IIBF & NISM Adda

Certificate Examination in

Foreign Exchange Facilities for Individuals

(IIBF & Other Exams)

Compiled by

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About Certificate Examination in Foreign Exchange Facilities for Individuals

Rules & Syllabus 2018

OBJECTIVE

The objective of the course is to make the branch officials familiar with the FEMA provisions that impact their day to day functioning at the branch level. This exam is being introduced pursuant to the recommendation of a committee of RBI.

ELIGIBILITY

1. Members and Non-Members of the Institute
2. Candidates must have passed the 12th standard examination in any discipline or its equivalent.

SUBJECT OF EXAMINATION

Foreign Exchange Facilities for individuals under FEMA 1999

PASSING CRITERIA:

Minimum marks for pass in the subject is 50 out of 100.

EXAMINATION FEES* : Particulars	For Members	For Non-Members
First attempt	Rs.1,000/- *	Rs.1,500/- *
Subsequent each attempt	Rs.1,000/- *	Rs.1,500/- *

MEDIUM OF EXAMINATION:

Examination will be conducted in English only.

PATTERN OF EXAMINATION:

(i) Question Paper will contain 120 objective type multiple choice questions for 100 marks.

(ii) The examination will be held in Online Mode only

(iii) There will NOT be negative marking for wrong answers.

DURATION OF EXAMINATION:

The duration of the examination will be of 2 hours.

PERIODICITY AND EXAMINATION CENTRES:

a) Examination will be conducted on pre-announced dates published on IIBF Web Site. Institute conducts examination on half yearly basis, however periodicity of the examination may be changed depending upon the requirement of banking industry.

b) List of Examination centers will be available on the website. (Institute will

STUDY MATERIAL / COURSEWARE

The Institute has developed a courseware to cover the syllabus. The courseware (book) for the subject/s will be available at outlets of publisher/s. Please visit IIBF website www.iibf.org.in under the menu "Exam Related" for details of book/s and address of publisher/s outlets. Candidates are advised to make full use of the courseware. However, as banking and finance fields are dynamic, rules and regulations witness rapid changes. Therefore, the courseware should not be considered as the only source of information while preparing for the examinations. Candidates are advised to go through the updates put on the IIBF website from time to time and go through
Master Circulars / Master Directions issued by RBI and publications of IIBF like IIBF Vision, Bank Quest, etc. All these sources are important from the examination point of view. Candidates are also to visit the websites of organizations like RBI, SEBI, BIS, IRDAI, FEDAI etc. besides going through other books & publications covering the subject / exam concerned etc. Questions based on current developments relating to the subject / exam may also be asked.

Cut-off Date of Guidelines /Important Developments for Examinations

The Institute has a practice of asking questions in each exam about the recent developments / guidelines issued by the regulator(s) in order to test if the candidates keep themselves abreast of the current developments. However, there could be changes in the developments / guidelines from the date the question papers are prepared and the dates of the actual examinations.
In order to address these issues effectively, it has been decided that:

(i) In respect of the examinations to be conducted by the Institute for the period February to July of a calendar year, instructions / guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December will only be considered for the purpose of inclusion in the question papers".

(ii) In respect of the examinations to be conducted by the Institute for the period August to January of a calendar year, instructions / guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June will only be considered for the purpose of inclusion in the question papers.

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The table given below further clarifies the situation. **Particulars** **Developments for Examination/s**	**Cut-off Date of Guidelines / Important Developments for Examination/s**
For the examinations to be conducted by the Institute for the period February 2018 to July 2018	31st December 2017
For the examinations to be conducted by the Institute for the period August 2018 to January 2019	30th June 2018

SYLLABUS

1) Introduction to FEMA

a) Genesis of FEMAand repeal of FERA

b) Comparison between FEMA 1999 and FERA 1973

c) Important sections of FEMA 1999 and upto date amendments, schedules-I,

II and III

d) Compounding provisions under FEMA and the effect of non-adherence to

FEMA provisions

2) Facilities available to residents under FEMA and the regulations that are applicable to Individuals covering areas such as

a) Meaning and definition of resident in India

b) Foreign travel

c) Outward remittances/advance remittances / inward remittances

d) Refund of inward remittances and importance AML

e) Maintenance of foreign currency accounts

f) Permissions for investments abroad

g) Borrowings in foreign currency

h) Export of gifts and forward contracts

I) Foreign currency TCs purchase and encashment

j) International credit cards

3) Facilities available to and regulations applicable to non-resident individuals

a) Meaning and definition of non-resident Indian and Foreign national

b) Various schemes for non-resident Indians

c) NRE, FCNR and ONR account schemes

d) Deduction of TDS for NRO accounts-tax treaties

e) Tax havens and cautions in handling remittances

f) Borrowing opportunities and investment facilities in India

g) Guarantees by non-residents and deposits other than bank deposits

h) Risk management for non-residents

4) Miscellaneous aspects

a) In and out bound remittances

b) Opening of foreign currency and Rupee accounts in and outside India

c) Guidelines on taxation and TDS

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Foreign Exchange Management Act (FEMA)

Main Features of the Foreign Exchange Management Act (FEMA)

The Foreign Exchange Management Act (FEMA) was an act passed in the winter session of Parliament in 1999, which replaced Foreign Exchange Regulation Act. This act seeks to make offences related to foreign exchange civil offences. It extends to the whole of India.

The Foreign Exchange Regulation Act (FERA) of 1973 in India was replaced on June 2000 by the Foreign Exchange Management Act (FERA), which was passed in 1999. The FERA was passed in 1973 at a time when there was acute shortage of foreign exchange in the country.

It had a controversial 27 years stint during which many bosses of the Indian corporate world found themselves at the mercy of the Enforcement Directorate. Moreover, any offence under FERA was a criminal offence liable to imprisonment. But FEMA makes offences relating to foreign civil offences.

FEMA had become the need of the hour to support the pro- liberalisation policies of the Government of India. The objective of the Act is to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments for promoting the orderly development and maintenance of foreign exchange market in India.

FEMA extends to the whole of India. It applies to all branches, offices and agencies outside India owned or controlled by a person, who is a resident of India and also to any contravention there under committed outside India by two people whom this Act applies.

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The Main Features of the FEMA:

The following are some of the important features of Foreign Exchange Management Act:

i. It is consistent with full current account convertibility and contains provisions for progressive liberalisation of capital account transactions.

ii. It is more transparent in its application as it lays down the areas requiring specific permissions of the Reserve Bank/Government of India on acquisition/holding of foreign exchange.

iii. It classified the foreign exchange transactions in two categories, viz. capital account and current account transactions.

iv. It provides power to the Reserve Bank for specifying, in , consultation with the central government, the classes of capital account transactions and limits to which exchange is admissible for such transactions.

v. It gives full freedom to a person resident in India, who was earlier resident outside India, to hold/own/transfer any foreign security/immovable property situated outside India and acquired when s/he was resident.

vi. This act is a civil law and the contraventions of the Act provide for arrest only in exceptional cases.

vii. FEMA does not apply to Indian citizen's resident outside India.

Difference between the FERA and FEMA:

FERA, 1973	FEMA, 1999
It is an old enactment. It was passed in 1973. Now this Act has been repeated.	It is a new enactment. It was passed in the year 1999.
It was a long enactment with 81 Sections. It was very strict in nature.	It is a small enactment with 49 Sections. It is liberal in nature.
Approach towards foreign exchange transactions was very conservative and restrictive.	The approach towards foreign exchange transactions is very positive and welcoming.
Penalty provisions were very hard. In this Act, imprisonment was imparted to the person violating its provisions.	It provides only for monetary penalty for violating the provisions. Imprisonment is imparted only on non-payment of monetary penalty.
The scope of FERA was very wide. It dealt with all the transactions related to foreign exchange, i.e, anything and everything related to foreign exchange was controlled by FERA.	The scope of FEMA is narrow. It deals only with specified transactions related to foreign exchange, i.e. it checks and controls only those transactions, which are specifically mentioned in the Act. It dose not deal with the transactions which are not specifically mentioned in its scope.

4 Main Participants of Foreign Exchange Market

The participants are: 1. Commercial Banks or Market Makers 2. Foreign Exchange Brokers 3. Central Banks or Reserve Bank of India 4. Corporates and Entrepreneurs.

Participant # 1. Commercial Banks or Market Makers:
Commercial banks are normally taking over the position to support the economy of the country by carrying over the foreign currency from one period to another, for meeting the future need of the country. They are also sometime making short sale (agree to sell or actually sell the foreign currency without any real capacity to sell through or borrow the required currency from others) of foreign currency to satisfy the need of firms to make payments.

Later on to bring the position in equilibrium, they quote the rates for buying and selling of foreign currency accordingly. As they are buying the foreign currency from the customer, the rate they quote for buying the foreign currency is technically named as Bid rate. When they sell the foreign currency to customer, the rate they quote is technically known as Ask rate.

Participant # 2. Foreign Exchange Brokers:
ADVERTISEMENTS:

FE brokers do not buy or sell the foreign currency on their own account, as done by market makers. They are working as an intermediary between two parties, to satisfy their respective needs. As they are working as a bridge between buyers and sellers of the foreign currency, they are only earning the fees in the form of brokerage charges.

Participant # 3. Central Banks or Reserve Bank of India:
To protect the financial strength and stability of the country's balance of payments, internal money supply, interest rates and inflation, RBI intervenes in the foreign exchange markets to protect the disequilibrium in the prices of foreign exchange conversion.

Participant # 4. Corporates and Entrepreneurs:
Corporate are the players in the FE market, to satisfy their need of payment in foreign currency towards imports of goods, commodities and services. On the opposite way, they need to convert foreign currency in home currency on account of export of goods, commodities, and services. The need of conversion also happens on account of transactions in financial markets across the globe, for loan disbursement, repayment of loans, receipt and payment of annual charges, etc.

Provisions of Foreign Exchange Management Act

Provisions of Foreign Exchange Management Act (FEMA) provides free transaction on current account subject to the guidelines by the RBI. Enforcement of Foreign Exchange Management Act (FEMA) is entrusted to a separate directorate, which undertakes investigations on contraventions of the Act.

Provisions of FEMA are grouped under four heads. Important provisions under each of the four heads, having a bearing on promoting economic development through foreign investment with enabling provisions to ensure the curtailing of inflationary trends from such transactions, are outlined below.

Regulation for Current Account Transaction:

Any person can sell or draw foreign exchange to or from an authorised dealer (if such sale or withdrawal is a current account transaction) except for certain prohibited transactions like remittance of lottery winnings, remittance of interest income on funds held in Non-Resident Special Rupee (NRSR) account scheme, etc.

Besides these cases, there are certain other transactions, for which specific RBI approval will be required. For instance, Reserve Bank approval is required for importers availing of Supplier's Credit beyond 180 days and Buyer's Credit irrespective of the period of credit.

Authorised dealers are permitted remittance of surplus freight/passage collections by shipping/airline companies or their agents, multimodal transport operators, etc. after verification of documentary evidence in support of the remittance.

Regulations Relating to Capital Account Transactions:

i. Foreign nationals are not allowed to invest in any company or partnership firm or proprietary concern, which is engaged in the business of Chit Fund or in Agricultural or Plantation activates or in Real Estate business (other than development of township, construction of residential/commercial premises, roads or bridges) or construction of farm houses or trading in Transferable Development Rights (TDRs). Listing of permissible classes of Capital account transaction for a person resident in India and also by a person resident outside India has been provided in the regulations.

ii. Detailed rules and regulations are provided on borrowing and lending in Foreign Currency as well as India Rupee by a person resident in India form/to a person resident outside India either on non-repatriation or repatriation basis.

iii. Authorised dealers are now permitted to grant rupee loans to NRIs against security of shares or immovable property in India, subject to certain terms and conditions. Authorised dealers or housing finance institutions approved by National Housing Bank can also grant rupee loans to NRIs for acquisition of residential accommodations subject to certain terms and conditions.

iv. General permission has been granted to Indian company (including Non-Banking Finance Company) registered with Reserve Bank to accept deposits from NRIs on repatriation basis subject to the terms and conditions specified in the schedule.

Indian proprietorship concern/firm or a company (including Non-Banking Finance Company) registered with Reserve Bank can also accept deposits from NRIs on non-repatriation basis subject to the terms and conditions specified in the schedule.

Regulations relating to export of goods and services:

Export proceeds are required to be realised within a period of 6 months from the date of shipment. In the case of exports to a warehouse established abroad with the approval of Reserve Bank, the proceeds have to be realised within 15 months from the date of shipment.

An enabling provision has been made in this regulation to delegate powers to authorised dealers to allow extension of time. Export of goods on elongated credit terms beyond six months requires prior approval of Reserve Bank.

Other Regulations:

i. A person resident in India to whom any foreign exchange is due or has accrued is obligated to take reasonable steps to realise and repatriate to India such foreign exchange unless an exemption has been provided in the Act or regulations made under the general or special permission of Reserve Bank.

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ii. Any foreign exchange due or accrued as remuneration for services rendered or in settlement of any lawful obligation or an income on assets held outside India or as inheritance, settlement or gift to a person resident in India should be sold to an authorised person within a period of seven days of its receipt and in all other cases within 90 days of its receipt.

iii. Any person who has drawn exchange for any purpose but has not utilised it for the same or any other purpose permissible under the provisions of the Act should surrender such foreign exchange or un-utilised foreign exchange to an authorised person within a period of 60 days from the date of acquisition.

Where, however, exchange was drawn for travel abroad, the un-utilised exchange in excess of the limit up to which foreign exchange is permitted to be retained, should be surrendered to an authorised person within 90 days from the date of return of the' traveller to India if unspent exchange is in the form of travellers cheques.

iv. The Reserve Bank has specified the limit for possession and retention of foreign currency by a person resident in India. There is no restriction on possession of foreign coins by any person. Any person resident in India is permitted to retain in aggregate foreign currency not exceeding US$ 2000 or its equivalent in the form of currency notes/bank notes or travellers cheques acquired by him from approved sources.

v. The Reserve Bank has granted general permission to any person to receive any payment:

(a) made in rupees by order or on behalf of a person resident outside India during his stay in India by converting the foreign exchange into rupees by sale to an authorised person;

(b) made by means of a cheque drawn on a bank outside India or a bank draft or travellers cheques issued outside India or made in foreign currency notes directly, provided the cheques, drafts or foreign currency is sold to an authorised person within seven days of its receipt;

(c) by means of a postal order or money order issued by a post office outside India.

vi. Reserve bank has also granted general permission to a person resident in India to make payment in rupees;

(a) for extending hospitality' to a person resident outside India;

(b) to a person resident outside India for purchase of gold or silver imported by such person in accordance with the provisions of any order issued by Central Government under the Foreign Trade (Development and Regulation) Act, 1992 or under any law or rules or regulations in force.

OVERVIEW OF FOREIGN EXCHANGE MANAGEMENT ACT

BACKGROUND – EVOLUTION OF FOREIGN EXCHANGE REGULATIONS IN INDIA

Exchange regulations have always remained at the centre of Indian economy. Exchange controls
were first introduced in India during the Second World War (1942). Soon after independence, they
were formally reaffirmed in form of the first Foreign Exchange Regulation Act, 1949 (FERA). This was
followed by FERA, 1973. The control framework under FERA was essentially transaction based in
terms of which all transactions in foreign exchange including those between residents to nonresidents
were prohibited unless specifically permitted.

Transformation from control-to-management: FERA to FEMA

The 1970s and 1980s saw the rise of large external sector imbalances on account of persistent
increase in adverse balance of payments situation. There was over dependence on official foreign
aid. It was this balance of payment crisis that triggered the wave of economic liberalization. The
Indian rupee became market determined in 1993. The need was felt to consolidate and amend the
law relating to foreign exchange with the objectives of facilitating external trade and payments and
for promoting the orderly development and maintenance of foreign exchange market in India.

Accordingly, on June 1, 2000, the Foreign Exchange Management Act, 1999 (FEMA) was brought in
force to replace the then existing Foreign Exchange Regulation Act, 1973 (FERA). FEMA has been
enacted with an objective of facilitating external trade and payments and for promoting the orderly
development and maintenance of foreign exchange market tin India. As such it is quite opposed to
FERA which was enacted to regulate or control the foreign exchange. FEMA provided a de jure status
to the shift in policies with regard to the external sector reforms that began in 1990-91.

STRUCTURE OF FEMA

The present framework of exchange controls in India, consist of basic legislation (FEMA, 1999) and
Notifications, Rules and Circulars [known as Authorized Persons Directions – AP (Dir Series)] issued
by RBI. FEMA applies to the whole of India and all branches, offices and agencies outside India which
are owned or controlled by a person resident in India. It also applies to any contraventions
committed outside India by any person to whom FEMA applies.

There are 49 sections under FEMA, of which 9 sections (section 1 to 9) are substantive and the rest
are procedural / administrative provisions as tabulated below:

Section Description
1 Application and Commencement of FEMA
2 Definitions

3 to 9 Provisions relating to Regulations and Management of Foreign Exchange
10 to 12 Provisions relating to Authorized Person
13 to 15 Provisions relating to Contraventions and Penalties
16 to 38 Provisions relating to Adjudication, Appeal and Directorate of Enforcement
39 to 49 Miscellaneous Provisions
Section 46 of FEMA grants power to the Central Government to make rules to carry out the
provisions of FEMA and Section 47 of FEMA grants power to the Reserve Bank of India (RBI) to make
regulations to implement provisions and the rules made under FEMA. Thus RBI is entrusted with the
administration and implementation of FEMA.
CAPITAL ACCOUNT TRANSACTION AND CURRENT ACCOUNT TRANSACTION:
In August 1994 India accepted Article VIII of the Articles of agreement of the International Monetary
Fund and became fully convertible on the current account. Since India is fully convertible on the
current account, all current account transactions (barring a small list of restricted items) are allowed
through the normal banking channels. In case of capital account transactions, only the transactions
which are explicitly enabled under the guidelines are allowed, remaining require specific approvals
under FEMA.
Accordingly it is very important to understand the concept of Capital and Current Account
Transactions to Comprehend FEMA.
A. Capital Account Transaction:
"Capital Account transaction" is defined under section 2(e) of FEMA as 'a transaction which
alters the assets or liabilities, including contingent liabilities, outside India of persons resident in
India or assets or liabilities in India of persons resident outside India, and includes transactions
referred to in sub-section (3) of section 6.'
Thus any transaction as a result of which the assets or liabilities outside India of a person who is
resident in India and assets or liabilities in India of a person who is resident outside India are
altered i.e. either increased or decreased, is a capital account transaction.
To put it in example, if a person resident in India acquires shares of a foreign company, his/her
overseas assets will increase. Similarly, if the same person borrows from a non resident through
External Commercial Borrowings (ECBs) his/her liability is created outside India. Hence, both the
transactions lead to creation of asset or liability outside India of a person resident in India. Both
the transactions are capital account transactions.
In case of a person resident outside India, if he acquires shares of an Indian company, his/her

asset is created in India and if same person borrows from an institution in India for acquiring
house in India, his/her liability will be created in India. Both these transactions lead to creation
of asset or liability in India of a person resident outside India. Hence, both the transactions are
capital account transactions.
The concept of Capital and Current Account transaction is to be seen from Balance of Payment
point of view. If after the completion of transaction there remains any obligation to either pay
or receive foreign exchange, the transaction would get colour of Capital Account transaction.
For example, import of Plant & Machinery is a current account transaction, as upon import the
machinery is received in India and overseas supplier is say paid within six months from import
and accordingly there is no future obligation on India as a country to honour foreign exchange
obligation. In this example, from accounting perspective, though Plant & Machinery would be
capital goods, but for FEMA it would be a current account transaction.
RBI has been empowered under section 6(2) of FEMA to specify, in consultation with the Central
Government, any class or classes of Capital Account transactions which are permissible [i.e. over
and above the transactions permitted under section 6(3)]. Section 6(3) of FEMA specifies the
classes of capital account transactions which are regulated by RBI. Every transaction listed in this
section is regulated by a corresponding notification/regulation.

FEMA Notification No. 1/2000-RB dated 3-5-2000 contains the list of permissible capital account
transactions as well as list of prohibited capital account transactions.
Prohibited Capital Account Transactions:
General Prohibition:
A person shall not undertake or sell or draw foreign exchange to or from an Authorized person
for any capital account transactions other than those permitted in the Schedules, provided the
transaction is within the limit.
Special Prohibition:
No person resident outside India shall make investment in India, in any form, in any company or
partnership firm or proprietary concern or any entity, whether incorporated or not, which is
engaged or proposes to engage-
• In the business of chit fund, or
• As nidhi company, or
• In agricultural or plantation activities, or

• In real estate business, or construction of farm houses, or
• In trading in Transferable Development Rights (TDRs)
(real estate shall not include development of townships, construction of residential/commercial premises, roads or bridges).

B. Current Account Transaction:

"Current account transaction" is defined under section 2(j) of FEMA to mean 'a transaction other than a capital account transaction and without prejudice to the generality of the foregoing such transaction includes,-

(i) payments due in connection with foreign trade, other current business, services and shortterm banking and credit facilities in the ordinary course of business,
(ii) payments due as interest on loans and as net income from investments,
(iii) remittances for living expenses of parent, spouse and children residing abroad, and
(iv) expenses in connection with foreign travel, education and medical care of parents, spouse and children.'

All Current Account transactions are generally permitted unless specifically prohibited whereas all Capital Account transactions are generally prohibited unless specifically permitted.

