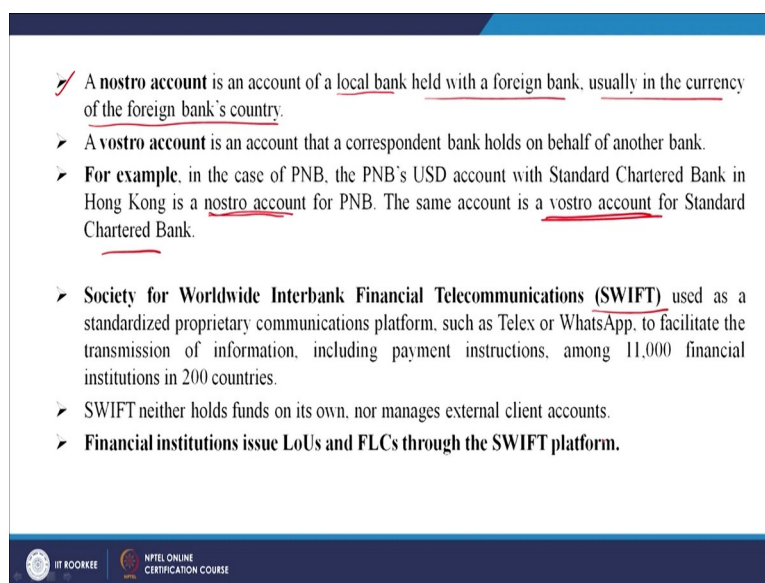
Now, what is the difference between this letter of undertaking and letter of credit? Let us understand the key difference is that a LoU, the Letter of Undertaking cannot be discounted unlike FLC the Letter of Credit right, the Foreign Letter of Credit. A letter of undertaking does not require the releasing of documents by the issuing bank.

The credit risk exposure in LoU is to the issuing bank. So, the issuing bank in this case was PNB which we will discuss and not to the buyer or the seller of the goods. So, the party was Nirav Modi, his organization and the issuing bank was in this case Punjab National Bank. So, what happened we will see.

So, LoU and FLC are contingent liability from the accounting point of view of the bank, right because in both the conditions the bank has issued right on behalf of the customers a letter of guarantee or some kind of a guarantee, right. These contingent liabilities are disclosed in the notes of the financial statements in the annual report.

Now let us see what happened if you are aware Nirav Modi was one diamond merchant who made a big scam by using the letter of undertaking from Punjab National Bank and trying to and it gave it to some other you know bank in some other country and from there it the you know it got some important raw materials in form of diamonds and other stones which was used for the manufacture of the final jewellery in India, right. So, this was a whole thing.

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➤ A nostro account is an account of a local bank held with a foreign bank, usually in the currency of the foreign bank's country.

➤ A vostro account is an account that a correspondent bank holds on behalf of another bank.

➤ For example, in the case of PNB, the PNB's USD account with Standard Chartered Bank in Hong Kong is a nostro account for PNB. The same account is a vostro account for Standard Chartered Bank.

➤ Society for Worldwide Interbank Financial Telecommunications (SWIFT) used as a standardized proprietary communications platform, such as Telex or WhatsApp, to facilitate the transmission of information, including payment instructions, among 11,000 financial institutions in 200 countries.

➤ SWIFT neither holds funds on its own, nor manages external client accounts.

➤ Financial institutions issue LoUs and FLCs through the SWIFT platform.

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Now, there are few other things that you need to understand before you get into the PNB scam. For example, there are two types of accounts which are also important and which you should know what is that. One is a nostro account which is an account of a local bank. For example, a local bank here held with a foreign bank usually in the currency of the foreign banks country right.

So, nostro account says that there is an account of a local bank held with a foreign bank right usually in the currency of the foreign banks country whichever country it is. There is another account called the vostro account. It is an account that a correspondent bank holds on behalf of another bank, right.

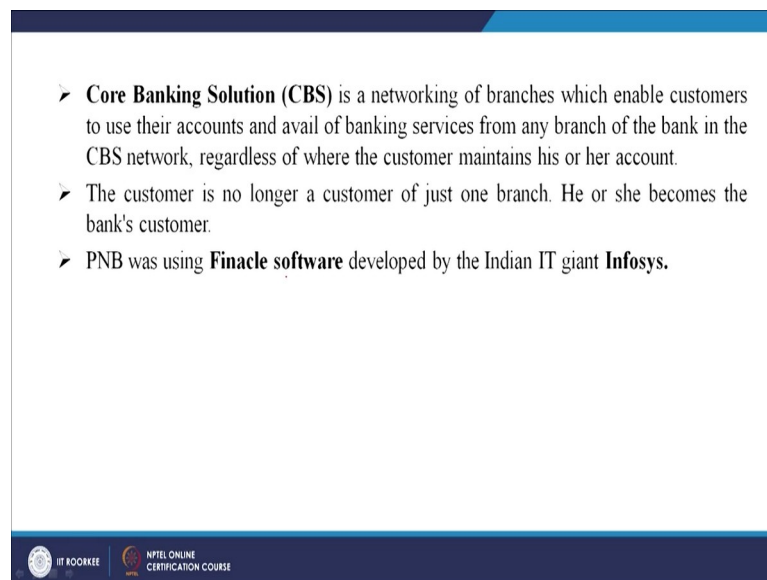
So, now in case of PNB what happened you see the PNBs USD account right with Standard Chartered Bank in Hong Kong is a nostro account. The same account is a vostro account for Standard Chartered Bank. Now you can you if you read it once again maybe you will understand it little clearly, right.