Current Account transactions are divided into 3 schedules in Current Account Transaction rules:

Schedule I – Prohibited Transactions
Schedule II – Transactions requiring prior approval of Government of India
Schedule III – Transactions requiring prior approval of RBI

EXAMPLES TO UNDERSTAND CAPITAL AND CURRENT ACCOUNT TRANSACTIONS:

a. Import of Machinery on hire purchase:

In this transaction the person has created future obligation for making payment to nonresident and hence has liability towards the non-resident. Therefore the said transaction is a capital account transaction.

b. Transaction representing creation or acquisition of wealth, shares, loans or immovable properties:

Since such types of transactions would lead to creation of assets in or outside India by person resident outside or in India, as the case may be, the same are in nature of capital account transactions.

c. Remittances out of winnings from lottery:

This comes under Prohibited list (Schedule I) of the Current account transaction. Hence although the same is in nature of current account such transactions are prohibited. However, an entity engaged in lottery business, imports any software or machinery to be utilized in lottery business in India, the same is a permissible transaction. Import of software or machinery will not result in violation of FEMA regulations in relation to current account

transactions.
But any type of technical collaboration for lottery business including licensing for franchise,
trademark, brand name, management contract or any contract for payment of royalty as
such for such collaboration is prohibited under both current account transaction rules and
also under FDI Policy. Hence, such transactions are not permissible.
d. Options premium payable under NASDAQ:
Options premium is the price paid by a person to buy an option contract, whether it is a call
or put. So option premium is paid to acquire only specified rights for a contract. Under
option contract there is no future obligation in addition to option premium paid at the time
of entering into contract so it does not result into creation of any contingent liability and
hence is a current account transaction. Whereas future contract would be a capital account
transaction. Option contract may result into creation of contingent asset, and such
contingent asset is not covered in the definition of Capital Account transaction.
e. Opening a branch outside India:
Opening a branch outside India is a current account transaction as it does not result into
alteration of any assets and liabilities overseas, since overseas branch would be regarded as
Resident of India. If however, such overseas branch proposes to acquire immovable
property (say office premises) outside India, such acquisition would be regarded as Capital
Account Transaction.
Opening a branch outside India is a permissible current account transaction and regulated
by Notification No. 10/2000-RB dated 3-5-2000 dealing with Foreign Currency accounts by a
person resident in India.
OTHER IMPORTANT SECTIONS – SEC 6(4) AND SEC 6(5):
Section 6(4):
A person resident in India may hold, own, transfer or invest in foreign currency, foreign security or
any immovable property situated outside India if such currency, security or property was acquired,

held or owned by such person when he was resident outside India or inherited from a person who
was resident outside India.
However, there was no clarity on the type of transactions that would be covered under section 6(4).
Hence, RBI with a view to resolve the doubts, vide its A. P. (DIR Series) Circular No. 90 dated January
9, 2014 clarified that the following transactions shall be covered under Section 6(4) of FEMA, 1999:
a. Foreign currency accounts opened and maintained by such a person when he was resident

outside India.
b. Income earned through employment or business or vocation outside India taken up or
commenced, or from investments made, or from gift or inheritance received while such a person
was resident outside India.
c. Foreign exchange including any income arising there from, and conversion or replacement or
accrual to the same, held outside India acquired by way of inheritance from a person resident
outside India.
d. A person resident in India may freely utilize all their eligible assets abroad as well as income on
such assets or sale proceeds thereof received after their return to India for making any payments or to make any fresh investments abroad without prior approval of RBI
Thus, section 6(4) gives liberty to a person resident in India to keep with him any foreign currency or
foreign security or immovable property which he might have acquired when he was resident outside
India, without any compliance and reporting under FEMA.
Section 6(5):
A person resident outside India may hold, own, transfer or invest in Indian currency, security or any
immovable property situated in India if such currency, security or property was acquired, held or
owned by such person when he was resident in India or inherited from a person who was resident in
India.
This section allows a person resident outside India to keep with him any currency, security or
immovable property which he might have acquired when he was resident in India. In case if the
person liquidates his investment owned by him in India, he can keep the funds in his NRO account.
RBI vide Notification 13 (Remittance of assets) allows to remit the balances of sales proceeds of
assets held by NRI subject to the limit of USD 1 million per financial year.

THE FOREIGN EXCHANGE MANAGEMENT ACT, 1999
ACT NO. 42 OF 1999 [29th December, 1999.]

An Act to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India.
BE it enacted by Parliament in the Fiftieth Year of the Republic of India as follows:-

• PRELIMINARY
Short title, extent, application and commencement.
• This Act may be called the Foreign Exchange Management Act, 1999.
• It extends to the whole of India.
• It shall also apply to all branches, offices and agencies outside India owned or controlled by a person resident in India and also to any contravention thereunder committed outs ide India by any person to whom this Act applies .
• It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint: Provided that different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.
Definitions
• Definitions.-In this Act, unless the context otherwise requires,- (a) "Adjudicating Authority" means an officer authorized under sub-section (1) of section 16
• "Appellate Tribunal" means the Appellate Tribunal for Foreign Exchange established under section 18;
• "authorized person" means an authorized dealer, money changer, off-shore banking unit or any other person for the time being authorized under subsection (1) of section 10 to deal in foreign exchange or foreign securities;
• "Bench" means a Bench of the Appellate Tribunal;
• "capital account transaction" means a transaction which alters the assets or liabilities, including contingent liabilities, outside India of persons resident in India or assets or liabilities in India of persons resident outside India, and includes t ansactions referred to in sub-section (3) of section 6;
• "Chairperson" means the Chairperson of the Appellate Tribunal;
• "chartered accountant" shall have the meaning assigned to it in clause (b) of sub-section (1) of section 2 of the Chartered Accounts Act, 1949 (38 of 1949);
• "currency" includes all currency notes, postal notes, postal orders, money orders, cheques, drafts, travelers cheques, letters of credit, bills of exchange and promissory notes, credit cards or such other similar instruments, as may be notified by the Reserve Bank;
• "currency notes" means and includes cash in the form of coins and bank notes;
• "current account transaction" means a transaction other than a capital account transaction and without prejudice to the generality of the foregoing such transaction includes,-
o payments due in connection with foreign trade, other current business, services, and short-term banking and credit facilities in the ordinary course of business,
o payments due as interest on loans and as net income from investments,
o remittances for living expenses of parents, spouse and children residing abroad, and
o expenses in connection with foreign travel, education and medical care

of parents, spouse and children;
• "Director of Enforcement" means the Director of Enforcement appointed under sub-section (1) of section 36;
o "export", with its grammatical variations and cognate expressions, meanso
the taking out of India to a place outside India any goods,
o provision of services from India to any person outside India;
• "foreign currency" means any currency other than Indian currency;
• "foreign exchange" means foreign currency and includes,-
o deposits, credits and balances payable in any foreign currency
o drafts, travelers cheques, letters of credit or bills of exchange, expressed or drawn in Indian currency but payable in any foreign currency,
o drafts, travelers cheques, letters of credit or bills of exchange drawn by banks, institutions or persons outside India, but payable in Indian currency;
• "foreign security" means any security, in the form of shares, stocks, bonds, debentures or any other instrument denominated or expressed in foreign currency and includes securities expressed in foreign currency, but where redemption or any form of re urn such as interest or dividends is payable in Indian currency;
• "import", with its grammatical variations and cognate expressions, means bringing into India any goods or services;
• "Indian currency" means currency which is expressed or drawn in Indian rupees but does not include special bank notes and special one rupee notes issued under section 28A of the Reserve Bank of India Act, 1934 (2 of 1934);
• "legal practitioner" shall have the meaning assigned to it in clause (i) of subsection (1) of section 2 of the Advocates Act, 1961 (25 of 1961);
• "Member" means a Member of the Appellate Tribunal and includes the Chairperson thereof;
• "notify" means to notify in the Official Gazette and the expression "notification" shall be construed accordingly;
• "person" includeso
an individual,
o a Hindu undivided family,
o a company,
o a firm,
o an association of persons or a body of individuals, whether incorporated or not,
o every artificial juridical person, not falling within any of the preceding sub-clauses, and
o any agency, office or branch owned or controlled by such person;
• "person resident in India" means- (i) a person residing in India for more than one hundred and eighty-two days during the course of the preceding financial year but does not includeo
a person who has gone out of India or who stays outside India, in either case-
 for or on taking up employment outside India, or
 for carrying on outside India a business or vocation outside India, or
 for any other purpose, in such circumstances as would indicate

his intention to stay outside India for an uncertain period;
o a person who has come to or stays in India, in either case, otherwise than-
 for or on taking up employment in India, or
 for carrying on in India a business or vocation in India, or
o (i) for any other purpose, in such circumstances as would indicate his intention to stay in India for an uncertain period;
 any person or body corporate registered or incorporated in India
 an office, branch or agency in India owned or controlled by a person resident outside India,
 an office, branch or agency outside India owned or controlled by a person resident in India;
• "person resident outside India" means a person who is not resident in India;
• "prescribed" means prescribed by rules made under this Act;
• "repatriate to India" means bringing into India the realized foreign exchange ando
the selling of such foreign exchange to an authorized person in India in exchange for rupees, or
o the holding of realized amount in an account with an authorized person in India to the extent notified by the Reserve Bank, and includes use of the realized amount for discharge of a debt or liability denominated in foreign exchange and the expression "repatriation" shall be construed accordingly;
• "Reserve Bank" means the Reserve Bank of India constituted under subsection (1) of section 3 of the Reserve Bank of India Act, 1934 (2 of 1934);
o "security" means shares, stocks, bonds and debentures, Government securities as defined in the Public Debt Act, 1944 (18 of 1944), savings certificates to which the Government Savings Certificates Act, 1959 (46 of 1959) applies, deposit receipts in espect of deposits of securities and units of the Unit Trust of India established under sub-section (1) of section 3 of the Unit Trust of India Act, 1963 (52 of 1963) or of any mutual fund and includes certificates of title to securities, but does not in lude bills of exchange or promissory notes other than Government promissory notes or any other instruments which may be notified by the Reserve Bank as security for the purposes of this Act;
o "service" means service of any description which is made available to potential users and includes the provision of facilities in connection with banking, financing, insurance, medical assistance, legal assistance, chit fund, real estate, transport, processing, supply of electrical or other energy, boarding or lodging or both, entertainment, amusement or the purveying of news or other information, but does not include the rendering of any service free of charge or under a contract of personal servic ;
o "Special Director (Appeals)" means an officer appointed under section 18;
o "specify" means to specify by regulations made under this Act and the expression "specified" shall be construed accordingly;
o "transfer" includes sale, purchase, exchange, mortgage, pledge, gift, loan or any other form of transfer of right, title, possession or lien.
CHAP

REGULATION AND MANAGEMENT OF FOREIGN EXCHANGE
CHAPTER II-REGULATION AND MANAGEMENT OF FOREIGN EXCHANGE
Dealing in foreign exchange, etc.
Dealing in foreign exchange, etc.-Save as otherwise provided in this Act, rules or regulations made thereunder, or with the general or special permission of the Reserve Bank, no person shall-
• deal in or transfer any foreign exchange or foreign security to any person not being an authorized person;
• make any payment to or for the credit of any person resident outside India in any manner;
• receive otherwise through an authorized person, any payment by order or on behalf of any person resident outside India in any manner. Explanation.-For the purpose of this clause, where any person in, or resident in, India receives any payment by order or on behalf of any person resident outside India through any other person (including an authorized person) without a corresponding inwa d remittance from any place outside India, then, such person shall be deemed to have received such payment otherwise than through an authorized person;
• enter into any financial transaction in India as consideration for or in association with acquisition or creation or transfer of a right to acquire, any asset outside India by any person. Explanation.-For the purpose of this clause, "financial transaction" means making any payment to, or for the credit of any person, or receiving any payment for, by order or on behalf of any person, or drawing, issuing or negotiating any bill of exchange r promissory note, or transferring any security or acknowledging any debt.
Holding of foreign exchange, etc.
Holding of foreign exchange, etc.-Save as otherwise provided in this Act, no person resident in India shall acquire, hold, own, possess or transfer any foreign exchange, foreign security or any immovable property situated outside India.
Current account transactions.
Current account transactions.-Any person may sell or draw foreign exchange to or from an authorized person if such sale or drawal is a current account transaction: Provided that the Central Government may, in public interest and in consultation with the Reserve Bank, impose such reasonable restrictions for current account transactions as may be prescribed
Capital account transactions.
• Capital account transactions. -(1) Subject to the provisions of sub-section (2), any person may sell or draw foreign exchange to or from an authorized person for a capital account transaction.
• The Reserve Bank may, in consultation with the Central Government, specifyo any class or classes of capital account transactions which are permissible;
o the limit up to which foreign exchange shall be admissible for such transactions: Provided that the Reserve Bank shall not impose any restriction on the drawal of foreign exchange for payments due on account of amortization of loans or for depreciation of direct investments in the ordinary courts of business.
• Without prejudice to the generality of the provisions of sub-section (2), the Reserve Bank may, by regulations, prohibit, restrict or regulate the followingo transfer or issue of any foreign security by a person resident in India;
o transfer or issue of any security by a person resident outside India;

o transfer or issue of any security or foreign security by any branch, office or agency in India of a person resident outside India;
o any borrowing or lending in rupees in whatever form or by whatever name called;
o any borrowing or lending in rupees in whatever form or by whatever name called between a person resident in India and a person resident outside India;
o deposits between persons resident in India and persons resident outside India;
o export, import or holding of currency or currency notes;
o transfer of immovable property outside India, other than a lease not exceeding five years, by a person resident in India;
o acquisition or transfer of immovable property in India, other than a lease not exceeding five years, by a person resident outside India;
o giving of a guarantee or surety in respect of any debt, obligation or other liability incurred-
 by a person resident in India and owed to a person resident outside India; or
 by a person resident outside India.

• A person resident in India may hold, own, transfer or invest in foreign currency, foreign security or any immovable property situated outside India if such currency, security or property was acquired, held or owned by such person when he was resident outside India or inherited from a person who was resident outside India.
• A person resident outside India may hold, own, transfer or invest in Indian currency, security or any immovable property situated in India if such currency, security or property was acquired, held or owned by such person when he was resident in India or inherited from a person who was resident in India.
• A person resident outside India may hold, own, transfer or invest in Indian currency, security or any immovable property situated in India if such currency, security or property was acquired, held or owned by such person when he was resident in India or inherited from a person who was resident in India.

Export of goods and services.
• Every exporter of goods shallo
furnish to the Reserve Bank or to such other authority a declaration in such form and in such manner as may be specified, containing true and correct material particulars, including the amount representing the full export value or, if the full export value of the goods is not ascertainable at the time of export, the value which the exporter, having regard to the prevailing market conditions, expects to receive on the sale of the goods in a market outside India;
o furnish to the Reserve Bank such other information as may be required by the Reserve Bank for the purpose of ensuring the realization of the export proceeds by such exporter.
• The Reserve Bank may, for he purpose of ensuring that the full export value of the goods or such reduced value of the goods as the Reserve Bank determines, having regard to the prevailing market conditions, is received without any delay, direct any e porter to comply with such requirements as it deems fit.
• Every exporter of services shall furnish to the Reserve Bank or to such other

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Email: srinivaskante4u@gmail.com https://iibfadda.blogspot.com/

authorities a declaration in such form and in such manner as may be specified, containing the true and correct material particulars in relation to payment for such services

Realisation and repatriation of foreign exchange.

Realisation and repatriation of foreign exchange.-Save as otherwise provided in this Act, where any amount of foreign exchange is due or has accrued to any person resident in India, such person shall take all reasonable steps to realize and repatriate to

India such foreign exchange within such period and in such manner as may be specified by the Reserve Bank.

Exemption from realization and repatriation in certain cases.

Exemption from realization and repatriation in certain cases. -The provisions of sections 4 and 8 shall not apply to the following, namely:-

• possession of foreign currency or foreign coins by any person up to such limit as the Reserve Bank may specify;
• foreign currency account held or operated by such person or class of persons and the limit up to which the Reserve Bank may specify;
• foreign exchange acquired or received before the 8th day of July, 1947 or any income arising or accruing thereon which is he ld outside India by any person in pursuance of a general or spec ial permission granted by the Reserve Bank;
• foreign exchange held by a person resident in India up to su ch limit as the Reserve Bank may specify, if such foreign exchan ge was acquired by way of gift or inheritance from a person refe rred to in clause (c), including any income arising therefrom;
• foreign exchange acquired from employment, business, trade, vocation, services, honorarium, gifts, inheritance or any other legitimate means up to such limit as the Reserve Bank may specif y; and
• such other receipts in foreign exchange as the Reserve Bank may specify.

CHAP

AUTHORISED PERSON

CHAPTER III- AUTHORISED PERSON

Authorised person.

• The Reserve Bank may, on an application made to it in this behalf, authorize any person to be known as authorized person to deal in foreign exchange or in foreign securities, as an authorized dealer, money changer or off-shore anking unit or in any other manner as it deems fit.
• An authorization under this section shall be in writing and shall be subject to the conditions laid down therein.
• An authorization granted under sub-section (1) may be revoked by the Reserve Bank at any time if the Reserve Bank is satisfied thato

it is in public interest so to do; or

o the authorized person has failed to comply with the condition subject to which the authorization was granted or has contravened any of the provisions of the Act or any rule, regulation, notification, direction or order made thereunder:

Provided that no such authorization shall be revoked on any ground referred to in clause (b) unless the authorized person has been given a reasonable opportunity of making a representation in the matter.

• An authorized person shall, in all his dealings in foreign exchange or foreign security, comply with such general or special directions or orders as the

Reserve Bank may, from time to time, think fit to give, and, except with the previous permission f the Reserve Bank, an authorized person shall not engage in any transaction involving any foreign exchange or foreign security which is not in conformity with the terms of his authorization under this section.
• An authorized person shall, before undertaking any transaction in foreign exchange on behalf of any person, require that person to make such declaration and to give such information as will reasonably satisfy him that the transaction will not involve and is not designed for the purpose of any contravention or evasion of the provisions of this Act or of any rule, regulation, notification, direction or order made thereunder, and where the said person refuses to comply with any such requirement or make only unsatisfactory compliance therewith, the authorized person shall refuse in writing to undertake the transaction and shall, if he has reason to believe that any such contravention or evasion as aforesaid is contemplated by the person, report the mat er to the Reserve Bank.
• Any person, other than an authorized person, who has acquired or purchased foreign exchange for any purpose mentioned in the declaration made by him to authorized person under sub-section (5) does not use it for such purpose or does not surrender it o authorized person within the specified period or uses the foreign exchange so acquired or purchased for any other purpose for which purchase or acquisition or foreign exchange is not permissible under the provisions of the Act or the rules or regulatio s or direction or order made thereunder shall be deemed to have committed contravention of the provisions of the Act for the purpose of this section.
Reserve Bank's powers to issue directions to authorized person.
• Reverve Bank's powers to issue directions to authorized person.-(1) The Reserve Bank may, for the purpose of securing compliance with the provisions of this Act and of any rules, regulations, notifications or directions made thereunder, give to the a thorized persons any direction in regard to making of payment or the doing or desist from doing any act relating to foreign exchange or foreign security.
• The Reserve Bank may, for the purpose of ensuring the compliance with the provisions of this Act or of any rule, regulation, notification, direction or order made thereunder, direct any authorized person to furnish such information, in such manner, a it deems fit.
• Where any authorized person contravenes any direction given by the Reserve Bank under this Act or fails to file any return as directed by the Reserve Bank, the Reserve Bank may, after giving person a penalty which may extend to ten thousand rupees and in the case of continuing contravention with an additional penalty which may extend to two thousand rupees for every day during which such contravention continues. reasonable opportunity of being heard, impose on the author sed
Power of Reserve Bank to inspect authorised person.
• The Reserve Bank may, at any time, cause an inspection to be made, by any officer of the Reserve Bank specially authorised in writing by the Reserve Bank in this behalf, of the business of any a thorised person as may appear to it to be necessary or expedient for the purpose ofo
verifying the correctness of any statement, information or particulars furnished to the Reserve Bank;
o obtaining any information or particulars which such authorised person has failed to furnish on being called upon to do so;

o securing compliance with the provisions of this Act or of any rules, regulations, directions or orders made thereunder.

• It shall be the duty of every authorised person, and where such person is a company or a firm, every director, partner or other officer of such company or firm, as the case may be, to produce to any officer making an inspection under sub-section (1), such books, accounts and other documents in his custody or power and to furnish any statement or information relating to the affairs of such person, company or firm as the said officer may require within such time and in such manner as the said officer m y direct.

CONTRAVENTION AND PENALTIES

CHAPTER IV-CONTRAVENTION AND PENALTIES

Penalties

• If any person contravenes any provision of this Act, or contravenes any rule, regulation, notification, direction or order issued in exercise of the powers under this Act, or contravenes any condition subject to which an authorization s issued by the Reserve Bank, he shall, upon adjudication, be liable to a penalty up to thrice the sum involved in such contravention where such amount is quantifiable, or up to two lakh rupees where the amount is not quantifiable, and where such contrav ntion is a continying one, further penalty which may extend to five thousand rupees for every day after the first day during which the contravention continues.

• Any Adjudicating Authority adjudging any contravention under sub-section (1), may, if he thinks fit in addition to any penalty which he may impose for such contravention direct that any currency, security or any other money or property in respect of hich the contravention has taken place shall be confiscated to the Central Government and further direct that the foreign exchange holdings, if any, of the persons committing the contraventions or any part thereof, shall be brought back into India or sha l be retained outside India in accordance with the directions made in this behalf. Explanation.-For the purposes of this sub-section, "property" in respect of which contravention has taken place, shall includeo

deposits in a bank, where the said property is converted into such deposits;

o Indian currency, where the said property is converted into that currency; and

o any other property which has resulted out of the conversion of that property.

Enforcement of te orders of Adjudicating Authority.

• Subject to the provisions of sub-section (2) of section 19, if any person fails to make full payment of the penalty imposed on him under section 13 within a period of ninety days from the date n which the notice for payment of such penalty is served on him, he shall be liable to civil imprisonment under this section.

• No order for the arrest and detention in civil prison of a defaulter shall be made unless the Adjudication Authority has issued and served a notice upon the defaulter calling upon him to appear before him on the date specified in the notice and to sh w cause why he should not be committed to the civil prison, and unless the Adjudicating Authority, for reasons in writing, is satisfiedo that the defaulter, with the object or effect of obstructing the recovery of penalty, has after the issue of notice by the Adjudicating Authority, dishonestly transferred, concealed, or removed any part of his property, or

o that the defaulter has, or has had since the issuing of notice by the Adjudicating Authority, the means to pay the arrears or some substantial part thereof and refuses or neglects or has refused or neglected to pay the same.

• Notwithstanding anything contained in sub-section (1), a warrant for the arrest of the defaulter may be issued by the Adjudicating Authority if the Adjudicating Authority is satisfied, by affidavit or otherwise, that with the object or effect of dela ing the execution of the certificate the defaulter is likely to abscond or leave the local limits of the jurisdiction of the Adjudicating Authority.

• Where appearance is not made pursuant to a notice issued and served under sub-section (1), the Adjudicating Authority may issue a warrant for the arrest of the defaulter.

• A warrant of arrest issued by the Adjudicating Authority under sub-section (3) or sub-section (4) may also be executed by any other Adjudicating Authority within whose jurisdiction the defaulter may for the time being be found.

• Every person arrested in pursuance of a warrant of arrest under this section shall be brought before the Adjudicating Authority issuing the warrant as soon as practicable and in any event within twenty-four hours of his arrest (exclusive of the time equired for the journey): Provided that, if the defaulter pays the amount entered in the warrant of arrest as due and the costs of the arrest to the officer arresting him, such officer shall at once release him. Explanation.-For the purposes of this sub-section, where the defaulter is a Hindu undivided family, the karta thereof shall be deemed to be the defaulter.

• When a defaulter appears before the Adjudicating Authority pursuant to a notice to show cause or is brought before the Adjudicating Authority under this section, the Adjudicating Authority shall give the defaulter an opportunity showing cause why he hould not be committed to the civil prison.

• Pending the conclusion of the inquiry, the Adjudicating Authority may, in his discretion, order the defaulter to be detained in the custody of such officer as the Adjudicating Authority may think fit or release him on his furnishing the security to t e satisfaction of the Adjudicating Authority for his appearance as and when required.

• Upon the conclusion of the inquiry, the Adjudicating authority may make an order for the detention of the defaulter in the civil prison and shall in that event cause him to be arrested if he is not already under arrest: Provide that in order to give a defaulter an opportunity of satisfying the arrears, the Adjudicating Authority may, before making the order of detention, leave the defaulter in the custody of the officer arresting him or of any other officer for a specif ed period not exceeding fifteen days, or release him on his furnishing security to the satisfaction of the Adjudicating Authority for his appearance at the expiration of the specified period if the arrears are not satisfied.

• When the Adjudicating Authority does not make an order of detention under sub-section (9), he shall, if the defaulter is under arrest, direct his release.

• Every person detained in the civil prison in execution of the certificate may be so detained,-

o where the certificate is for a demand of an amount exceeding rupees one crore, up to three years, and
o in any other case, up to six months: Provided that he shall be released from such detention on the amount mentioned in the warrant for his detention being paid to the officer-in-charge of the civil prison.
• A defaulter released from detention under this section shall not, merely by reason of his release, be discharged from his liability for the arrears, but he shall not be liable to be arrested under the certificate in execution of which he was detaine in the civil prison.
• A detention order may be executed at any place in India in the manner provided for the execution of warrant of arrest under the Code of Criminal Procedure, 1973 (2 of 1974).
Power to compound contravention.
• Any contravention under section 13 may, on an application made by the person committing such contravention, be compounded within one hundred and eighty days from the date of receipt of application by the Director f Enforcement or such other officers of the Directorate of Enforcement and officers of the Reserve Bank as may be authorised in this behalf by the Central Government in such manner as may be prescribed.
• Where a contravention has been compounded under sub-section (1), no proceeding or further proceeding, as the case may be, shall be initiated or continued, as the case may be, against the person committing such contravention under that section, in re pect of the contravention so compounded.

ADJUDICATION AND APPEAL

CHAPTER V- ADJUDICATION AND APPEAL

Appointment of Adjudicating Authority.
• For the purpose of adjudication under section 13, the Central Government may, by an order published in the Official Gazette, appoint as many officers of the Central Government as it may think fit, as the Adj dicating Authorities for holding an inquiry in the manner prescribed after giving the person alleged to have committed contravention under section 13, against whom a complaint has been made under sub-section (3) (hereinafter in this section referred to a the said person) a reasonable opportunity of being heard for the purpose of imposing any penalty: Provided that where the Adjudicating Authority is of opinion that the said person is likely to abscond or is likely to evade in any manner, the payment of penalty, if levied, it may direct the said person to furnish a bond or guarantee for such amount an subject to such conditions as it may deem fit.
• The Central Government shall, while appointing the Adjudicating Authorities under sub-section (1), also specify in the order published in the Official Gazette, their respective jurisdictions.
• No Adjudicating Authority shall hold an enquiry under sub-section (1) except upon a complaint in writing made by any officer authorised by a general or

special order by the Central Government.
• The said person may appear either in person or take the assistance of a legal practitioner or a chartered accountant of his choice for presenting his case before the Adjudicating Authority.
• Every Adjudicating Authority shall have the same powers of a civil court which are conferred on the Appellate Tribunal under sub-section (2) of section 28 ando
all proceedings before it shall be deemed to be judicial proceedings within the meaning of sections 193 and 228 of the Indian Penal Code (45 of 1860);
o shall be deemed to be a civil court for the purposes of sections 345 and 346 of the Code of Criminal Procedure, 1973 (2 of 1974).
• Every Adjudicating Authority shall deal with the complaint under sub-section (2) as expeditiously as possible and endeavor shall be made to dispose of the complaint finally within one year from the date of receipt of the complaint: Provided that where the complaint cannot be disposed of within the said period, the Adjudicating Authority shall record periodically the reasons in writing for not disposing of the complaint within the said period.
Appeal to Special Director (Appeals).
• The Central Government shall, by notification, appoint one or more Special Directors (Appeals) to hear appeals against the orders of the Adjudicating Authorities under this section and shall also specify in t e said notification the matter and places in relation to which the Special Director (Appeals) may exercise jurisdiction.
• Any person aggrieved by an order made by the Adjudicating Authority, being an Assistant Director of Enforcement or a Deputy Director of Enforcement, may prefer an appeal to the Special Director (Appeals).
• Every appeal under sub-section (1) shall be filed within forty-five days from the date on which the copy of the order made by the Adjudicating Authority is received by the aggrieved person and it shall be in such form, verified in such manner and be ccompanied by such fee as may be prescribed: Provided that the Special Director (Appeals) may entertain an appeal after the expiry of the said period of forty-five days, if he is satisfied that there was sufficient cause for not filing it within that period.
• On receipt of an appeal under sub-section (1), the Special Director (Appeals) may after giving the parties to the appeal an opportunity of being heard, pass such order thereon as he thinks fit, confirming, modifying or setting aside the order appeale against.
• The Special Director (Appeals) shall send a copy of every order made by him to the parties to appeal and to the concerned Adjudicating Authority.
• The Special Director (Appeals) shall have the same powers of a civil court which are conferred on the Appellate Tribunal under sub-section (2) of section 28 ando
all proceedings before him shall be deemed to be judicial proceedings within the meaning of sections 193 and 228 of the Indian Penal Code (45 of 1860);
o shall be deemed to be a civil court for the purposes of sections 345 and 346 of the Code of Criminal Procedure, 1973 (2 of 1974).
Establishment of Appellate Tribunal.
Establishment of Appellate Tribunal.-The Central Government shall, by notification, establish an Appellate Tribunal to be known as the Appellate Tribunal for Foreign

Exchange to hear appeals against the orders of the Adjudicating Authorities and the pecial Director (Appeals) under this Act.
Appeal to Appellate Tribunal.

• Save as provided in sub-section (2), the Central Government or any person aggrieved by an order made by an Adjudicating Authority, other than those referred to in sub-section (1) of section 17, or the Special Directo (Appeals), may prefer an appeal to the Appellate Tribunal: Provided that any person appealing against the order of the Adjudicating Authority or the Special Director (Appeals) levying any penalty, shall while filing the appeal, deposit the amount of such penalty with such authority as may be notified by the Cent al Government:

Provided further that where in any particular case, the Appellate Tribunal is of the opinion that the deposit of such penalty would cause undue hardship to such person, the Appellate Tribunal may dispense with such deposit subject to such conditions as i may deem fit to impose so as to safeguard the realisation of penalty.

• Every appeal under sub-section (1) shall be filed within a period of forty-five days from the date on which a copy of the order made by the Adjudicating Authority or the Special Director (Appeals) is received by the aggrieved person or by the Central Government and it shall be in such form, verified in such manner and be accompanied by such fee as may be prescribed : Provided that the Appellate Tribunal may entertain an appeal after the expiry of the said period of forty-five days if it is satisfied that there was sufficient cause for not filing it within that period.

• On receipt of an appeal under sub-section (1), the Appellate Tribunal may, after giving the parties to the appeal an opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or setting aside the order appealed agai st.

• The Appellate Tribunal shall send a copy of every order made by it to the parties to the appeal and to the concerned Adjudicating Authority or the Special Director (Appeals), as the case may be.

• The appeal filed before the Appellate Tribunal under sub-section (1) shall be dealt with by it as expeditiously as possible and endeavour shall be made by it to dispose of the appeal finally within one hundred and eighty days from the date of receipt of the appeal: Provided that where any appeal could not be disposed of within the said period of one hundred and eighty days, the Appellate Tribunal shall record its reasons in writing for not disposing off the appeal within the said period.

• The Appellate Tribunal may, for the purpose of examining the legality, propriety or correctness of any order made by the Adjudicating Authority under section 16 in relation to any proceeding, on its own motion or otherwise, call for the records of su h proceedings and make such order in the case as it thinks fit.

Composition of Appellate Tribunal.

• The Appellate Tribunal shall consist of a Chairperson and such number of Members as the Central Government may deem fit.

• Subject to the provisions of this Act,-]

o the jurisdiction of the Appellate Tribunal may be exercised by Benches thereof;

o a Bench may be constituted by the Chairperson with one or more Members as the Chairperson may deem fit;

o the Benches of the Appellate Tribunal shall ordinarily sit at New Delhi and at such other places as the Central Government may, in consultation with the Chairperson, notify;
o the Central Government shall notify the areas in relation to which each Bench of the Appellate Tribunal may exercise jurisdiction
• Notwithstanding anything contained in sub-section (2), the Chairperson may transfer a Member from one Bench to another Bench.
• If at any stage of the hearing of any case or matter it appears to the Chairperson or a Member that the case or matter is of such a nature that it ought to be heard by a Bench consisting of two Members, the case or matter may be transferred by the Ch irperson or, as the case may be, referred to him for transfer, to such Bench as the Chairperson may deem fit.
Qualifications for appointment of Chairperson, Member andSpecial Director (Appeals).
• A person shall not be qualified for appointment as the Chairperson or a Member unless heo
in the case of Chairperson, is or has been, or is qualified to be, a Judge of a High Court; and
o in the case of a Member, is or has been, or is qualified to be, a District Judge.
• A person shall not be qualified for appointment as a Special Director (Appeals) unless heo
has been a member of the Indian Legal Service and has held a post in Grade I of that Service; or
o has been a member of the Indian Revenue Service and has held a post equivalent to a Joint Secretary to the Government of India.
Term of Office.
The Chairperson and every other Member shall hold office as such for a term of five years from the date on which he enters upon his office: Provided that no Chairperson or other Member shall hold office as such after he has attained,-
• in the case of the Chairperson, the age of sixty-five years;
• in the case of any other Member, the age of sixty-two years.
Term and Conditions of service.
The salary and allowances payable to and the other terms and conditions of service of the Chairperson, other Members and the Special Director (Appeals) shall be such as may be prescribed:
Provided that neither the salary and allowances nor the other terms and conditions of service of the Chairperson or a Member shall be varied to his disadvantage after appointment.
Vacancies.
-If, for reason other than temporary absence, any vacancy occurs in the office of the Chairperson or a Member, the Central Government shall appoint another person in accordance with the provisions of this Act to fill the vacancy and the pro eedings may be continued before the Appellate Tribunal from the stage at which the vacancy is filled.
Resignation and removal.
• The Chairperson or a Member may, by notice in writing under his hand addressed to the Central Government, resign his office:Provided that the Chairperson or a Member shall, unless he is permitted by the Central Government to relinquish his office sooner, continue to hold office until the expiry of three months from the date of receipt of such notice or until a person

duly app inted as his successor enters upon his office or until the expiry of term of office, whichever is the earliest.

• The Chairperson or a Member shall not be removed from his office except by an order by the Central Government on the ground of proved misbehaviour or incapacity after an inquiry made by such person as the President may appoint for this purpose in whi h the Chairperson or a Member concerned has been informed of the charges against him and given a reasonable opportunity of being heard in respect of such charges.

Member to act as Chairperson in certain circumstances.

• In the event of the occurrence of any vacancy in the office of the Chairperson by reason of his death, resignation or otherwise, the senior-most Member shall act as the Chairperson until the ate on which a new Chairperson, appointed in accordance with the provisions of this Act to fill such vacancy, enters upon his office.

• When the Chairperson is unable to discharge his functions owing to absence, illness or any other cause, the senior-most Member shall discharge the functions of the Chairperson until the date on which the Chairperson resumes his duties.

Staff of Appellate Tribunal and Special Director (Appeals).

• The Central Government shall provide the Appellate Tribunal and the Special Director (Appeals) with such officers and employees as it may deem fit.

• The officers and employees of the Appellate Tribunal and office of the Special Director (Appeals) shall discharge their functions under the general superintendence of the Chairperson and the Special Director (Appeals), as the case may be.

• The salaries and allowances and other conditions of service of the officers and employees of the Appellate Tribunal and office of the Special Director (Appeals) shall be such as may be prescribed.

Procedure and powers of Appellate Tribunal and Special Director(Appeals).

• The Appellate Tribunal and the Special Director (Appeals) shall not be bound by the procedure laid down by the Code of Civil Procedure, 1908 (5 of 1908), but shall be guid d by the principles of natural justice and, subject to the other provisions of this Act, the Appellate Tribunal and the Special Director (Appeals) shall have powers to regulate its own procedure.

• The Appellate Tribunal and the Special Director (Appeals) shall have, for the purposes of discharging its functions under this Act, the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908) while trying a suit in respect of the following matters, namely:-

o summoning and enforcing the attendance of any person and examining him on oath;

o requiring the discovery and production of documents;

o receiving evidence on affidavits;

o subject to the provisions of sections 123 and 124 of the Indian Evidence Act, 1872 (1 of 1872), requisitioning any public record or document or copy of such record or document from any office;

o issuing commissions for the examination of witnesses or documents;

o reviewing its decisions;

o dismissing a representation of default or deciding it ex parte;

o setting aside any order of dismissal of any representation for default or any order passed by it ex parte; and

o any other matter which may be prescribed by the Central Government.

• An order made by the Appellate Tribunal or the Special Director (Appeals) under this Act shall be executable by the Appellate Tribunal or the Special Director (Appeals) as a decree of civil court and, for this purpose, the Appellate Tribunal and the pecial Director (Appeals) shall have all the powers of a civil court.
• Notwithstanding anything contained in sub-section (3), the Appellate Tribunal or the Special Director (Appeals) may transmit any order made by it to a civil court having local jurisdiction and such civil court shall execute the order as if it were a ecree made by that court.
• All proceedings before the Appellate Tribunal and the Special Director (Appeals) shall be deemed to be judicial proceedings within the meaning of sections 193 and 228 of the Indian Penal Code (45 of 1860) and the Appellate Tribunal shall be deemed to be a civil court for the purposes of sections 345 and 346 of the Code of Criminal Procedure, 1973 (2 of 1974).

Distribution of business amongst Benches.

Distribution of business amongst Benches.-Where Benches are constituted, the Chairperson may, from time to time, by notification, make provisions as to the distribution of the business of the Appellate Tribunal amongst the Benches and also provide fo the matters which may be dealt with by each Bench.

Power of Chairperson to transfer cases.

Power of Chairperson to transfer cases.-On the application of any of the parties and after notice to the parties, and after hearing such of them as he may desire to be heard, or on his own motion without such notice, the Chairperson may transfer any ase pending before one Bench, for disposal, to any other Bench.

Decision to be by majority.

Decision to be by majority.-If the Members of a Bench consisting of two Members differ in opinion on any point, they shall state the point or points on which they differ, and make a reference to the Chairperson who shall either hear the point or poi ts himself or refer the case for hearing on such point or points by one or more of the other Members of the Appellate Tribunal and such point or points shall be decided according to the opinion of the majority of the Members of the Appellate Tribunal who have heard the case, including those who first heard it.

Right of appellant to take assistance of legal practitioner orchartered accountant and of Government, to appoint presentingofficers.

Right of appellant to take assistance of legal practitioner or chartered accountant and of Government, to appoint presenting officers.-
• A person preferring an appeal to the Appellate Tribunal or the Special Director (Appeals) under this Act may ei her appear in person or take the assistance of a legal practitioner or a chartered accountant of his choice to present his case before the Appellate Tribunal or the Special Director (Appeals), as the case may be.
• The Central Government may authorise one or more legal practitioners or chartered accountants or any of its officers to act as presenting officers and every person so authorised may present the case with respect to any appeal before the Appellate Tri unal or the Special Director (Appeals), as the case may be.

Members, etc., to be public servants.

Members, etc., to be public servants.-The Chairperson, Members and other officers and employees of the Appellate Tribunal, the Special Director (Appeals) and the Ajudicating Authority shall be deemed to be public servants within the meaning of secti n 21 of the Indian Penal Code (45 of 1860).

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Civil court not to have jurisdiction.
Civil court not to have jurisdiction.-No civil court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which an Adjudicating Authority or the Appellate der this Act to determine and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act. Tribunal or the Special Director (Appeals) is empowered by or u
Appeal to High Court.
Appeal to High Court.-Any person aggrieved by any decision or order of the Appellate Tribunal may file an appeal to the High Court within sixty days from the date of communication of the decision or order of the Appellate Tribunal to him on any quest on of law arising out of such order:
Provided that the High Court may, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding sixty days.
Explanation.-In this section "High Court" means-
• the High Court within the jurisdiction of which the aggrieved party ordinarily resides or carries on business or personally works for gain; and
• where the Central Government is the aggrieved party, the High Court within the jurisdiction of which the respondent, or in a case where there are more than one respondent, any of the respondents, ordinarily resides or carries on business or personall works for gain.

DIRECTORATE OF ENFORCEMENT

CHAPTER VI-DIRECTORATE OF ENFORCMENT

Directorate of Enforcement.

• The Central Government shall establish a Directorate of Enforcement with a Director and such other officers or class of officers as it thinks fit, who shall be called officers of Enforcement, for the purposes of this A t.
• Without prejudice to the provisions of sub-section (1), the Central Government may authorise the Director of Enforcement or an Additional Director of Enforcement or a Special Director of Enforcement or a Deputy Director of Enforcement to appoint offi ers of Enforcement below the rank of an Assistant Director of Enforcement.
• Subject to such conditions and limitations as the Central Government may impose, an officer of Enforcement may exercise the powers and discharge the duties conferred or imposed on him under this Act.
Power of search, seizure, etc.
• The Director of Enforcement and other officers of Enforcement, not below the rank of an Assistant Director, shall take up for investigation the contravention referred to in section 13.
• Without prejudice to the provisions of sub-section (1), the Central Government may also, by notification, authorise any officer or class of

officers in the Central Government, State Government or the Reserve Bank, not below the rank of an Under Secre ary to the Government of India to investigate any contravention referred to in section 13.

• The officers referred to in sub-section (1) shall exercise the like powers which are conferred on income-tax authorities under the Income-tax Act, 1961 (43 of 1961) and shall exercise such powers, subject to such limitations laid down under that A t.

Empowering other officers.

• The Central Government may, by order and subject to such conditions and limitations as it thinks fit to impose, authorise any officer of customs or any central excise officer or any police officer or any other officer o the Central Government or a State Government to exercise such of the powers and discharge such of the duties of the Director of Enforcement or any other officer of Enforcement under this Act as may be stated in the order.

• The officers referred to in sub-section (1) shall exercise the like powers which are conferred on the income-tax authorities under the Income-tax Act, 1961 (43 of 1961), subject to such conditions and limitations as the Central Government may impose.

MISCELLANEOUS

CHAPTER VII-MISCELLANEOUS

Presumption as to documents in certain cases.

Presumption as to documents in certain cases.-Where any document-

• is produced or furnished by any person or has been seized from the custody or control of any person, in either case, under this Act or under any other law; or

• has been received from any place outside India (duly authenticated by such authority or person and in such manner as may be prescribed) in the course of investigation of any contravention under this Act alleged to have been committed by any person, and such document is tendered in any proceeding under this Act in evidence against him, or against him and any other person who is proceeded against jointly with him, the court or the Adjudicating Authority, as the case may be, shallo

presume, unless the contrary is proved, that the signature and every other part of such document which purports to be in the handwriting of any particular person or which the court may reasonably assume to have been signed by, or to be in the handwri ing of, any particular person, is in that person's handwriting, and in the case of a document executed or attested, that it was executed or attested by the person by whom it purports to have been so executed or attested;

o admit the document in evidence notwithstanding that it is not duly stamped, if such document is otherwise admissible in evidence;

o in a case falling under clause (i), also presume, unless the contrary is proved, the truth of the contents of such document.

Suspension of operation of this Act.