So, the same account is a nostro account for PNB and vostro account for Standard Chartered Bank right. Another term which is very important which you must have heard during that PNB scam was the SWIFT. Now what is that Society for Worldwide Interbank Financial Telecommunications. It is used as a standardized proprietary communications platform such as telex or WhatsApp to facilitate the transmission of

information including payment instructions among 11000 financial institutions in 200 countries.

The SWIFT neither holds funds on its own nor manages external client accounts, ok. Financial institutions will issue the LoUs and FLCs through the SWIFT platform. So, this was some of the you know terms which you need to understand before you get into the scam. One more is there.

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➤ **Core Banking Solution (CBS)** is a networking of branches which enable customers to use their accounts and avail of banking services from any branch of the bank in the CBS network, regardless of where the customer maintains his or her account.

➤ The customer is no longer a customer of just one branch. He or she becomes the bank's customer.

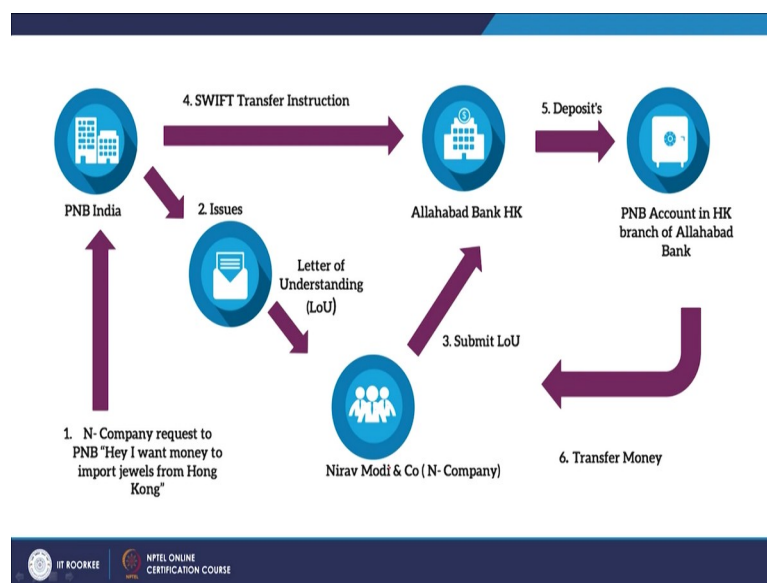
➤ PNB was using **Finacle software** developed by the Indian IT giant **Infosys**.

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Let us see what is that. The Core Banking Solution. What is it? It is a networking of the branches which enable the customers to use their accounts and avail of banking services from any branch of the bank in the CBS network regardless of where the customer maintains his or her account.

The customer is no longer a customer of just one branch. He or she becomes the banks customer. In this case of you know PNB was using finacle software by developed by Infosys. So, let us see what happened here.

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So, if you see this diagram. So, first n company Nirav company requested to PNB that they want money to import jewels from Hong Kong, ok. So, the Nirav Modi company requested to PNB that they want money to import jewels from Hong Kong right. So, it went to PNB, the request went to PNB India. PNB India now issued a letter of undertaking right so which is like a guarantee.

So, this was this came to the Nirav Modi and company again n company right and this letter of undertaking was submitted to the Allahabad bank in Hong Kong, right. So, here while this side on the other side what happened there were SWIFT transfer instruction which came from the PNB India directly to the Allahabad bank account right Hong Kong.

So, now Allahabad Hong Kong which has a you know account of PNB there deposited it in the PNB account in Hong Kong branch of Allahabad bank, ok. So, they deposits here. So, now from here when it has deposited this you know request now the PNB from the PNB account in Hong Kong branch of Allahabad bank from there money was transferred to the Nirav Modi company here, right.

Now, so that means what happened here the both the cases the buyer and the seller were both Nirav Modi's own companies right. So, because of this it was like you know I buying from myself and I selling to myself. It was a case of as good as that, right. So,

because of this the whole scam happened and Punjab National Bank you know had a very bad time in solving this issue.

Although they have now come out of it, but still it was a it happened to be a very big scam. How the misutilization of letter of undertaking has and with SWIFT transfer has led to such a big scam and now the rest is history. So, we do not talk about it, but why I brought it here is because when we are talking about international trade export and import, we need to understand [FL] how by misutilizing certain functions, right or certain instruments somebody could create a scam of such a high value right.

So, I think it is very interesting and when you read more about it maybe you will learn better about this case. So, this is only for a class purpose. You can go deep into it and understand it better, right. So, this is all we have for today.

So, thank you very much.