• If the Central Government is satisfied that circumstances have arisen rendering it necessary that any permission granted or restriction imposed by this Act should cease to be granted or imposed, or if it consi ers necessary or expedient

so to do in public interest, the Central Government may, by notification, suspend or relax to such extent either indefinitely or for such period as may be notified, the operation of all or any of the provisions of this Act.
• Where the operation of any provision of this Act has under sub-section (1) been suspended or relaxed indefinitely, such suspension or relaxation may, at any time while this Act remains in force, be removed by the Central Government by notification.
• Every notification issued under this section shall be laid, as soon as may be after it is issued, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more succe sive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the notification or both Houses agree that the notification should not be issu d, the notification shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that not fication.
Power of Central Government to give directions.
Power of Central Government to give directions.-For the purposes of this Act, the Central Government may, from time to time, give to the Reserve Bank such general or special directions as it thinks fit, and the Reserve Bank shall, in the discharge of its functions under this Act, comply with any such directions.
Contravention by companies.
• Where a person committing a contravention of any of the provisions of this Act or of any rule, direction or order made thereunder is a company, every person who, at the time the contravention was committed, was in char e of, and was responsible to, the company for the conduct of the business of the company as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this sub-section shall render any such person liable to punishment if he proves that the contravention took place without his knowledge or that he exercised due diligence to prevent such contravention.
• Notwithstanding anything contained in sub-section (1), where a contravention of any of the provisions of this Act or of any rule, direction or order made thereunder has been committed by a company and it is proved that the contravention has taken pla e with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contraven ion and shall be liable to be proceeded against and punished accordingly.Explanation.-For the purposes of this section-(i) "company" means any body corporate and includes a firm or other association of individuals; and
(ii) "director", in relation to a firm, means a partner in the firm.
Death or insolvency in certain cases.
Death or insolvency in certain cases.-Any right, obligation, liability, proceeding or appeal arising in relation to the provisions of section 13 shall not abate by reason of death or insolvency of the person liable under that section and upon such de th or insolvency such rights and obligations shall devolve on the legal representative of such person or the official receiver or the official assignee, as the case may be: Provided that a legal representative of the deceased shall be liable only to the extent

of the inheritance or estate of the deceased.
Bar of legal proceedings.
Bar of legal proceedings.-No suit, prosecution or other legal proceeding shall lie against the Central Government or the Reserve Bank or any officer of that Government or of the Reserve Bank or any other person exercising any power or discharging any functions or performing any duties under this Act, for anything in good faith done or intended to be done under this Act or any rule, regulation, notification, direction or order made thereunder.
Removal of difficulties.
• If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order, do anything not inconsistent with the provisions of this Act for the purpose of removing the difficulty: Provided that no such order shall be made under this section after the expiry of two years from the commencement of this Act.
• Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.
Power to make rules.
The Central Government may, by notification, make rules to carry out the provisions of this Act. (2) Without prejudice to the generality of the foregoing power, such rules may provide for,-
• the imposition of reasonable restrictions on current account transactions under section 5;
• the manner in which the contravention may be compounded under sub-section (1) of section 15;
• the manner of holding an inquiry by the Adjudicating Authority under subsection (1) of section 16;
• the form of appeal and fee for filing such appeal under sections 17 and 19;
• the salary and allowances payable to and the other terms and conditions of service of the Chairperson and other Members of the Appellate Tribunal and the Special Director (Appeals) under section 23;
• the salaries and allowances and other conditions of service of the officers and employees of the Appellate Tribunal and the office of the Special Director (Appeals) under sub-section (3) of section 27;
• the additional matters in respect of which the Appellate Tribunal and the Special Director (Appeals) may exercise the powers of a civil court under clause (i) of sub-section (2) of section 28;
• the authority or person and the manner in which any document may be authenticated under clause (ii) of section 39; and
• any other matter which is required to be, or may be, prescribed.
Power to make regulations.
• The Reserve Bank may, by notification, make regulations to carry out the provisions of this Act and the rules made thereunder.
• Without prejudice to the generality of the foregoing power, such regulations may provide for,-
o the permissible classes of capital account transactions, the limits of admissibility of foreign exchange for such transactions, and the prohibition, restriction or regulation of certain capital account transactions under section 6;
o the manner and the form in which the declaration is to be furnished under clause (a) of sub-section (1) of section 7;
o the period within which and the manner of repatriation of foreign

exchange under section 8;
o the limit up to which any person may possess foreign currency or
foreign coins under clause (a) of section 9;
o the class of persons and the limit up to which foreign currency account
may be held or operated under clause (b) of section 9;
o the limit up to which foreign exchange acquired may be exempted
under clause (d) of section 9;
o the limit up to which foreign exchange acquired may be retained under
clause (e) of section 9;
o any other matter which is required to be, or may be, specified.
Rules and regualations to be laid before Parliament.
Every rule and regulation made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session for a total period of thirty days which may b comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or regulation, or b th Houses agree that the rule or regulation should not be made, the rule or regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without p ejudice to the validity of anything previously done under that rule or regulation.
Repeal and saving.
• The Foreign Exchange Regulation Act, 1973 (46 of 1973) is hereby repealed and the Appellate Board constituted under sub-section (1) of section 52 of the said Act (hereinafter referred to as the repealed Act) shall stand dissolv d.
• On the dissolution of the said Appellate Board, the person appointed as Chairman of the Appellate Board and every other person appointed as Member and holding office as such immediately before such date shall vacate their respective offices and no su h Chairman or other person shall be entitled to claim any compensation for the premature termination of the term of his office or of any contract of service.
• Notwithstanding anything contained in any other law for the time being in force, no court shall take cognizance of an offence under the repealed Act and no adjudicating officer shall take notice of any contravention under section 51 of the repealed A t after the expiry of a period of two years from the date of the commencement of this Act.
• Subject to the provisions of sub-section (3) all offences committed under the repealed Act shall continue to be governed by the provisions of the repealed Act as if that Act had not been repealed.
• Notwithstanding such repeal,-
o anything done or any action taken or purported to have been done or taken including any rule, notification, inspection, order or notice made or issued or any appointment, confirmation or declaration made or any licence, permission, authorization or e emption granted or any document or instrument executed or any direction given under the Act hereby repealed shall, in so far as it is not inconsistent with the provisions of this Act, be deemed to have been done or taken under the corresponding provision of this Act;
o any appeal preferred to the Appellate Board under sub-section (2) of section 52 of the repealed Act but not disposed of before the commencement of this Act shall stand transferred to and shall be

disposed of by the Appellate Tribunal constituted unde this Act;
o every appeal from any decision or order of the Appellate Board under sub-section (3) or sub-section (4) of section 52 of the repealed Act shall, if not filed before the commencement of this Act, be filed before the High Court within a period of sixty days of such commencement :Provided that the High Court may entertain such appeal after the expiry of the said period of sixty days if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within the said period.

• Save as otherwise provided in sub-section (3), the mention of particular matters in sub-sections (2), (4) and (5) shall not be held to prejudice or affect the general application of section 6 of the General Clauses Act, 1897 (10 of 1897) with regard to the effect of repeal.

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Foreign Exchange

Foreign Exchange
It includes all Currency, deposits, Credits and Balances payable in Foreign currency. It also includes Drafts/TCs, LCs and Bills of Exchange payable in Foreign currency. In nut shell, all claims payable abroad is Foreign Exchange.
On the other hand, Foreign Currency is narrow term which includes hard currency say Pounds, Dollars etc.

Forex Market It comprises of individuals and entities including banks across the globe without geographical boundaries. Forex market is dynamic and it operates round the clock. Exchange rate of major currencies change after about **every 4 seconds.** It opens from **Monday to Friday** except in Middle east countries where it is closed on Friday and opens on Saturday and Sunday.

Exchange Rate mechanism

When settlement of funds and exchange of currency takes place__________
TOD rate or Cash Rate Same day (it is also called ready rate)
TOM Rate Next working day
Spot Rate 2nd working day (48 hours)
Forward Rate After few days/months
If Next day or 2nd day is holiday in either of the two countries, the settlement will take place on next day. For example Spot deal is stuck on 23rd Dec. 25th is Christmas Day and 26th is Sunday. Under such circumstances, value date will be 27th i.e. Monday.
There are two types of rates- Fixed and Floating. Floating rates are determined by market forces of Demand and Supply. India switched to Floating exchange rates regime in 1993.
Buy and Sell
Maxim
Buy Low Sell High (Direct Quotations)
Buy rate is also called **Bid Rate** and Sell Rate is called **Offer Rate.**
Buy High Sell Low (Indirect Quotations)
When Local Currency is fixed, bank will like to have more foreign currency while buying and give less foreign currency while selling.
Forward Rates
(Premium is always added and Discount is always deducted from Spot Rate to arrive at Forward Rate)
It is required when currency is exchanged after few months/days.
Buy Transactions :
Spot Rate (+) premium OR (-) Discount
(Lower premium is added OR Higher discount is deducted)

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Sale Transactions:
Spot Rate (+)Higher premium OR (-) Lower discount
(So that currency may become cheaper while buying and dearer while selling
In India, Forward Contracts are available for Maximum period **of 12 Months**

EXCHANGE CONTROL REGULATIONS

Exchange control was first introduced in India on Sept 3, 1939. Subsequently it was brought under Foreign
Exchange Regulation Act, 1973. At present it is regulated through FEMA 1999.

The objectives of ECR are

a conservation of foreign exchange;
b proper accounting of foreign exchange receipts and payments;
c stabilizing the external value of the rupee;
d to prevent flight of scarce capital by control over remittances abroad and supervision of accounts of nonresidents,
so that the balance of payments deficit does not occur or does'not worsen;
e to check smuggling;
f to fulfil IMF obligations .

LIBERALISED REMITTANCE SCHEME (LRS) FOR RESIDENT INDIVIDUALS

RBI introduced LRS on Feb 04, 2004. Major changes were made by RBI in LRS w.e.f. 01.06.2015 (based
on Govt. notification 15.05.15).

Eligibility: All resident individuals including minors and non-individuals are eligible.
Remittances under the facility can be consolidated in respect of family members subject to individual family
members complying with the terms and conditions.
It is mandatory to have PAN number to make remittances.
Forex can be purchased from authorised person which indude AD Category-1 Banks, AD Category-2 and
Full Fledged Money Changers.

Capital Accounts transactions Remittances up to USD 250,000 per financial year can be allowed for
permissible capital account transactions as under: I) opening of foreign currency account abroad; ii)
purchase of property abroad;
ill) making investments abroad;
iv) setting up Wholly owned subsidiaries and Joint Ventures abroad;
v) loans including in Indian Rupees to Non-resident Indians relatives as defined in Companies Act, 2013.

Current account transactions • : All facilities (Including private/business visits) for remittances have been
subsumed under overall limit of USD 250,000/FY.

Facilities for Individuals
1. Individuals can avail of forex facility for the following purposes within the limit of USD 250000. Additional
remittance shall require prior approval of RBI.
1. Private visits to a country (except Nepal & Bhutan)
2. Gift or donation.
3. Going abroad for employment or immigration.
4. Maintenance of close relatives abroad
5. Travel for business, or attending a conference or specialized training or for meeting medical expenses, or
check-up abroad, or for accompanying as attendant to a patient going abroad for medical treatment/ check-up.
7. Expenses for medical treatment abroad
B. Studies abroad
9. Any other current account transaction
Exception : For immigration,medical treatment and studies abroad, the individualmay avail of exchange facility in
excess of LRS limit if required by a country of emigration,medical institute offering treatment or the university,
respectively.
Facilities for persons other than individual The following remittances shall require RBI approval:

(i) Donations beyond 1%of forex earnings in previous 3 FY or USD 5000000, whichever is less, for:
a) creation of Chairs in reputed educational institutes,
b) contribution to funds (not being an investment fund) promoted by educational institutes; and
c) technical institution/body/ association in the field of activity of the donor Company.
(ii) Commission, per transaction, to agents abroad for sale of residential flats or commercial plots in India exceeding
USD 25,000 or 5%of inward remittance whichever ismore.
(iii) Remittances exceeding USD 10000000 per project for any consultancy services for infrastructure projects and
USD 1,000,000 per project, for other consultancy services procured fromoutside India.
(iv) Remittances exceeding 5%of investment brought into India or USD 100,000 whichever is higher, by an entity in
India by way of reimbursement of pre-incorporation expenses.

Mode of remittance: The Scheme can be used for outward remittance in the formof 'a DD either in the resident
individual's own name or in the name of beneficiary with whomhe intends putting through the permissible transactions
at the time of private visit abroad, can be effected, against self declaration of the remitter in the format prescribed.
Loan facility : Banks **should not extend** any kind of credit facilities to resident individuals to facilitate remittances under
the Scheme.
Remittances not available under the scheme:

i. Remittance for any purpose specifically prohibited under Schedule-I (like purchase of lottery/sweep stakes,
tickets, prescribedmagazines etc.) or itemrestricted under Schedule II of FEMA (Current A/c Transactions) Rules,
2000.
ii. Remittancesmade to Bhutan,Nepal,Mauritius or Pakistan.
iii. Remittancesmade to countries identified by the Financial Action Task Force (FATF) as "non co-operative
countries and territories" as available on FATF website (viz Cook Islands, Egypt, Guatemala, Indonesia, Myanmar,
Nauru, Nigeria, Philippines and Ukraine) or as notified by RBI.
iv. Remittances to individuals and entities identified as posing significant risk of committing acts of terrorismas advised
separately by RBI to the banks.

Reporting of the transactions: The remittancesmade will be reported in the R-Return in the normal course. The
ADsmay also prepare and keep on record dummy FormA2, in respect of remittances exceeding USD 5000.
With effect from01.07.13, the banks are required to upload the data inOnline Return Filing System(OAFS) on a
monthly basis, by 5th of the followingmonth to which it relates.Where there is no information, 'nil' figure is to be
uploaded.

Rules related to release / remittance of foreign exchange to residents
ADbanks can release forex to residents in India as per Rules framed u/s Sec 5 of FEMA. Forex cannot be released for
Schedule I transactions. For Schedule II transactions,Govt. permission is required. For Schedule III transactions, forex
can be released up to specified limit byADbanks. Beyond that limit, approval of RBI is required.
Ceilings on release of amount by ADs without RBI approval are given above, under LRS.
Nepal & Bhutan - Forex for any kind of travel to or for any transactionwith persons resident inNepal andBhutan cannot
be released. Any amount of Indian currency can be used.Highest denomination of currency note can beRs.100.
Up to Rs.25000, any denomination is allowed.
Form of foreign currency: 1. Coins, currency notes and traveller's cheques. Currency notes/coins can be up to US$
3000. The balance can be traveller's cheque or banker's draft.
2. For Iraq and Libya currency notes and coins can be obtained up toUS$ 5000 or its equivalent.
3. For Iran, Russian Federation, and other Republics of Commonwealth of Independent Countries, no ceiling.
Mode of purchase: In cash up toRs.50,000/-.Above this, payment byway of a crossed cheque/banker's cheque/pay
order/demand draft / debit card / credit card only.

Surrender of unused forex: Currency notes and travellers' cheques within 180 days of return.
Retention of unused forex : US$2,000 or its equivalent. There is no restriction on residents for holding foreign
currency coins.

Use of International Credit Card (ICC): Use of the ICCs / ATMs/ Debit Cards can be made for personal
payments and for travel abroad for various purposes, only up to specified limits.
Export / Import of Indian currency by Residents or non-residents : Up to Rs. 25000 each to or from
any country other than Nepal or Bhutan (Pakistan & Bangladesh Rs.10000).
Import of Foreign exchange from abroad: Any amount subject to declaration on CDF.
Mandatory CDF : Where total amount exceeds US$ 10,000 (or its equivalent) and/or value of foreign
currency notes exceeds US$ 5,000, declaration should be made to the Customs Authorities through
Currency Declaration Form (CDF), on arrival in India.

Application for purchase of FC : Form A2. It is not required up to $ 25000. A2 to be preserved by banks for one
year for verification by Auditors. endorsement on Passport : It is not mandatory for Authorised Dealers to
endorse the amount of foreign exchange sold for travel abroad on the passport of the traveller. However, if
requested by the traveller, AD may record under its stamp, date and signature, details of foreign exchange sold
for travel

.

Inward Remittance
1. Any person foreigner or Indian coming to India can bring any amount of foreign exchange in India.
2. If foreign currency being brought ismore than US$ 5000 or foreign currency and traveler cheque ismore than
US $ 10,000, then the person bringing forex shouldmake declaration before Customs on the Currency Declaration
form. If it is not submitted to Customs, then it can be submitted to Authorised Dealer while surrendering foreign
exchange.
3. Unspent Foreign exchange should be surrendered within 180 days of arrival in India whether it is
foreign currency or foreign traveler cheque.
4. A resident individual can retain up to US $ 2000. There is no limit on coins.
5. Indian rupees can be brought up to Rs 25000.
6. Full fledgedMoney Changers (FFMCs) are permitted to encash foreign currency andmake cash payment only
up to USD 3000 or its equivalent. Amount exceeding USD 3000 or its equivalent has to be paid by way of demand

draft or bankers' cheque. RBI has allowed banks to credit proceeds of demand drafts / bankers' cheques issued
against encashment of foreign currency to the NRE account of the NRI account holder where the instruments
issued to the NRE account holder are supported by encashment certificate issued by AD Category—I / Category
—II.
7. Exchange regulations are not applicable in case of remittance to or from Nepal and Bhutan. Therefore, forex
can neither be taken to nor brought from Nepal and Bhutan. Indian rupees can be taken to Nepal and Bhutan in
the denomination of Rs 100 or below.

Non Residents and their Accounts

Who is Resident Indian? Who is Non- Resident
A person who resides in India for more than 182 days during preceding financial year is Resident Indian. A person who is not resident is Non-Resident.
Who is NRI? A person who is citizen of India but resides outside India owing to:
Employment, Business, vocation-------indicating indefinite period of stay outside.
Work abroad on assignment with Foreign Govt., UNO, and IMF etc.
Deputation officially.
Study abroad.
PIO - Persons of Indian Origin
PIO is a person who is citizen of any other country, but he at any time:
Held Indian Passport
He or his grand-parents or grand grand parents were Indian citizens by virtue of constitution of India or under Indian Citizenship Act.
The person is spouse of Indian Citizen.

Resident: As per section 2(v) of the FEMA 1999, a person is called resident in India if he stays in India formore than
182 days during the preceding financial year except those who have gone out of India for taking up employment
outside India or for carrying on a business or vocation 'outside India or for any other purpose indicating his intention
to stay abroad for indefinite period.
Non Resident: Person resident outside Indiameans a person who is not resident in India.
NRI has been defined in Income Tax Act.
RBI definition of NRI: However, as per RBI guidelines, a non resident Indian can be a person of Indian
Nationality or a person of Indian Origin.
Person of Indian Nationality (PIN): A Person of Indian Nationality is one who holds an Indian passport at
the time of opening the account.

Person of IndianOrigin: A Person of IndianOrigin is one who is presently not a national of Pakistan or Bangladesh
and : (a) who at anytime held an Indian passport; or (b) he himself, either-of his parents or any of his grand parents
was a citizen of India by virtue of Constitution of India or the Citizenship Act,1955 ; or (c) the person is a spouse of
Person of Indian Nationality / Origin.
Overseas Corporate Bodies are those in which at least 60% shareholding is of NRI. OCBs are not
allowed to open NRI accounts.
Students who go abroad for studies have also been given the facility of opening NRI accounts.
Non resident accounts are of 3 types (a) Non Resident ordinary (b) Non Resident (External) (c) Foreign
Currency Non Resident (Bank) account. Salient features of these accounts are as under

Non Resident Ordinary account:
1. Type of account: Saving, Current, FD and RD
2. Credit: can be local income as well as remittance from abroad.
3. Currency of deposit Indian Rupees
4. Period of Deposit and interest rate : Fixed deposit can be opened for 7 days to 10 years and interest
rate as applicable to domestic deposits
5. Joint account allowed with residents as well non residents (NRO is the only account which can be
opened jointly with residents)
6. Interest income is taxable and tax will be deducted at source irrespective of type of account and amount of
interest. The rate of tax on interest on deposits out of foreign remittance is 20%and on deposits from local income
is 30%. Surcharge and education cess will be extra.
7. Power of Attorney is allowed to residents formaking local payments. Power of Attorney **can undertake** all
focal payments in rupees including payments for eligible investments subject to compliance with relevant regulations

made by the Reserve Bank; and Remittance outside India of current income in India of the nonresident individual
account holder, net of applicable taxes. The resident Power of Attorney holder is **not permitted** to repatriate outside
India funds held in the account other than to the non-resident individual account holder nor tomake payment by way
of gift to a resident on behalf of the non-resident account holder or transfer funds fromthe account to another NRO
account.
8. Repatriation is allowed as per following details: (i) Remittance outside India of current income like rent, dividend,
pension, interest, etc. in India of the account holder. (ii) Remittance up to USD onemillion, per financial year (April-

March), for all bonafide purposes, to the satisfaction of the authorised dealer bank. (iii) sale proceeds of immovable
property up to US $ 10 lakh per financial year without waiting for 10 year period.

Non-Resident accounts can be opened:

By any person resident outside India (other than a person resident in Nepal and Bhutan) can open NRO account, maintain it for 6M and can convert it into foreign currency after completion of stay provided no local funds are credited to the account.

Deposit may be held jointly with residents

Currency of Deposit is Indian Rupees

Not Repatriable except for the following in the account - 1) Current income 2) Up-to USD 1 Million per financial year.

Type of Deposit may be Savings, Current, Recurring, Fixed Deposit.

Existing accounts of residents are converted to NRO category consequent upon their becoming NRIs.

TDS called withholding Tax is applicable at 30% + Service Tax +Education Cess.

Prior permission of RBI is required to open NRO account of Pakistani national. **However permission is not required**

Non Resident (External) and ForeignCurrencyNon Resident (Bank) account

There are certain common features in these accounts like

1. Credits: Only amount received from abroad can be credited to these accounts.
2. Joint account is allowed only with Non residents and not allowed with residents.
3. Power of attorney is allowed to residents. He can make local payments. POA can remit money abroad if permitted by Power of Attorney.
4. Maximum loan against NRE and FCNR(B) is allowed up to Rs 100 lakh.
5. Interest income is free of Income tax and therefore tax is not deducted at source
6. Repatriation: Entire balance including interest can be repatriated abroad.

The other features are:

Deposits are held in Indian currency.

The Principal and Interest both can be repatriated.

Account holder bears the risk of fluctuations in currency rates.

Account will be opened with proceeds from abroad.

Funds originating in India cannot be deposited.

Interest rates Have since been deregulated by RBI..

No lien is permitted to be marked against SB deposits.

Joint account with Indians can be opened as Former or Survivor.

Cheque book and IBS allowed.

Nomination in favor of NRI/Resident Indian allowed.

Interest Income is exempt from Income Tax, Gift Tax or Wealth Tax.

TOD allowed up to Rs. 50000/- for maximum 2 weeks.

Account can be operated in India through mandate also.

Loans against FDR to 3rd parties allowed provided NRI is personally present for documentation.

FCNR- B accounts

FCNRB accounts can also be opened by NRIs. The conditions of NRE deposits as explained above are also applicable on FCNR-B deposits with the following additional features:

- Only FD 1-5 years tenure can be opened.
- The amount is kept in Foreign Currency and repaid in the Foreign Currency.
- 6 currencies i.e. GBP, USD, Euro, JPY, CAD. AUD are eligible currencies for opening the account.
- No exchange risk for the customer. The bank bears the risk.
- Interest on the basis of 360 days in a year
- Half yearly intervals of 180 days
- Interest exemptions from I.T.
- Operating by P/A not permitted.
- The amount of Principle and Interest is freely repatriable
- Interest Rate on 1-3 years FD is **LIBOR + 200 bps** and that of 3-5 years FD is **LIBOR + 400 bps.**(Previously, it was LIBOR + 300 bps)

Rupee Loans against NRE/FCNRB FDRs

Demand Loan or Overdraft is allowed against FDR. There is no maximum limitof loan against pledge of FDR (Which was**100 lac earlier)**. The loan can be availed for :

- Personal purpose.
- Investment.
- Purchase of property.

The loan can be repaid :

- From proceeds of abroad
- From NRE/FCNR account
- From local resources through NRO account.

Resident Accounts Operation Either or Survivor with non- resident

It has been decided that AD banks may include an NRI close relative (relatives as defined in Section 6 of the Companies Act, 1956) in existing / new resident bank accounts as joint holder with the resident account holder on **"Either or Survivor**" basis subject to the following conditions:

- Such account will be treated as resident bank account
- Cheques, instruments, remittances, cash, card belonging to the NRI close relative shall not be eligible for credit to this account
- The NRI close relative shall operate such account only for and on behalf of the resident for domestic payment

Where due to any eventuality, the non-resident account holder becomes the survivor, it shall be categorized as NRO account

Investments by NRIs in India

NRIs are allowed to invest in India on Repatriation basis as well as on Non-Repatriation basis. NRI can purchase Equity Shares, Preference shares and Convertible Debentures in Indian companies subject to conditions under following categories:

1. Foreign Direct Investments.
2. Portfolio Investment
3. Purchase and Sale of Shares on Non-Repatriation basis.
4. Purchase of other securities of Indian Companies.
5. Exchange Traded Derivatives.

Besides above, NRIs are permitted to invest in:

- Units of UTI and Mutual Funds
- Company Deposits – Minimum 3 years‟ period.
- Share in Proprietorship firm/partnership firm provided the firm is not engaged in Agriculture and Plantation activity or Property business.
- Acquiring of Immovable property not being Agriculture, Plantation or Farm House.

NRI can acquire IP by way of :

- Purchase out of funds received in India
- By way of gift from resident in India or outside India.
- By way of Inheritance from a person resident outside India.

The Income from the property or sale proceeds of the property can be repatriated outside India up to monetary limit of USD1 Million per financial year provided all the applicable taxes are paid.

NRIs can invest in Govt. securities, treasury bills on non- repatriation basis. However, NRI cannot invest in Small saving Schemes including PPF.

Loans to NRIs NRI can avail the following loans:

1. Rupee Loans in India

- Up to up to any limit subject to prescribed margin.
- For personal purpose, contribution to Capital in Indian Companies or for acquisition of property.
- Repayment of loan will be either from inward remittances or from local resources through NRO accounts.

2. Foreign Currency Loans in India

- Against security of funds in FCNR-B deposits.
- Maturity of loan should not exceed due date of deposits.
- Repayment from Fresh remittances or from maturity proceeds of deposits.

3. Loans to 3rd Parties provided

- There is no direct or indirect consideration for NRE depositor agreeing to pledge his FD.
- Margin, rate of Interest and Purpose of loan shall be as per RBI guidelines.

- The loan will be utilized for personal purpose or business purpose and not for re-lending or carrying out Agriculture/Plantation/Real estate activities.
- Loan documents will be executed personally by the depositor and Power of attorney is not allowed.

4. Housing Loans to NRIs : HL can be sanctioned to NRIs subject to following conditions:
- Quantum of loan, Margin and period of Repayment shall be same as applicable to Indian resident.
- The loan shall not be credited to NRE/FCNR account of the customer.
- EM of IP is must and lien on assets.
- Repayment from remittance abroad or by debit to NRE/FCNR account or from rental income derived from property.

Portfolio Investment Scheme for NRIs

RBI has permitted NRIs to invest in PIS subject to following conditions:
Investment on repatriation as well as non-repatriation basis.
Purchase/Sale of shares and debentures
Through Regd. Brokers
Amount is routed through designated branch.
Only delivery based transactions
Investment on Repatriation basis can be made out of inward remittances or out of NRE/FCNR deposits.
Investment on Non-Repatriation basis can be made out of NRO deposits besides NRE/FCNR deposits.

Ceiling PER Investor
5% of paid up capital of Indian Company or 5% of Value of each issue of convertible debentures.

Ceiling PER Investor Company
10% of paid up capital of Indian Company or 10% of Value of each issue of convertible debentures.

RBI controls Foreign Exchange

RBI is empowered to
- Control and regulate Foreign Exchange Reserves
- Supervise Foreign Exchange dealings
- Maintain external value of Rupee

FERA was replaced by FEMA in the year 1999.

FEMA provisions

The important FEMA guidelines with regard to Foreign exchange are as under:
1. No drawl of exchange for Nepal and Bhutan
2. If Rupee equivalent exceeds Rs. 50000/-, payment by way of crossed Cheque.
3. During visit abroad, one can carry foreign currency notes up to **USD 3000** or equivalent. For Libya and Iraq, the limit is **USD5000** and the entire amount for **Iran and Russian** states.
4. Indian citizens can retain and possess foreign currency up to **USD 2000** or its equivalent.
5. Unspent currency must be surrendered within a period of **180 days** after arrival in India.

Basic Travel Quota (BTQ)
Purpose of Visit Up to USD or equivalent
Personal/Tourism 10000 per financial year
Business Purpose 25000 per visit
Seminars/conferences 25000 per visit
Employment/Immigration 100000
Studies 100000 per academic year
Medical 100000
Donations/Gifts 5000 per donor per year
Consultancy services 100000 per project
Debit Credit/Credit Card As per BTQ as above

***AD can release Foreign Exchange 60 days ahead of journey**

LRS (Liberalized Remittance Scheme)

The scheme is meant for Resident Indians individuals. They can freely remit up **USD 125000** per financial year in respect of any current or capital account transaction without prior approval of RBI. The precondition is that the remitter should have been a customer of the bank for the last 1 year. PAN is mandatory.

Not Applicable
- The scheme is not applicable for remittance to Nepal, Bhutan, Pak, Mauritius or other counties identified by FATF.
- The scheme is not meant for remittance by Corporate.

Latest Guidelines

The scheme should not be used for making remittances for any prohibited or illegal activities such as margin trading, lottery etc., as hitherto.

Resident individuals have now been allowed to set up Joint Ventures (JV) / Wholly Owned Subsidiaries (WOS) outside India for

bonafide business activities outside India within the limit of USD 125000

The limit for gift in Rupees by Resident Individuals to NRI close relatives and loans in Rupees by resident individuals to NRI close relatives shall accordingly stand modified to USD 1,25,000 per financial year.

RBI has clarified that Scheme can now be used for acquisition of IP outside India.

Import and Export of Indian Rupees

Any person resident in India
a) May take outside India (other than Nepal and Bhutan) currency notes up to Rs. 25000/- or
b) May bring into India (from country other than Nepal and Bhutan) currency notes up to Rs. 25000/-
Any person Resident Outside India (Not being citizen of Pak and Bangladesh)
a) May take outside India currency up to Rs. 25000/-
b) May bring into India currency notes up to 25000/-
(Previously, the limit was Rs. 10000/-)
Any amount can be taken out while going to Nepal and Bhutan in any denomination. (Prev. Notes up to 100 denomination were allowed)
Restrictions Customer is required to furnish PAN No. for cash remittance beyond 25000/-.

If rupee equivalent is 50000/- and above, the entire payment has to be made by way of crossed cheque or DD.

RETURNS TO BE SUBMITTED TO RBI

Following important returns are submitted to RBI
R- Returns Forex Operations (Fortnightly)
BAL statement Balance in Nostro/Vostro account
STAT 5 Transactions in FCNR B accounts
(Fortnightly)
STAT 8 Transactions in NRE/NRO accounts
(Fortnightly
LRS Statement UP to USD 200000 (monthly)
Trade Credit Statement Buyers‟ and Suppliers‟ Credit
XOS O/S Overdue Export bills (6M overdue)
BEF Import Remittance effected but Bill of Entry
not submitted for >3M.

ETX Form Seeking relaxation from RBI after expiry of
12M when export proceeds are not received.

„

RFC accounts Resident Foreign Currency account is opened by Indian residents who were earlier NRIs and Forex is received by them from their overseas dues:

The accounts can be opened as SB/CA/FD type.
Proceeds are received from overseas.
Out of Monetary benefits accruing abroad
The funds are freely repatriable.
Minimum amount is USD 5000.

RFC- D accounts Resident Foreign Currency (Domestic) accounts are opened:

By Indian residents who visit abroad: and
Bring with them Foreign Exchange;
As honorarium, gift etc.
Unspent smoney can also be deposited.
These are CA nature accounts and no interest is paid.

Exchange Earners Foreign Currency

Exchange Earners Foreign Currency accounts can be opened by exporters. 100% export proceeds can be credited in the account which does not earn interest but this amount is repatriable outside India for imports **(Current Account transactions).**

1. Who can open: The account can be opened by any resident. This account will be opened by exporters.
2. Type of account: Non interest bearing current account (up to 31.10.08 FD account was also allowed)
3. Credits: 100%of foreign exchange earnings can be credited to this account.
4. Repatriation is allowed for permissible current account transaction and permissible capital account transaction.
5. Packing credit can be adjusted out of such funds.

Account holder : Exporters of goods and services, resident in India

Source of funds: Up to 100% of forex earnings can be kept in the account. But amount to be converted in rupees, latest by last day of next month.

Use of funds: Balance can be transferred to NRE/FCNR account on change of status from resident to non-resident. Funds can be used for adjustment of pre-shipment loans.

Loan: No loan can be allowed against the balances in such account.

Type of account: Current account, single or joint (FORMER or SURVIVOR) with close resident relatives.

Interest : No Interest is payable **LIBERALISED**

FEDAI – Foreign Exchange Dealers Association of India

Foreign Exchange association of India is a non-profit body established in 1958 by RBI. All public sector banks, Private Banks, Foreign Banks and Cooperative banks are its members. The functions of FEDAI are:

- Forming uniform rules
- Providing training to bankers; and
- Providing guidance and information from time to time.

The important rules are:

1. Export TransactionsForex liability must be crystallized into Indian rupees on 30th day after expiry of NTP at TT selling rate(Notional Transit Period) in case of Sight bills and **on 30th day** after notional due date in case of Usance bills. **The rule has since been relaxed and bank can frame its own rule for nos. of days for crystallization.**

2. Concessional rate of interest is applied up to Notional due date or up to value date of realization of export dues (whichever is earlier)

3. Import Transactions: For retirement of Import bills whether under LC or otherwise, **Bill selling rate or Contracted selling rate** whichever is higher, will be applied.

- DP Bills (sight) are retired after crystallization on 10th day after receipt.
- DA Bills are retired (crystallized) on Due Date.

4. All Foreign Currency bills under LC, if not retired on receipt, shall be crystallized into Rupee liability on **10th day** after date of receipt of documents at**Bill Selling Rate or** contracted rate whichever is higher.

Normal Transit Period is:

- 25 days for export bills,
- 3 days for Rupee bills drawn under LC and payable locally
- 7 days for rupee bills drawn under LC and payable at other centers
- 20 days for Rupee bills not drawn under LC.
- For exports to Iraq, normal transit period is 60 days.

Compensation on Delayed payment:

All Foreign Inward remittances up to **Rs.1.00 lac** should be converted into Indian Rupees immediately

The proceeds of any Inward remittance should be credited to the account within 10 days and advice of receipt is to be sent within 3 days, failing which, compensation @2% above SB rate will be paid to the beneficiary.

Forward Contracts

- Exchange contracts will be for definite amount and period.
- Contracts must state first and last date of contracts e.g. from 1-31 Jan or from 17th Jan to 16th Feb.
- For contracts up to 1 month, option period for delivery may be specified.

- In case of extension of contract, previous contract will be cancelled at TT Buying rate or TT selling rate as the case may be.

Overdue contracts are liable to be cancelled on **7th working day** after maturity date if no instructions are received. The contracts must state first and last date of the contract.

Banks are now free to fix their own rates of commission and margin etc.

AP may be imposed penalty up to 3 times of contravention amount. If amount is not quantifiable, up to 2.00 lac and up to 5000/- per day is imposed, if the contravention continues.

ECBs – External Commercial Borrowings

External Commercial Borrowings are medium and long term loans as permitted by RBI for the purpose of :

Fresh investments

Expansion of existing facilities

Trade Credit (Buyers" Credit and Sellers" Credit) for 3 years or more.

Automatic Rout

ECB for investment in Real Estate sector , Industrial sector and Infrastructure do not require RBI approval

It can be availed by Companies registered under Indian Company Act.

Funds to be raised from Internationally recognized sources such as banks, Capital markets etc.

Maximum amount per transaction is U**SD 20 million** with minimum average maturity of 3 years

Maximum amount per transaction is U**SD 750 million** with minimum average maturity of 5 years

.

All in cost ceiling is :
ECB up to 5 years : 6M LIBOR+350 bps.
ECBs above 5 years: 6M LIBOR+500 bps.
Approval Route

Under this route, funds are borrowed after seeking approval from RBI.

The ECBs not falling under Automatic route are covered under Approval Route.

Under this route, Issuance of guarantees and Standby LC are not allowed.

Funds are to be raised from recognized lenders with similar caps of all-in-cost ceiling.

ADRs –American Depository Receipts

American Depository Receipts are Receipts or Certificates issued by US Bank representing specified number of shares of non-US Companies.

Defined as under:

These are issued in capital market of USA alone.

These represent securities of companies of other countries.

These securities are traded in US market.
The US Bank is depository in this case.
ADR is the evidence of ownership of the underlying shares.

Unsponsored ADRs
It is the arrangement initiated by US brokers. US Depository banks create such ADRs. The depository has to Register ADRs with SEC (Security Exchange Commission).
Sponsored ADRs
Issuing Company initiates the process. It promotes the company"s ADRs in the USA. It chooses single Depository bank. Registration with SEC is not compulsory. However, unregistered ADRs are not listed in US exchanges.

GDRs – Global Depository Receipts
Global Depository Receipt is a Dollar denominated instrument with following features:
1. Traded in Stock exchanges of Europe.
2. Represents shares of other countries.
3. Depository bank in Europe acquires these shares and issues "Receipts" to investors.
4. GDRs do-not carry voting rights.
5. Dividend is paid in local currency and there is no exchange risk for the issuing company.
6. Issuing Co. collects proceeds in foreign currency which can be used locally for meeting Foreign exchange requirements of Import.
7. GDRS are normally listed on "Luxembourg Exchange " and traded in OTC market London and private placement in USA.
8. It can be converted in underlying shares.

IDRs – Indian Deposits Receipts
Indian Depository Receipts are traded in local exchanges and represent security of Overseas Companies.
CDF (Currency Declaration Form)

CDF is required to be submitted by the person on his arrival to India at the Airport to the custom Authorities in the following cases:
1. If aggregate of Foreign Exchange including foreign currency/TCs exceeds USD 10000 or its equivalent.
2. If aggregate value of currency notes (cash portion) exceeds USD 5000 or its equivalent.

Form A1 and
Form A2
Form A1 is meant for remittance abroad to settle imports obligations. It is not required if value of imports is up to USD 5000.
Form A2 is meant for remittance abroad on account of any purpose other than Imports. It is not required if remittance is up to USD 25000.
LIBOR Rate London Interbank Offering rate is the rate fixed at 11 am (London time) at which top 16 banks in London offer to lend funds in interbank markets.

Interest Subvention on Export Credit

RBI vide notification no. DBOD.Dir.BC.No.43/04.02.001/2013-14 dated 26.08.2013 has informed that Government has decided to increase the rate of interest subvention on the existing sectors from the present 2% to 3% with effect from August 1, 2013 on the same terms and conditions.

3. Accordingly, the interest rate chargeable to the exporters will be reduced as per Base Rate system in the existing sectors eligible for export credit subvention by the amount of subvention available, subject to a floor rate

of 7%. It should be ensured that the benefit of 3% interest subvention is passed on completely to the eligible exporters.

Foreign Currency Borrowingsby ADs from Overseas

It has been decided to liberalize this facility further. Accordingly, AD Category - I banks may henceforth borrow funds from their Head Office, overseas branches and correspondents and overdrafts in Nostro accounts **up to a limit of 100 per cent of their unimpaired Tier I capital** as at the close of the previous quarter or **USD 10 million (or its equivalent**), whichever is higher, as against the existing limit of 50 per cent (excluding borrowings for financing of export credit in foreign currency and capital instruments).

Trade Credit – Revised RBI guidelines

Banks may approve availing of trade credit not exceeding USD 20 million up to a maximum period of five years (from the date of shipment) for companies in the infrastructure sector, subject to certain terms and conditions stipulated therein.

On a review, it has been decided to allow companies in all sectors to avail of trade credit not exceeding USD 20 million up to a maximum period of five years **for import of capital goods** as classified by Director General of Foreign Trade (DGFT).

Crystallization of Inoperative Foreign Currency Deposits

RBI has advised that AD will crystallize i.e. convert foreign currency deposit (with fixed maturity date) into INR, if remains **in-operative for 3 years** from date of maturity.

If a deposit account has not been operated for 10 years, the amount will be transferred to DEAF.

ELECTRONIC MODES OF TRANSMISSION / PAYMENT

SWIFT: SWIFT stands for Society for Worldwide Inter-bank Financial Telecommunication. It provides secured telecommunication of financial messages amongst banks and financial institutions, throughout the world. Authentication of messages is done through bilateral key exchange. The cost of sending message is only 1/4th of the conventional talex system.

CHIPS: CHIPS stands for "Clearing House Inter-bank payment system'. It is a major payment system in USA, being used by major banks. **It** is operative in New York only.

Fedwire: This is a payment system operated by Federal Reserve Bank of US operated all over USA.

ABA number: It is the no. allotted by Federal Reserve of USA to banks participating in Fedwire, to identify the senders and receivers of payment.

CHAPS: CHAPS, the Clearing House Automated Payments System is British equivalent to CHIPS, handling receipts and payments in London. It is used by a large no. of banks in UK.

Target: It stands for Trans-European Automated Real-time Gross Settlement Express Transfer system in EURO payment system comprising 15 national RTGS systems working in Europe.

RTGS-plus: RTGS plus is German hybrid clearing systems and operating as an European oriented RTGS and payment system.

EBA-EURO-1: It is a netting system with focus on cross border Euro payments.

RTGS in India: RBI implemented RTGS in India. It functions on line. Banks maintain a pool account with RBI for inflow and outflow of funds through RTGS. Minimum amount is Rs.2 lac for RTGS.

NEFT in India: It is an electronic funds transfer system which functions on a batch basis. There are no amount ceilings.

Money Transfer Service Scheme (MTSS) : The Reserve Bank has issued Master Directions relating to Money Transfer Service Scheme (MTSS), which is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India.

MTSS can be used for inward personal remittances into India, such as, remittances towards family maintenance and remittances favouring foreign tourists visiting India and not for outward remittance from India.

The system envisages a tie-up between reputed money transfer companies abroad known as Overseas Principals and agents in India known as Indian Agents who would disburse funds to beneficiaries in India at ongoing exchange rates. The Indian Agents can

in turn also appoint sub-agents to expand their network. The Indian Agent is not allowed to remit any amount to the Overseas Principal. Under MTSS, the remitters and the beneficiaries are individuals only.
The Reserve Bank of India may accord necessary permission (authorisation) to any person to act as an Indian Agent under the
Money Transfer Service Scheme. No person can handle the business of cross-border money transfer to India in any capacity unless
specifically permitted to do so by the RBI.
To become MTSS agent, min net owned funds Rs.50 lac. MTSS cap USD 2500 for individual remittance. Max remittances 30

received by an individual in India in a calendar year. Min NW of overseas principal USD 01 million, as per latest balance sheet.

Update from RBI

1. Introduction

1.1 Money Transfer Service Scheme (MTSS) is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India. Only inward personal remittances into India such as remittances towards family maintenance and remittances favouring foreign tourists visiting India are permissible. No outward remittance from India is permissible under MTSS. The system envisages a tie-up between reputed money transfer companies abroad known as Overseas Principals and agents in India known as Indian Agents who would disburse funds to beneficiaries in India at ongoing exchange rates. The Indian Agents can in turn also appoint sub-agents to expand their network. The Indian Agent is not allowed to remit any amount to the Overseas Principal. Under MTSS the remitters and the beneficiaries are individuals only. This document covers the details regarding the entry norms, authorization, renewal and various operating instructions pertaining to the entities involved in this scheme.

1.2 Statutory Basis

In terms of the powers granted under Section 10(1) of the Foreign Exchange Management Act (FEMA), 1999, the Reserve Bank of India may accord necessary permission (authorization) to any person to act as an Indian Agent under the Money Transfer Service Scheme. No person can handle the business of cross-border money transfer to India in any capacity unless specifically permitted to do so by the Reserve Bank.

2. Definitions

2.1 'Authorised Dealer' (AD) means a person authorised as an authorised dealer under sub-section (1) of section 10 of FEMA.

2.2 'Authorised Dealer (AD) Category II' means (i) Upgraded FFMCs; (ii) Select RRBs; (iii) Select UCBs; and (iv)Other entities.

2.3 'Full Fledged Money Changer (FFMC)' is an authorized money changer authorised to purchase foreign exchange from non-residents visiting India and residents, and to sell foreign exchange for private and business travel purposes only.

2.4 'Overseas Principal' are reputed money transfer companies abroad entering into tie up with agents in India known as Indian agents who would disburse funds to beneficiaries in India at ongoing exchange rates.

3. Guidelines for Indian Agents

3.1 Entry Norms

(i) The applicant to become an Indian Agent should be an Authorised Dealer Category-I bank or an Authorised Dealer Category-II or a Full Fledged Money Changer (FFMC), or a Scheduled Commercial Bank or the Department of Posts.
(ii) The applicant should have minimum Net Owned Funds of Rs.50 lakh.

***Note**:- (i) Owned Funds :- (Paid-up Equity Capital + Free reserves + Credit balance in Profit & Loss A/c) minus (Accumulated balance of loss, Deferred revenue expenditure and Other intangible assets)*
*(ii) Net Owned Funds:- Owned funds minus the amount of investments in shares of its subsidiaries, companies in the same group, all (other) non-banking financial companies as also the book value of debentures, bonds, outstanding loans and advances made to and deposits with its subsidiaries and companies in the same group in excess of 10 per cent of the Owned funds***.**

3.2 Procedure for making Applications to the Reserve Bank

Application for necessary permission to act as an Indian Agent may be made to the respective regional office of the Foreign Exchange Department of the Reserve Bank of India, under whose jurisdiction the registered office of the applicant falls and should be accompanied by the documents pertaining to its proposed Overseas Principal, as detailed below:

a) A declaration to the effect that no proceedings have been initiated by / are pending with the Directorate of Enforcement (DoE) / Directorate of Revenue Intelligence (DRI) or any other law enforcing authorities, against the applicant or its directors and that no criminal cases are initiated / pending against the applicant or its directors.

b) A declaration to the effect that proper policy framework on Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/ Combating the Financing of Terrorism (CFT), in accordance with the guidelines issued by

Reserve Bank of India, Department of Banking Regulation, Central Office as referred to in their latest
'Master Direction – Know Your Customer (KYC) Direction, 2016' and other instructions in this regard so far and from time to time in future, mutatis mutandis, applicable to Indian agents and their Sub-agents in place on obtaining permission (authorization) of the Reserve Bank and before commencement of money transfer operations.

c) Name and address of the Overseas Principal with whom the MTSS will be conducted.

d) Full details of the operation of the scheme by the Overseas Principal.

e) List of branches in India and their addresses where MTSS will be conducted by the applicant.

f) Estimated volume of business per month/year under the scheme.

g) Audited Balance Sheet and Profit and Loss Account for the last two financial years of the applicant, if available or a copy of the latest audited accounts, with a certificate from Statutory Auditors regarding the position of the Net Owned Funds as on the date of application.

h) Memorandum and Articles of Association of the applicant where either a provision exists for taking up money transfer business or an appropriate amendment thereto has been filed with the Company Law Board.

i) Confidential Report from at least two of the applicant's bankers in sealed cover.

j) Details of sister/ associated concerns of the applicant functioning in the financial sector.

k) A certified copy of the board resolution for undertaking money transfer business by the applicant.

l) A letter from the proposed Overseas Principal, agreeing to enter into tie up with the applicant and also to provide necessary collateral.

3.3 Collateral requirement

Collateral equivalent to 3 days' average drawings or USD 50,000, whichever is higher, may be kept by the Overseas Principal in favour of the Indian Agent with a designated bank in India. The minimum amount of USD 50,000 shall be kept as a foreign currency deposit while the balance amount may be kept in the form of a Bank

Guarantee. The adequacy of collateral should be reviewed by Indian Agents at quarterly intervals on the basis of remittances received during the past three months.

3.4 Other conditions

a. Only cross-border personal remittances, such as, remittances towards family maintenance and remittances favouring foreign tourists visiting India shall be allowed under this arrangement. Donations/ contributions to charitable institutions/t rusts, trade related remittances, remittance towards purchase of property, investments or credit to NRE Accounts shall not be made through this arrangement.

b. A cap of USD 2500 has been placed on individual remittance under the scheme. Amounts up to Rs.50,000/- may be paid in cash to a beneficiary in India. Any amount exceeding this limit shall be paid by means of account payee cheque/ demand draft/ payment order, *etc.*, or credited directly to the beneficiary's bank account only. However, in exceptional circumstances, where the beneficiary is a foreign tourist, higher amounts may be disbursed in cash. Full details of such transactions should be kept on record for scrutiny by the auditors/ inspectors.

c. Only 30 remittances can be received by a single individual beneficiary under the scheme during a calendar year.

3.5 Criteria for RBI decisions

(i) The Indian Agents need to have strength and efficiency to function profitably in a highly competitive environment. As a number of Indian Agents are already functioning, permission (authorization) will be issued on a very selective basis to those who meet the above requirements, have necessary outreach and who are likely to conform to the best international and domestic standards of customer service and efficiency.

(ii) The Indian Agent should commence its money transfer operations under the scheme within a period of **six months** from the date of issuance of permission (authorization) and inform the regional office concerned of the Foreign Exchange Department of the Reserve Bank.

4. Guidelines for Overseas Principals

Indian Agents entering into arrangements with Money Transfer Operators overseas, known as Overseas Principals, may note that Overseas Principals with adequate volume of business, track record and outreach will only be considered under the scheme. Further, since the primary objective of permitting the business of money transfer business in the country is to facilitate cheaper and more efficient means of receipt of remittances, operators with limited outreach in terms of branch network in the country and localized operations overseas will not be entertained.

Applicant Indian Agents should submit the following documents/ comply with the following requirements, in respect of their Overseas Principals:

a) The Overseas Principal should obtain necessary authorisation from the Department of Payment and Settlement Systems, Reserve Bank of India under the provisions of the Payment and Settlement Systems Act (PSS Act), 2007 to commence/ operate a payment system. Prior to such authorization, the Reserve Bank will verify the background and antecedents of the Overseas Principal with the help of Govt. of India,

b) The Overseas Principal should be a registered entity, licenced by the Central Bank / Government or financial regulatory authority of the country concerned for carrying on Money Transfer Activities. The country of registration of the Overseas Principal should be AML compliant.

c) The minimum net-worth of Overseas Principals should be at least USD 1 million as per the latest audited balance sheet, which should be maintained at all times. However, the

Reserve Bank may consider relaxing the minimum Net Worth criterion in case of Overseas Principals incorporated in FATF member countries and are supervised by the concerned Central Bank/ Government or financial regulatory authority.

d) The Overseas Principal should be well established in the money transfer business with a track record of operations in well regulated markets.

e) The arrangement with Overseas Principal should result in considerably increasing access to formal money transfer facilities at both ends.

f) The Overseas Principal should be registered with the overseas trade / Industry bodies.

g) The Overseas Principal should have a good rating from one of the international credit rating agencies.

h) The Overseas Principal should submit confidential reports from at least two of its bankers.

i) The Overseas Principal should submit a report certified by independent Chartered Accountants, regarding steps taken to comply with anti-money laundering norms in the home/ host country.

j) The Overseas Principals will be fully responsible for the activities of their Agents and Sub Agents in India.

k) Proper records of remitters as also beneficiaries pertaining to all pay-outs in India are to be maintained by the Overseas Principals. All records must be made accessible on demand to the Reserve Bank or other agencies of the Government of India, *viz.*, Ministry of Finance, Ministry of Home Affairs, FIU-IND, *etc.* Full details of the remitters and the beneficiaries should be provided by the Overseas Principals, if called for.

5. Guidelines for appointment of Sub Agents by Indian Agents

5.1 The Scheme

Under the Scheme, Indian Agents can enter into Sub Agency agreements with entities, fulfilling certain conditions, for the purpose of undertaking money transfer business.

5.2 Sub Agents

A Sub Agent should have a place of business, and whose bonafides are acceptable to the Indian Agent. Indian Agents are free to decide on the tenor of the arrangement as also the commission or fee through mutual agreement with the Sub Agent. The audit and on-site inspection of premises and records of the Sub Agents by the Indian Agent to be conducted at least once in a month and in a year respectively.

5.3 Procedure for Submission of information in respect of Sub Agents by Indian Agents.

Indian Agents should submit on a quarterly basis necessary information in the prescribed format in soft copy form pertaining to their Sub Agents appointed during a quarter within 15 days from the end of the quarter, to the respective regional offices of the Foreign Exchange Department of the Reserve Bank under whose jurisdiction the registered office of the Indian Agent falls for onward submission to the Ministry of Home Affairs (MHA), Govt. of India (GoI) through the Ministry of Finance (MoF), Govt. of India (GoI). In case of any objection by the MHA, the Sub Agency arrangement concerned should be terminated immediately.

Indian Agents should also furnish certificates that the Sub Agents appointed by them comply with the eligibility norms and also they have done due diligence, wherever applicable, in respect of their Sub Agents.

5.4 Due Diligence of Sub Agents

The Indian Agents and the Overseas Principals should undertake the following minimum checks while conducting due diligence of the Sub Agents, other than AD Category-I, AD Category-II, Scheduled Commercial Banks, Full Fledged Money Changers and the Department of Posts:

• Existing business activities of the Sub Agent/ its position in area

• Shop & Establishment/ other applicable municipal certification in favour of the Sub Agent

• Verification of physical existence of location of the Sub Agent

• Conduct certificate of the Sub Agent from the local police authorities (certified copy of Memorandum and Articles of Association and Certificate of Incorporation in respect of incorporated entities).

Note**: Although obtaining of conduct certificate of the Sub Agent from the local police authorities is non-mandatory for the Indian Agents, the Indian Agents must take due care to avoid appointing individuals/ entities as Sub Agents who have cases / proceedings initiated / pending against them by any law enforcing agencies.

• Declaration regarding past criminal cases, cases initiated/ pending against the Sub Agent and/or its directors/ partners by any law enforcing agency, if any

PAN Card of the Sub Agents and its directors/ partners

• Photographs of the directors/ partners and the key persons of the Sub Agent

The above checks should be done on a regular basis, at least once in a year. The Indian Agents should obtain from the Sub Agents proper documentary evidence confirming the location of the Sub Agents in addition to personal visits to the site. The Indian Agents should discontinue agreements with Sub Agents who do not meet the criteria laid down above within three months from the date of this circular.

5.5 Selection of Centers

The Indian Agents are free to select centers for operationalizing the Scheme. However, this may be advised to the Reserve Bank.

5.6 Training

The Indian Agents would be expected to impart training to the Sub Agents as regards operations and maintenance of records.

5.7 Reporting, Audit and Inspection

The Indian Agents would be expected to put in place adequate arrangements for reporting of transactions by the Sub Agents to the Indian Agents (on a regular basis) in a simple format to be prescribed by them, say at monthly intervals.

Regular spot audits of all locations of Sub Agents, at least on a monthly basis, should be conducted by Indian Agents. Such audits should involve a dedicated team and 'mystery customer' (Individuals acting as potential customers to experience and measure the extent up to which people and process perform as they should) concept should be used to test the compliance carried out by Sub Agents. As mentioned above, a system of inspection of the books of the Sub Agents should be put in place. The purpose of such inspection, which should be done at least once a year, would be to ensure that the money transfer business is being carried out by the Sub Agents in conformity with the terms of agreement/prevailing RBI guidelines and that necessary records are being maintained by the Sub Agents.

Note:- The Indian Agents are fully responsible for the activities of their Sub Agents. While the Indian Agents will be encouraged to act as self-regulated entities, the onus of ensuring the conduct of activities of the Sub Agents in the prescribed manner will lie solely on the Indian Agents concerned and Reserve Bank of India can in no way be held responsible for the activities of the Sub Agents.

Agents.

Each Indian Agent would be required to conduct due diligence before appointing a Sub Agent and any irregularity observed could render the Indian Agent's permission liable for cancellation**.**

6. Guidelines for renewal of permission (authorization) of existing Indian Agents

(i) Necessary permission to Indian Agents will be issued initially for a period of one year, which may be renewed for one to three years at a time on the basis of fulfilment of all conditions and other directions/ instructions issued by the Reserve Bank from time to time.

(ii) The applicant should be an Authorised Dealer Category-I bank or an Authorised Dealer Category-II or a Full Fledged Money Changer (FFMC).

(iii) The Indian Agent should have minimum Net Owned Funds of Rs.50 lakh.

(iv) Application for renewal of permission should be submitted to the Regional Office concerned of the Foreign Exchange Department of the Reserve Bank under whose jurisdiction the registered office of the Indian Agent falls along-with the documents pertaining to the Overseas Principal as detailed above and the following documents:

a) A declaration to the effect that no proceedings have been initiated by/ are pending with the Directorate of Enforcement (DoE)/ Directorate of Revenue Intelligence (DRI) or any other law enforcing authorities, against the Indian Agent or its directors and that no criminal cases are initiated/ pending against the Indian Agent or its directors.

b) A write up on the KYC/ AML/ CFT, risk management and internal control policy framework, put in place by the Indian Agent.

c) Audited Balance Sheet and Profit and Loss Account for the last two financial years of the Indian Agent, if available or a copy of the latest audited accounts, with a certificate from statutory auditors regarding the position of the Net Owned Funds as on the date of application.

d) Confidential Reports from at least two of the bankers of the Indian Agent in sealed cover.

e) Details of sister/ associated concerns of the Indian Agent functioning in the financial sector.

f) A certified copy of the board resolution for renewal of permission.

Note :- An application for the renewal of permission under MTSS shall be made not later than one month, or such other period as the Reserve Bank may prescribe, before the expiry of the permission. Where an entity submits an application for the renewal of its MTSS permission, the permission shall continue in force until the date on which the permission is renewed or the application for renewal of permission is rejected, as the case may be. No application for renewal of MTSS permission shall be made after the expiry of the permission.

7. Inspection of Indian Agents

Inspections of the Indian Agents may be conducted by the Reserve Bank under the provisions of Section 12(1) of the FEMA, 1999.

8. KYC/ AML/ CFT Guidelines for the Indian Agents

(i) Detailed instructions on Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/ Combating the Financing of Terrorism (CFT) for Indian Agents under MTSS in respect of cross-border inward remittance activities, in the context of the FATF Recommendations on Anti Money Laundering standards and on Combating the Financing of Terrorism issued by Reserve Bank of India, Department of Banking Regulation, Central Office as referred to in their latest 'Master Direction – Know Your Customer (KYC) Direction, 2016' and other instructions in this regard issued in the regard from time to time in future, shall, mutatis mutandis, be applicable to all Authorised Persons (APs), who are Indian agents under MTSS and to their Sub-agents**.**

(ii) To facilitate receipt of foreign inward remittances directly into bank account of the beneficiary, the foreign inward remittances received under MTSS can be transferred to the KYC compliant beneficiary bank account through electronic mode, such as NEFT, IMPS etc. Foreign inward remittances received by the bank acting as Indian Agent under MTSS (termed as 'Partner Bank'), may also be electronically credited directly to the account of the beneficiary, held with a bank other than the Indian Agent Bank (termed as 'Recipient Bank'), subject to the following conditions:

a) The Recipient Bank will credit the amount transferred by the Partner bank only to KYC compliant bank accounts.

b) In respect of the bank accounts which are not KYC compliant, the Recipient Bank shall carry out KYC/ Customer Due Diligence (CDD) of the recipient before the remittance to such account is credited or allowed to be withdrawn.

c) The Partner Bank shall appropriately mark the direct-to-account remittances to indicate to the Recipient Bank that it is a foreign inward remittance.

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d) The Partner Bank shall ensure that accurate originator information and necessary beneficiary information is included in the electronic message while transferring the fund to the Recipient Bank. This information should be available in the remittance message throughout the payment chain i.e. the overseas principal, the Partner Bank and the Recipient Bank. The Partner Bank should add an appropriate alert in the electronic message indicating that this is a foreign inward remittance and should not be credited to KYC non-compliant account or NRE/ NRO accounts.

e) The identification and other documents of the recipient shall be maintained by the Recipient Bank as per the provisions of Prevention of Money Laundering (Maintenance of Records) Rules, 2005. All other requirements under KYC/ AML/ CFT guidelines issued by the Reserve Bank of India for MTSS from time to time shall be adhered to by the Partner Bank.

f) The Recipient Bank may seek additional information from the Partner Bank and shall report suspicious transactions to the FIU-IND with details of the Partner Bank through which they received the remittances.

9. General Instructions

All Overseas Principals are required to submit their annual audited balance sheet along with a certificate on Net Worth from their Statutory Auditors to the concerned Regional Office of the Foreign Exchange Department and the Department of Payment and Settlement Systems of the Reserve Bank. Similarly, all Indian Agents are required to submit their annual audited balance sheet along with a certificate from their Statutory Auditors on Net Owned Funds to the regional offices concerned of the Foreign Exchange Department of the Reserve Bank. As the Overseas Principals and the Indian Agents are expected to maintain minimum Net Worth and Net Owned Funds respectively on an ongoing basis, they are required to bring it to the notice of the Reserve Bank immediately along with a detailed plan of restoring the Net Worth/ Net Owned Funds to the minimum required level, if there is any reduction in their Net Worth/ Net Owned Funds below the minimum level.

10. Standard Operating Procedure (SOP) during elections

The SOP given as 'Annex' for non-bank APs is to be followed by all non-bank APs who are Indian Agents under MTSS and they are also required to bring the contents of the SOP to the notice of their Sub-Agents/ constituents concerned.

Standard Operating Procedure (SOP) for non-bank money changers during elections

The movement of foreign exchange can take place between Authorised Dealer Category I (AD Cat. I), Authorised Dealer Category II (AD Cat. II), Full Fledged Money Changers (FFMC), their offices/branches, their customers and their franchisees.

On a request received from the Election Commission of India the following Standard Operating Practice (SOP) for movement of cash (foreign exchange), during elections is being notified:

A. Physical Movement-

1. All movement of Indian currency or foreign exchange should be effected by the person(s) authorised, who should carry the supporting documents while moving the cash. The movement should be on the basis of requisition made by the receiver and to the address of the destination.

2. If the cash is being moved from the office/branch of the AP, it should leave the place only after it has been recorded in the books of accounts of the AP.

3. Similarly, if the destination point of movement of the currency is the office/branch of the AP, it should be recorded in the books of accounts of the AP, on the same day or on the date of receipt.

4. Transfer of foreign currency between branches of the same AP should be accounted as stock transfer and not as sale so that double counting is avoided.

B. In the case of doorstep forex service by FFMCs / Authorised Dealers Category II to their regular customers, inter-alia, the processing and accounting of the transaction should take place in the office of the AP and the transaction should be supported by necessary documents for value received. The delivery of the forex should be done by authorised officials of the AP only.

C. As far as possible movement of Indian Currency should be made through banking channels (viz. cheque, demand draft, NEFT, RTGS, IMPS etc.) only. The transactions between authorized dealers and FFMCs should be settled by way of account payee crossed cheques / demand drafts/ and in no circumstances the settlement of Indian Currency should be made in cash. The cash (INR) collected by the AP or its franchisee should be deposited to a bank branch on the same day or next day.

D. The cancellation of any move for transportation of cash should be properly documented.
E. The movement of cash should be in sync with the documents.

F. The upper limit for movement of cash in INR would be Rs.10,00,000/- and in Foreign Currency equivalent of USD 1,00,000 except the transactions where the imported foreign currency is being transported to the offices/ branch of the AP.

Updates from RBI For Remittance of assets

1. Introduction
The Regulations for remittance outside India of assets in India by a person, whether resident in India or not, are laid down in the Notification No. FEMA 13/2000-RB dated May 3, 2000, as amended from time to time.
2. Definitions
Some key terms used in the regulations are given below:
2.1 'Remittance of assets' means remittance outside India of funds in a deposit with a bank/ firm/ company, provident fund balance or superannuation benefits, amount of claim or maturity proceeds of insurance policy, sale proceeds of shares, securities, immovable property or any other asset held in India in accordance with the provisions of the Foreign Exchange Management Act, 1999 (FEMA) or rules/ regulations made under FEMA.
2.2 'Non-Resident Indian' (NRI) means a person resident outside India who is a citizen of India.
2.3 [3]A 'Person of Indian Origin (PIO)' is a person resident outside India who is a citizen of any country other than Bangladesh or Pakistan or such other country as may be specified by the Central Government, satisfying the following conditions:
a) Who was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955); or

b) Who belonged to a territory that became part of India after the 15th day of August, 1947; or

c) Who is a child or a grandchild or a great grandchild of a citizen of India or of a person referred to in clause (a) or (b); or

d) Who is a spouse of foreign origin of a citizen of India or spouse of foreign origin of a person referred to in clause (a) or (b) or (c)

Explanation: PIO will include an 'Overseas Citizen of India' cardholder within the meaning of Section 7(A) of the Citizenship Act, 1955. 2

2.4 'Authorised Dealer' (AD) means a person authorised as an authorised dealer under subsection (1) of section 10 of the Act.
2.5 'Expatriate staff' is a person whose provident/ superannuation/ pension fund is maintained outside India by his principal employer outside India.
2.6 'Not permanently resident' is a person resident in India for employment of a specified duration or for a specific job/ assignment, the duration of which is not more than three years.

3. Remittance of assets permitted under the regulations

3.1 Remittances by individuals not being NRIs/ PIOs

ADs may allow remittance of assets by a foreign national where:
(i) the person has retired from employment in India;

(ii) the person has inherited from a person referred to in section 6(5) of the Act;

(iii) the person is a non-resident widow/[4]widower and has inherited assets from her/his deceased spouse who was an Indian national resident in India.

4 Inserted vide FEM (Remittance of Assets), Regulations 2016 dated April 1, 2016 and A.P.(DIR Series) Circular No. 64/2015-16 [(1)/13(R)] dated 28.04.2016.

The remittance should not exceed USD one million per financial year. This limit, however, will not cover sale proceeds of assets held on repatriation basis. In case the remittance is made in more than one instalment, the remittance of all instalments should be made through the same AD on submission of documentary evidence.
(iv) the remittance is in respect of balances held in a bank account by a foreign student who has completed his/ her studies, provided such balance represents proceeds of remittances received from abroad through normal banking channels or rupee proceeds of foreign exchange brought by such person and sold to an authorised dealer or out of stipend/ scholarship received from the Government or any organisation in India.

These facilities are not available for citizens of Nepal or Bhutan or a PIO.

3.2 Remittances by NRIs/ PIOs

ADs may allow NRIs/ PIOs, on submission of documentary evidence, to remit up to USD one million, per financial year:
(i) out of balances in their non-resident (ordinary) (NRO) accounts/ sale proceeds of assets/ assets acquired in India by way of inheritance/ legacy;
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(ii) in respect of assets acquired under a deed of settlement made by either of his/ her parents or a relative as defined in Companies Act, 2013. The settlement should take effect on the death of the settler;

(iii) in case settlement is done without retaining any life interest in the property i.e. during the lifetime of the owner/ parent, it would tantamount to regular transfer by way of gift and the remittance of sale proceeds of such property would be guided by the extant instructions on remittance of balance in the NRO account;

In case the remittance is made in more than one instalment, the remittance of all instalments should be made through the same AD. 5 Where the remittance is to be made from the balances held in the NRO account, the Authorised Dealer should obtain an undertaking from the account holder stating that “the said remittance is sought to be made out of the remitter’s balances held in the account arising from his/ her legitimate receivables in India and not by borrowing from any other person or a transfer from any other NRO account and if such is found to be the case, the account holder will render himself/ herself liable for penal action under FEMA.”

5 Inserted vide FEM (Remittance of Assets) Regulations, 2016 dated April 1, 2016 and A.P.(DIR Series) Circular No. 64/2015-16 [(1)/13(R)] dated 28.04.2016.

3.3 Remittances by companies/ entities

3.3.1 ADs may allow remittances by Indian companies under liquidation on directions issued by a Court in India/ orders issued by official liquidator in case of voluntary winding up on submission of:

(a) Auditor's certificate confirming that all liabilities in India have been either fully paid or adequately provided for.

(b) Auditor's certificate to the effect that the winding up is in accordance with the provisions of the Companies Act, 1956.

(c) In case of winding up otherwise than by a court, an auditor's certificate to the effect that there are no legal proceedings pending in any court in India against the applicant or the company under liquidation and there is no legal impediment in permitting the remittance.

3.3.2 ADs may also allow Indian entities to remit their contribution towards the provident fund/ superannuation/ pension fund in respect of their expatriate staff resident but “not permanently resident” in India. 4

3.4 Remittances/ winding up proceeds of branch/ office
ADs may permit remittance of assets on closure or remittance of winding up proceeds of branch office/ liaison office (other than project office) on submission of the following documents:
(i) A copy of the Reserve Bank's permission for establishing the branch/ office in India.

(ii) Auditor’s certificate:

(a) indicating the manner in which the remittable amount has been arrived and supported by a statement of assets and liabilities of the applicant, and indicating the manner of disposal of assets;

(b) confirming that all liabilities in India including arrears of gratuity and other benefits to the employees etc., of the branch/ office have been either fully met or adequately provided for;

(c) confirming that no income accruing from sources outside India (including proceeds of exports) has remained un-repatriated to India;

(d) confirming that the branch/office has complied with all regulatory requirements stipulated by the Reserve Bank of India from time to time regarding functioning of such offices in India;

(iii) a confirmation from the applicant that no legal proceedings are pending in any Court in India and there is no legal impediment to the remittance; and

(iv) a report from the Registrar of Companies regarding compliance with the provisions of the Companies Act, 2013, in case of winding up of the office in India.
4. Remittance of assets requiring RBI approval
4.1 Prior approval of the Reserve Bank is necessary for remittance of assets where:
a) Remittance is in excess of USD 1,000,000 (US Dollar One million only) per financial year (i) on account of legacy, bequest or inheritance to a citizen of foreign state, resident outside India; (ii) by NRIs/ PIOs out of the balances held in NRO accounts/ sale proceeds of assets/ the assets acquired by way of inheritance/ legacy.

b) Hardship will be caused to a person if remittance from India is not made to such a person.
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4.2 Remittance of funds from the sale of assets in India held by a person, whether resident in or outside India, not covered under the directions stipulated above will require approval of the Reserve Bank.

5. Income-tax clearance

The remittances are subject to payment of applicable taxes in India. Reserve Bank of India will not issue any instructions under FEMA clarifying tax issues. It shall be mandatory on the part of Authorised Dealers to comply with the requirement of tax laws, as applicable.

Master Direction - Liberalised Remittance Scheme (LRS)

A. Liberalised Remittance Scheme (LRS) of USD 2,50,000 for resident individuals

i) Under the Liberalised Remittance Scheme, Authorised Dealers may freely allow remittances by resident individuals up to USD 2,50,000 per Financial Year (April-March) for any permitted current or capital account transaction or a combination of both. The Scheme is not available to corporates, partnership firms, HUF, Trusts, etc.

ii) The LRS limit has been revised in stages consistent with prevailing macro and micro economic conditions. During the period from February 4, 2004 till date, the LRS limit has been revised as under:

(Amount in USD[3])

Date	Feb 4, 2004	Dec 20, 2006	May 8, 2007	Sep 26, 2007	Aug 14, 2013	Jun 3, 2014	May 26, 2015
LRS limit (USD)	25,000	50,000	1,00,000	2,00,000	75,000	1,25,000	2,50,000

The Scheme is available to all resident individuals including minors. In case of remitter being a minor, [4] the Form A2 must be countersigned by the minor's natural guardian.

BI. Remittances under the Scheme can be consolidated in respect of family members subject to individual family members complying with its terms and conditions. However, clubbing is not permitted by other family members for capital account transactions such as opening a bank account/investment/purchase of property, if they are not the co-owners/co-partners of the overseas bank account/ investment/property. Further, a resident cannot gift to another resident, in foreign

[o] Omitted

[p] Inserted vide AP (Dir Series) circular 50 dated February 11, 2016. Prior to insertion this read as "the LRS declaration form."

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currency, for the credit of the latter's foreign currency account held abroad under LRS.

All other transactions which are otherwise not permissible under FEMA and those in the nature of remittance for margins or margin calls to overseas exchanges/ overseas counterparty are not allowed under the Scheme.

- The permissible capital account transactions by an individual under LRS are:
  - opening of foreign currency account abroad with a bank;
  - purchase of property abroad;
  - making investments abroad- acquisition and holding shares of both listed and unlisted overseas company or debt instruments; [5]acquisition of qualification shares of an overseas company for holding the post of Director; acquisition of shares of a foreign company towards professional services rendered or in lieu of Director's remuneration; investment in units of Mutual Funds, Venture Capital Funds, unrated debt securities, promissory notes;
  - setting up Wholly Owned Subsidiaries and Joint Ventures (with effect from August 05, 2013) outside India for bonafide business subject to the terms & conditions stipulated in Notification No FEMA.263/ RB-2013 dated March 5, 2013;
  - extending loans including loans in Indian Rupees to Non-resident Indians (NRIs) who are relatives as defined in Companies Act, 1956.

The limit of USD 2,50,000 per Financial Year (FY) under the Scheme also includes/subsumes remittances for current account transactions (viz. private visit; gift/donation; going abroad on employment; emigration; maintenance of close relatives abroad; business trip; medical treatment abroad; studies abroad) available to resident individuals under Para 1 of Schedule III to Foreign Exchange Management (Current Account Transactions) Amendment Rules, 2015 dated May 26, 2015. Release of foreign exchange exceeding USD 2,50,000, requires prior permission from the Reserve Bank of India.

- **Private visits**

For private visits abroad, other than to Nepal and Bhutan, any resident individual can obtain foreign exchange up to an aggregate amount of USD 2,50,000, from

1. Modified with effect from March 28, 2012. Notification No. 277/2013-RB dated May 08, 2013.

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an Authorised Dealer or FFMC, in any one financial year, irrespective of the number of visits undertaken during the year.

Further, all tour related expenses including cost of rail/road/water transportation; cost of Euro Rail; passes/tickets, etc. outside India; and overseas hotel/lodging expenses shall be subsumed under the LRS limit. The tour operator can collect this amount either in Indian rupees or in foreign currency from the resident traveller.

o Gift/donation

Any resident individual may remit up-to USD 2,50,000 in one FY as gift to a person residing outside India or as donation to an organization outside India.

p Going abroad on employment

A person going abroad for employment can draw foreign exchange up to USD 2,50,000 per FY from any Authorised Dealer in India.

q Emigration

A person wanting to emigrate can draw foreign exchange from AD Category I bank and AD Category II up to the amount prescribed by the country of emigration or USD 250,000. Remittance of any amount of foreign exchange outside India in excess of this limit may be allowed only towards meeting incidental expenses in the country of immigration and not for earning points or credits to become eligible for immigration by way of overseas investments in government bonds; land; commercial enterprise; etc.

r Maintenance of close relatives abroad

A resident individual can remit up-to USD 2,50,000 per FY towards maintenance of close relatives ['relative' as defined in Section 6 of the Indian Companies Act, 1956] abroad.

s Business trip

Visits by individuals in connection with attending of an international conference, seminar, specialised training, apprentice training, etc., are treated as business visits. For business trips to foreign countries, resident individuals can avail of

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foreign exchange up to USD 2,50,000 in a FY irrespective of the number of visits undertaken during the year.

However, if an employee is being deputed by an entity for any of the above and the expenses are borne by the latter, such expenses shall be treated as residual current account transactions outside LRS and may be permitted by the AD without any limit, subject to verifying the bonafides of the transaction.

o **Medical treatment abroad**

Authorised Dealers may release foreign exchange up to an amount of USD 2,50,000 or its equivalent per FY without insisting on any estimate from a hospital/doctor. For amount exceeding the above limit, Authorised Dealers may release foreign exchange under general permission based on the estimate from the doctor in India or hospital/ doctor abroad. A person who has fallen sick after proceeding abroad may also be released foreign exchange by an Authorised Dealer (without seeking prior approval of the Reserve Bank of India) for medical treatment outside India.

In addition to the above, an amount up to USD 250,000 per financial year is allowed to a person for accompanying as attendant to a patient going abroad for medical treatment/check-up.

p **Facilities available to students for pursuing their studies abroad.**

AD Category I banks and AD Category II, may release foreign exchange up to USD 2,50,000 or its equivalent to resident individuals for studies abroad without insisting on any estimate from the foreign University. However, AD Category I bank and AD Category II may allow remittances (without seeking prior approval of the Reserve Bank of India) exceeding USD 2,50,000 based on the estimate received from the institution abroad.

o Remittances under the Scheme can be used for purchasing objects of art subject to the provisions of other applicable laws such as the extant Foreign Trade Policy of the Government of India.

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o The Scheme can be used for outward remittance in the form of a DD either in the resident individual's own name or in the name of beneficiary with whom he intends putting through the permissible transactions at the time of private visit abroad, against self-declaration of the remitter in the format prescribed.

p Individuals can also open, maintain and hold foreign currency accounts with a bank outside India for making remittances under the Scheme without prior approval of the Reserve Bank. The foreign currency accounts may be used for putting through all transactions connected with or arising from remittances eligible under this Scheme.

q Banks should not extend any kind of credit facilities to resident individuals to facilitate capital account remittances under the Scheme.

r The Scheme is not available for remittances for any purpose specifically prohibited under Schedule I or any item restricted under Schedule II of Foreign Exchange Management (Current Account Transaction) Rules, 2000, dated May 3, 2000, as amended from time to time.

s The Scheme is not available for capital account remittances to countries identified by Financial Action Task Force (FATF) as non-co-operative countries and territories as available on FATF website www.fatf-gafi.org or as notified by the Reserve Bank. Remittances directly or indirectly to those individuals and entities identified as posing significant risk of committing acts of terrorism as advised separately by the Reserve Bank to the banks is also not permitted.

t **Documentation by the remitter**

The individual will have to designate a branch of an AD through which all the remittances under the Scheme will be made.The resident individual seeking to

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make the remittance should furnish [6] Form A2 as at Annex for purchase of foreign exchange under LRS.

It is mandatory to have PAN card to make remittances under the Scheme for capital account transactions. However, PAN card need not be insisted upon for remittances made towards permissible current account transactions up to USD 25,000.

Investor, who has remitted funds under LRS can retain, reinvest the income earned on the investments. At present, the resident individual is not required to repatriate the funds or income generated out of investments made under the Scheme. However, a resident individual who has made overseas direct investment in the equity shares; compulsorily convertible preference shares of a

JV/WoS outside India[7], within the LRS limit, shall have to comply with the terms and conditions prescribed by the overseas investment guidelines under Notification No. FEMA 263/RB-2013 dated March 5, 2013.

Facility to grant loan in rupees to NRI/ PIO close relative under the Scheme

Resident individual is permitted to lend to a Non-resident Indian (NRI)/ Person of Indian Origin (PIO) close relative ['relative' as defined in Section 6 of the Indian Companies Act, 1956] by way of crossed cheque/ electronic transfer subject to the following conditions:

the loan is free of interest and the minimum maturity of the loan is one year;

the loan amount should be within the overall limit under the Liberalised Remittance Scheme of USD 2,50,000 per financial year available for a resident individual. It would be the responsibility of the resident individual to ensure that the amount of loan granted by him is within the LRS limit and all the remittances made by the resident individual during a given financial year including the loan together have not exceeded the limit prescribed under LRS;

Inserted vide AP (Dir Series) Circular 50 dated February 11, 2016. Prior to insertion it read as "Form A-2 as at Annex-1 and Application-cum-Declaration for purchase of foreign exchange under LRS as per Annex-2"

Deleted the word 'or ESOPs' in terms of AP (DIR Series) Circular No. 97 dated March 28, 2012 and Notification No. 277/2013-RB dated May 08, 2013.

1. the loan shall be utilized for meeting the borrower's personal requirements or for his own business purposes in India.
2. the loan shall not be utilized, either singly or in association with other person for any of the activities in which investment by persons resident outside India is prohibited, namely:

   The business of chit fund, or

   Nidhi Company, or

   Agricultural or plantation activities or in real estate business, or construction of farm houses, or

   Trading in Transferable Development Rights (TDRs).

Explanation: For the purpose of item (c) above, real estate business shall not include development of townships, construction of residential/ commercial premises, roads or bridges.

the loan amount should be credited to the NRO a/c of the NRI / PIO. Credit of such loan amount may be treated as an eligible credit to NRO a/c;

the loan amount shall not be remitted outside India; and

repayment of loan shall be made by way of inward remittances through

normal banking channels or by debit to the Non-resident Ordinary (NRO) / Non-resident External (NRE) / Foreign Currency Non-resident (FCNR) account of the borrower or out of the sale proceeds of the shares or securities or immovable property against which such loan was granted.

o A resident individual can make a rupee gift to a NRI/PIO who is a relative of the resident individual ['relative' as defined in Section 6 of the Companies Act, 1956] by way of crossed cheque /electronic transfer. The amount should be credited to the Non-Resident (Ordinary) Rupee Account (NRO) a/c of the NRI / PIO and credit of such gift amount may be treated as an eligible credit to NRO a/c. The gift amount would be within the overall limit of USD 250,000 per FY as permitted under the LRS for a resident individual. It would be the responsibility of the resident donor to ensure that the gift amount is within the LRS limit and all the remittances made by the donor during the financial year including the gift amount have not exceeded the limit prescribed under the LRS.

B. Operational instructions to Authorised Persons

o Authorized Persons may carefully study the provisions of the Act / Regulations / Notifications issued under Foreign Exchange Management Act, 1999.

p The Reserve Bank will not, generally, prescribe the documents which should be verified by the Authorised Persons while releasing foreign exchange for current account transactions. In this connection, attention of authorized persons is drawn to sub-section (5) of Section 10 of the FEMA, 1999 which provides that an authorised person shall require any person desiring to transact in foreign exchange to make such a declaration and to give such information as will reasonably satisfy him that the transaction will not involve and is not designed for the purpose of any contravention or evasion of the provisions of the FEMA or any rule, regulation, notification, direction or order issued there under.

q With a view to maintaining uniform practices, Authorized Dealers may consider requirements or documents to be obtained by their branches to ensure compliance with provisions of sub-section (5) of section 10 of the Act.

r Authorised Dealers are also required to keep on record any information / documentation, on the basis of which the transaction was undertaken for verification by the Reserve Bank. In case the applicant refuses to comply with any such requirement or makes unsatisfactory compliance therewith, the Authorised Dealer shall refuse, in writing, to undertake the transaction and shall, if he has reasons to believe that any contravention / evasion is contemplated by the person, report the matter to the Reserve Bank.

s Reserve Bank of India will not issue any instructions under the FEMA, regarding the procedure to be followed in respect of deduction of tax at source while allowing remittances to the non-residents. It shall be mandatory on the part of Authorised Dealers to comply with the requirement of the tax laws, as applicable.

6. While allowing the facility to resident individuals, Authorised Dealers are required to ensure that "Know Your Customer" guidelines have been implemented in respect of bank accounts. They should also comply with the Anti-Money Laundering Rules in force while allowing the facility.

7. The applicants should have maintained the bank account with the bank for a minimum period of one year prior to the remittances for capital account transactions. If the applicant seeking to make the remittances is a new customer of the bank, Authorised Dealers should carry out due diligence on the opening, operation and maintenance of the account. Further, the Authorised Dealers should obtain bank statement for the previous year from the applicant to satisfy themselves regarding the source of funds. If such a bank statement is not available, copies of the latest Income Tax Assessment Order or Return filed by the applicant may be obtained.

8. The Authorised Dealer should ensure that the payment is received out of funds belonging to the person seeking to make the remittances, by a cheque drawn on the applicant's bank account or by debit to his account or by Demand Draft / Pay Order. Authorised Dealer may also accept the payment through credit /debit/prepaid card of the card holder.

9. The Authorised Dealer should certify that the remittance is not being made directly or indirectly by /or to ineligible entities and that the remittances are made in accordance with the instructions contained herein.

10. AD bank should not extend any kind of credit facilities to resident individuals to facilitate remittances for capital account transactions under the Scheme.

11. Authorised Dealer may keep a record of the countries identified by FATF as non-co-operative countries and territories and accordingly update the list from time to time for necessary action by their branches handling the transactions under the Liberalised Remittance Scheme. For this purpose, they may access the website www.fatf-gafi.org to obtain the latest list of non-co-operative countries notified by FATF.

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12. The remittances made under this Scheme will be reported in the R-Return in the normal course. The Authorised Dealers may also prepare and keep on record dummy Form A2, in respect of remittances less than USD 25,000. In addition, AD banks would also furnish information on the number of applicants and total amount remitted under the Scheme, on a monthly basis, to the Reserve Bank of India, through the Online Return Filing System (ORFS).

13. A number of foreign banks operating in India as well as Indian banks have been soliciting (through advertisements) foreign currency deposits (from residents under LRS) [on behalf of overseas mutual funds] or for placing at their overseas branches. These advertisements may not always contain appropriate disclosures to guide potential depositors giving rise to concerns from the point of view of protecting the interest of the resident individuals. Further, marketing in India of schemes soliciting foreign currency deposits by foreign entities, not having operational presence in India, also raises supervisory concerns. Therefore, all banks, both Indian and foreign, including those not having an operational presence in India, should seek prior approval from RBI for the schemes being marketed by them in India to residents either for soliciting foreign currency deposits for their foreign/overseas branches or for acting as agents for overseas mutual funds or any other foreign financial services company. The applications in this regard may be addressed to the Chief General Manager-in-Charge,
Department of Banking Regulations, Reserve Bank of India, Central Office, 12th Floor, Fort, Mumbai -400001.

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[8]**Annex**

FORM A2

(To be completed by the applicant)

AD Code No.______________________________

Form No.__________________________________

(To be filled in by the Authorised Dealer)

(For payments other than imports and remittances covering intermediary trade)

Currency_____ Amount ___Equivalent to Rs. ____

(To be completed by the Authorised Dealer)

Application for Remittance Abroad

I/We ____

(Name of applicant remitter)

PAN No. ____

(For remittances exceeding USD 25,000 and for all capital account transactions)

Address____

authorize

____

(Name of AD branch)

To debit my Savings Bank/ Current/ RFC/ EEFC A/c. No. _____________________
together with their charges and

* a) Issue a draft : Beneficiary's Name ___________________________________

Address ______________________________________

* b) Effect the foreign exchange remittance directly –

1) Beneficiary's Name ______________________________________
2) Name and address of the bank ______________________________________
3) Account No. ______________________________________

* c) Issue travelers cheques for ______________________________________

* d) Issue foreign currency notes for ______________________________________

Amount (specify currency) ______________________________________

* *(Strike out whichever is not applicable) for the purpose/s indicated below*

Sr. No.	Whether under LRS (Yes/No)	Purpose Code	Description
		As per the Annex	

(Remitter should put a tick (√) against an appropriate purpose code. In case of doubt/ difficulty, the AD bank should be consulted).

o Inserted vide AP (Dir) series Circular 50 dated February 11, 2016. Prior to insertion it read as Annex 1, which has since been replaced with effect from the same date.

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Declaration
(Under FEMA 1999)

o *# I, ……………….. …………(Name), hereby declare that the total amount of foreign exchange purchased from or remitted through, all sources in India during the financial year* including this application *is within the overall limit of the Liberalised Remittance Scheme prescribed by the Reserve Bank of India and certify that the source of funds for making the said remittance belongs to me and the foreign exchange will not be used for prohibited purposes.*

Details of the remittances made/transactions effected under the Liberalised Remittance Scheme in the current financial year (April- March) *……...*

Sl. No	***Date***	***Amount***	***Name and address of AD branch/FFMC through which the transaction has been effected***

o *# The total amount of foreign exchange purchased from or remitted through, all sources in India during this calendar year including this application is within USD ________________________ (USD ____________) the annual limit prescribed by Reserve Bank of India for the said purpose.*

p *# Foreign exchange purchased from you is for the purpose indicated above.*

 # (Strike out whichever is not applicable)

Signature of the applicant

(Name)
Date:

Certificate by the Authorised Dealer

This is to certify that the remittance is not being made by/ to ineligible entities and that the remittance is in conformity with the instructions issued by the Reserve Bank from time to time under the Scheme.

Name and designation of the authorised official:
Stamp and seal

Signature:

Date:

Place:

Purpose Codes for Reporting under FETERS

A. Payment Purposes (for use in BOP file)

Gr. No.	Purpose Group Name	Purpose Code	Description
00	Capital Account	S0017	Acquisition of non-produced non-financial assets (Purchase of intangible assets like patents, copyrights, trademarks etc., land acquired by government, use of natural resources) – Government
		S0019	Acquisition of non-produced non-financial assets (Purchase of intangible assets like patents, copyrights, trademarks etc., use of natural resources) – Non-Government
		S0026	Capital transfers (Guarantees payments, Investment Grand given by the government/international organisation, exceptionally large Non-life insurance claims) – Government
		S0027	Capital transfers (Guarantees payments, Investment Grand given by the Non-government, exceptionally large Non-life insurance claims) – Non-Government
		S0099	Other capital payments not included elsewhere
	Financial Account		
	Foreign Direct Investments	S0003	Indian Direct investment abroad (in branches & wholly owned subsidiaries) in equity Shares
		S0004	Indian Direct investment abroad (in subsidiaries and associates) in debt instruments
		S0005	Indian investment abroad – in real estate
		S0006	Repatriation of Foreign Direct Investment made by overseas Investors in India – in equity shares
		S0007	Repatriation of Foreign Direct Investment in made by overseas Investors India – in debt instruments
		S0008	Repatriation of Foreign Direct Investment made by overseas Investors in India – in real estate
	Foreign Portfolio Investments	S0001	Indian Portfolio investment abroad – in equity shares
		S0002	Indian Portfolio investment abroad – in debt instruments
		S0009	Repatriation of Foreign Portfolio Investment made by overseas Investors in India – in equity shares
		S0010	Repatriation of Foreign Portfolio Investment made by overseas Investors in India – in debt instruments
	External Commercial Borrowings	S0011	Loans extended to Non-Residents
		S0012	Repayment of long & medium term loans with original maturity above one year received from Non-Residents

	Short term Loans	S0013	Repayment of short term loans with original maturity up to one year received from Non-Residents
	Banking Capital	S0014	Repatriation of Non-Resident Deposits (FCNR(B)/NR(E)RA etc)
		S0015	Repayment of loans & overdrafts taken by ADs on their own account.
		S0016	Sale of a foreign currency against another foreign currency
	Financial Derivatives and	S0020	Payments made on account of margin payments, premium payment and settlement amount etc. under Financial derivative transactions.
	Others	S0021	Payments made on account of sale of share under Employee stock option
		S0022	Investment in Indian Depositories Receipts (IDRs)

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Gr. No.	Purpose Group Name	Purpose Code	Description
		S0023	Opening of foreign currency account abroad with a bank
	External Assistance	S0024	External Assistance extended by India. *e.g.* Loans and advances extended by India to Foreign governments under various agreements
		S0025	Repayments made on account of External Assistance received by India.
01	Imports	S0101	Advance payment against imports made to countries other than Nepal and Bhutan
		S0102	Payment towards imports- settlement of invoice other than Nepal and Bhutan
		S0103	Imports by diplomatic missions other than Nepal and Bhutan
		S0104	Intermediary trade/transit trade, *i.e.,* third country export passing through India
		S0108	Goods acquired under merchanting / Payment against import leg of merchanting trade*
		S0109	Payments made for Imports from Nepal and Bhutan, if any
02	Transport	S0201	Payments for surplus freight/passenger fare by foreign shipping companies operating in India
		S0202	Payment for operating expenses of Indian shipping companies operating abroad
		S0203	Freight on imports – Shipping companies
		S0204	Freight on exports – Shipping companies
		S0205	Operational leasing/Rental of Vessels (with crew) –Shipping companies
		S0206	Booking of passages abroad – Shipping companies
		S0207	Payments for surplus freight/passenger fare by foreign Airlines companies operating in India
		S0208	Operating expenses of Indian Airlines companies operating abroad
		S0209	Freight on imports – Airlines companies
		S0210	Freight on exports – Airlines companies
		S0211	Operational leasing / Rental of Vessels (with crew) – Airline companies
		S0212	Booking of passages abroad – Airlines companies
		S0214	Payments on account of stevedoring, demurrage, port handling charges etc.(Shipping companies)
		S0215	Payments on account of stevedoring, demurrage, port handling charges,

			etc.(Airlines companies)
		S0216	Payments for Passenger - Shipping companies
		S0217	Other payments by Shipping companies
		S0218	Payments for Passenger - Airlines companies
		S0219	Other Payments by Airlines companies
		S0220	Payments on account of freight under other modes of transport (Internal Waterways, Roadways, Railways, Pipeline transports and others)
		S0221	Payments on account of passenger fare under other modes of transport (Internal Waterways, Roadways, Railways, Pipeline transports and others)
		S0222	Postal & Courier services by Air
		S0223	Postal & Courier services by Sea

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Gr. No.	Purpose Group Name	Purpose Code	Description
		S0224	Postal & Courier services by others
03	Travel	S0301	Business travel.
		S0303	Travel for pilgrimage
		S0304	Travel for medical treatment
		S0305	Travel for education (including fees, hostel expenses etc.)
		S0306	Other travel (including holiday trips and payments for settling international credit cards transactions)
05	Construction Services	S0501	Construction of projects abroad by Indian companies including import of goods at project site abroad
		S0502	Cost of construction etc. of projects executed by foreign companies in India.
06	Insurance and Pension Services	S0601	Life Insurance premium except term insurance
		S0602	Freight insurance – relating to import & export of goods
		S0603	Other general insurance premium including reinsurance premium; and term life insurance premium
		S0605	Auxiliary services including commission on insurance
		S0607	Insurance claim Settlement of non-life insurance; and life insurance (only term insurance)
		S0608	Life Insurance Claim Settlements
		S0609	Standardised guarantee services
		S0610	Premium for pension funds
		S0611	Periodic pension entitlements e.g. monthly quarterly or yearly payments of pension amounts by Indian Pension Fund Companies.
		S0612	Invoking of standardised guarantees
07	Financial Services	S0701	Financial intermediation, except investment banking - Bank charges, collection charges, LC charges etc.
		S0702	Investment banking – brokerage, under writing commission etc.
		S0703	Auxiliary services – charges on operation & regulatory fees, custodial services, depository services etc.
08	Telecommunication, Computer & Information	S0801	Hardware consultancy/implementation
		S0802	Software consultancy / implementation
		S0803	Data base, data processing charges

	Services		
		S0804	Repair and maintenance of computer and software
		S0805	News agency services
		S0806	Other information services- Subscription to newspapers, periodicals
		S0807	Off-site software imports
		S0808	Telecommunication services including electronic mail services and voice mail services
		S0809	Satellite services including space shuttle and rockets etc.
09	Charges for the use of intellectual property (not included elsewhere)	S0901	Franchises services
		S0902	Payment for use, through licensing arrangements, of produced originals or prototypes (such as manuscripts and films), patents, copyrights, trademarks and industrial processes etc.
10	Other Business Services	S1002	Trade related services – commission on exports / imports

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Gr. No.	Purpose Group Name	Purpose Code	Description
		S1003	Operational leasing services (other than financial leasing) without operating crew, including charter hire- Airlines companies
		S1004	Legal services
		S1005	Accounting, auditing, book-keeping services
		S1006	Business and management consultancy and public relations services
		S1007	Advertising, trade fair service
		S1008	Research & Development services
		S1009	Architectural services
		S1010	Agricultural services like protection against insects & disease, increasing of harvest yields, forestry services.
		S1011	Payments for maintenance of offices abroad
		S1013	Environmental Services
		S1014	Engineering Services
		S1015	Tax consulting services
		S1016	Market research and public opinion polling service
		S1017	Publishing and printing services
		S1018	Mining services like on–site processing services analysis of ores etc.
		S1020	Commission agent services
		S1021	Wholesale and retailing trade services.
		S1022	Operational leasing services (other than financial leasing) without operating crew, including charter hire- Shipping companies
		S1023	Other Technical Services including scientific/space services.
		S1099	Other services not included elsewhere
11	Personal, Cultural & Recreational services	S1101	Audio-visual and related services like Motion picture and video tape production, distribution and projection services.
		S1103	Radio and television production, distribution and transmission services
		S1104	Entertainment services
		S1105	Museums, library and archival services
		S1106	Recreation and sporting activities services
		S1107	Education (e.g. fees for correspondence courses abroad)
		S1108	Health Service (payment towards services received from hospitals, doctors, nurses, paramedical and similar services etc. rendered

			remotely or on-site)
		S1109	Other Personal, Cultural & Recreational services
12	Govt. not included elsewhere	S1201	Maintenance of Indian embassies abroad
		S1202	Remittances by foreign embassies in India
13	Secondary Income	S1301	Remittance for family maintenance and savings
		S1302	Remittance towards personal gifts and donations
		S1303	Remittance towards donations to religious and charitable institutions abroad
		S1304	Remittance towards grants and donations to other governments and charitable institutions established by the governments.
		S1305	Contributions/donations by the Government to international institutions
		S1306	Remittance towards payment / refund of taxes.
		S1307	Outflows on account of migrant transfers including personal effects

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Gr. No.	Purpose Group Name	Purpose Code	Description
14	Primary Income	S1401	Compensation of employees
		S1402	Remittance towards interest on Non-Resident deposits (FCNR(B)/NR(E)RA, etc.)
		S1403	Remittance towards interest on loans from Non-Residents (ST/MT/LT loans) e.g. External Commercial Borrowings, Trade Credits, etc.
		S1405	Remittance towards interest payment by ADs on their own account (to VOSTRO a/c holders or the OD on NOSTRO a/c.)
		S1408	Remittance of profit by FDI enterprises in India (by branches of foreign companies including bank branches)
		S1409	Remittance of dividends by FDI enterprises in India (other than branches) on equity and investment fund shares
		S1410	Payment of interest by FDI enterprises in India to their Parent company abroad.
		S1411	Remittance of interest income on account of Portfolio Investment in India
		S1412	Remittance of dividends on account of Portfolio Investment in India on equity and investment fund shares
15	Others	S1501	Refunds / rebates / reduction in invoice value on account of exports
		S1502	Reversal of wrong entries, refunds of amount remitted for non-exports
		S1503	Payments by residents for international bidding
		S1504	Notional sales when export bills negotiated/ purchased/ discounted are dishonored/ crystallised/ cancelled and reversed from suspense account
		S1505	Deemed Imports (exports between SEZ, EPZs and Domestic tariff areas)
16	Maintenance and repair services (not included elsewhere)	S1601	Payments on account of maintenance and repair services rendered for Vessels, ships, boats, warships, etc.
		S1602	Payments on account of maintenance and repair services rendered for aircrafts, space shuttles, rockets, military aircrafts, helicopters, etc.
17	Manufacturing services (goods for processing)	S1701	Payments for processing of goods

Master Direction- Compounding of Contraventions under FEMA, 1999

1. General

1.1 In terms of Section 15 of the FEMA 1999, any contravention under section 13 of FEMA 1999 may, on an application made by the person committing such contravention, be compounded within one hundred and eighty days from the date of receipt of application by the officers of the Reserve Bank as may be authorized in this behalf by the Central Government in such manner as may be prescribed.

In terms of Section 13(1), if any person contravenes any provision of FEMA, 1999, or any rule, regulation, notification, direction or order issued in exercise of the powers under this Act, or contravenes any condition subject to which an authorization is issued by the Reserve Bank, he shall, upon adjudication, be liable to a penalty up to thrice the sum involved in such contravention where the amount is quantifiable or up to Rupees Two lakhs, where the amount is not directly quantifiable and where the contravention is a continuing one, further penalty which may extend to Rupees Five thousand for every day after the first day during which the contravention continues.

1.2 In exercise of the powers conferred by section 46 read with sub-section (1) of section 15 of the Foreign Exchange Management Act, 1999 (42 of 1999) the Central Government had made the Foreign Exchange (Compounding Proceedings) Rules, 2000 relating to compounding contraventions under chapter IV of FEMA, 1999.

1.3 In terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, effective from June 1, 2000, RBI is empowered to compound contraventions relating to Section 7, 8 and 9 and the third schedule to FEMCAT Rules. Vide GSR 609 (E) dated 13-09-2004, RBI was empowered to compound all the contraventions of FEMA 1999 except Section 3(a) with a view to providing comfort to individuals and corporate community by minimizing transaction costs, while taking severe view of willful, *malafide* and fraudulent transactions.

2. Power to compound by Reserve Bank

2.1 If any person contravenes any provisions of Foreign Exchange Management Act, 1999 (42 of 1999) except clause (a) of Section 3 of that Act.

4. in case where the sum involved in such contravention is ten lakhs rupees or below, by the Assistant General Manager of the Reserve Bank of India;

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iii) in case where the sum involved in such contravention is more than rupees ten lakhs but less than rupees forty lakhs, by the Deputy General Manager of Reserve Bank of India;

iv) in case where the sum involved in the contravention is rupees forty lakhs or more but less than rupees hundred lakhs by the General Manager of Reserve Bank of India;

v) in case the sum involved in such contravention is rupees one hundred lakhs or more, by the Chief General Manager of the Reserve Bank of India;

Provided further that no contravention shall be compounded unless the amount involved in such contravention is quantifiable.

2.2 Every officer specified under sub-rule (1) of rule 4 of the Reserve Bank of India (Compounding Authority) shall exercise the powers to compound any contravention subject to the direction, control and supervision of the Governor of the Reserve Bank of India.

3. Delegation of Powers to Regional Offices

As a measure of customer service and in order to facilitate the operational convenience, compounding powers have been delegated to the Regional Offices of the Reserve Bank of India to compound the following contraventions of FEMA, 1999.

FEMA Regulation	Brief Description of Contravention
Paragraph 9(1)(A) of Schedule I to FEMA 20/2000-RB dated May 3, 2000	Delay in reporting inward remittance received for issue of shares.
Paragraph 9(1)(B) of Schedule I to FEMA 20/2000-RB dated May 3, 2000	Delay in filing form FC(GPR) after issue of shares.
[1]Paragraph 9(2) of Schedule I to FEMA 20/2000-RB dated May 3, 2000	Delay in filing the Annual Return on Foreign Liabilities and Assets (FLA Return), by all Indian companies which have received Foreign Direct Investment in the previous year(s) including the current year
Paragraph 8 of Schedule I to FEMA 20/2000-RB dated May 3, 2000	Delay in issue of shares/refund of share application money beyond 180 days, mode of receipt of funds, etc.

AJ. Inserted vide AP (DIR Series) Circular No. 29 dated February 02, 2017.

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Paragraph 5 of Schedule I to FEMA 20/2000-RB dated May 3, 2000	Violation of pricing guidelines for issue of shares.
Regulation 2(ii) read with Regulation 5(1) of FEMA 20/2000-RB dated May 3, 2000	Issue of ineligible instruments such as non-convertible debentures, partly paid shares, shares with optionality clause, etc.
Paragraph 2 or 3 of Schedule I to FEMA 20/2000-RB dated May 3, 2000	Issue of shares without approval of RBI or FIPB respectively, wherever required.
Regulation 10A (b)(i) read with paragraph 10 of Schedule I to FEMA 20/2000-RB dated May 3, 2000	Delay in submission of form FC-TRS on transfer of shares from Resident to Non-Resident.
Regulation 10B (2) read with paragraph 10 of Schedule I to FEMA 20/2000-RB dated May 3, 2000	Delay in submission of form FC-TRS on transfer of shares from Non-Resident to Resident.
Regulation 4 of FEMA 20/2000-RB dated May 3, 2000	Taking on record transfer of shares by investee company, in the absence of certified from FC-TRS.

4. Authorisation to compound the contraventions by FED CO Cell, New Delhi

4.1 The work of three divisions of Foreign Investment Division (FID) viz. Liaison/ Branch/ Project office(LO/ BO/ PO) division, Non Resident Foreign Account Division (NRFAD) and Immovable Property (IP) Division has been transferred to FED, CO Cell, New Delhi with effect from July 15, 2014. Accordingly the officers attached to the FED, CO, Cell at New Delhi office are now authorized to compound the contraventions as under:

FEMA Notification	Brief Description of Contravention
FEMA 7/2000-RB, dated 3-5-2000	Contraventions relating to acquisition and transfer of immovable property outside India
FEMA 21/2000-RB, dated 3-5-2000	Contraventions relating to acquisition and transfer of immovable property in India
FEMA 22/2000-RB, dated 3-5-2000	Contraventions relating to establishment in India of Branch office, Liaison Office or
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	Project office
FEMA 5/2000-RB, dated 3-5-2000	Contraventions falling under Foreign Exchange Management (Deposit) Regulations, 2000

4.2 The powers to compound the contraventions at Paragraph 3 and Paragraph 4 above have been delegated to all Regional Offices (except Kochi and Panaji) and FED, CO Cell, New Delhi respectively without any limit on the amount of contravention. Kochi and Panaji Regional offices can compound the contraventions at paragraph 3 for amount of contravention below Rupees one hundred lakh (Rs.1,00,00,000/-). The contraventions of Rupees one hundred lakh (Rs.1,00,00,000/-) or more under the jurisdiction of Panaji and Kochi Regional Offices and all other contraventions of FEMA will continue to be compounded at Cell for Effective Implementation of FEMA (CEFA), Foreign Exchange Department, Reserve Bank of India, Central Office, Mumbai, as hitherto.

4.3 Accordingly, applications for compounding related to the above contraventions may be submitted to the respective Regional Offices under whose jurisdiction they fall or to FED, CO Cell, New Delhi, as applicable. For **all other** contraventions, applications may continue to be submitted to CEFA, Foreign Exchange Department, Reserve Bank of India, 5th floor, Amar Building, Sir P.M.Road, Fort, Mumbai 400001.

5. Application for Compounding

5.1 All applications for compounding may be submitted together with the prescribed fee of Rs.5000/- by way of a demand draft drawn in favour of "Reserve Bank of India" and payable at the concerned Regional Office and by way of a demand draft drawn in favour of "Reserve Bank of India" and payable at Mumbai for cases submitted to the Compounding Authority, [Cell for Effective implementation of FEMA (CEFA)], Foreign Exchange Department, Reserve Bank of India, Central Office, Mumbai.

5.2 The format of the application is appended to the Foreign Exchange (Compounding Proceedings) Rules, 2000

5.3 Along with the application in the prescribed format, the applicant may also furnish the details as per Annex-II relating to Foreign Direct Investment, External Commercial Borrowings, Overseas Direct Investment and Branch Office / Liaison

Office, as applicable, a copy of the Memorandum of Association and latest audited balance sheet along with an undertaking that they are not under investigation of any agency such as DOE, CBI, etc. as per Annex-III in order to complete the compounding process within the time frame.

5.4 In case the application has to be returned where required approvals are not obtained from the authorities concerned or in case of incomplete application for any other reason, the application fees of Rs.5000/- received along with the application will be returned by crediting the same to the applicant's account through NEFT as per the ECS mandate and details of their bank account as per Annex IV furnished along with the application. The Annexes relating to Foreign Direct Investment, External Commercial Borrowings, Overseas Direct Investment and Branch Office / Liaison Office, as given in A.P.(Dir Series) Circular No.57 dated December 13, 2011, have also been modified to include the details of income-tax PAN and the activity as per NIC codes – 1987 in terms of A.P.(Dir Series) Circular No.20 dated August 12, 2013. The application will be treated as incomplete without these details.

5.5 The applicants are also advised to bring to the notice of the compounding authority change, if any, in the address/ contact details of the applicant during the pendency of the compounding application with Reserve Bank.

6. Pre-requisite for Compounding Process

6.1 In respect of a contravention committed by any person within a period of three years from the date on which a similar contravention committed by him was compounded under the Compounding Rules, such contraventions would not be compounded and relevant provisions of the FEMA, 1999 shall apply. Any second or subsequent contravention committed after the expiry of a period of three years from the date on which the contravention was previously compounded shall be deemed to be a first contravention.

6.2 Contraventions relating to any transaction where proper approvals or permission from the Government or any statutory authority concerned, as the case may be, have not been obtained, such contraventions would not be compounded unless the required approvals are obtained from the concerned authorities.

6.3 Cases of contravention, such as, those having a money laundering angle, national security concerns and/or involving serious infringements of the regulatory framework or where the contravener fails to pay the sum for which contravention

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was compounded within the specified period in terms of the compounding order, shall be referred to the Directorate of Enforcement for further investigation and necessary action under FEMA, 1999 or to the authority instituted for implementation of the Prevention of Money Laundering Act 2002, or to any other agencies, for necessary action as deemed fit.

6.4 In this connection, it is clarified that whenever a contravention is identified by the Reserve Bank or brought to its notice by the entity involved in contravention by way of a reference other than through the prescribed application for compounding, the Bank will continue to decide

(i) whether a contravention is technical and/or minor in nature and, as such, can be dealt with by way of an administrative/ cautionary advice;

BJ. whether it is material and, hence, is required to be compounded for which the necessary compounding procedure has to be followed or

BK. whether the issues involved are sensitive / serious in nature and, therefore, need to be referred to the Directorate of Enforcement (DOE). However, once a compounding application is filed by the concerned entity suo moto, admitting the contravention, the same will not be considered as 'technical' or 'minor' in nature and the compounding process shall be initiated in terms of section 15 (1) of Foreign Exchange Management Act, 1999 read with Rule 9 of Foreign Exchange (Compounding Proceedings) Rules, 2000.

7 .Scope and procedure for compounding

7.1 On receipt of the application for compounding, the Reserve Bank shall examine the application based on the documents and submissions made in the application and assess whether contravention is quantifiable and, if so, the amount of contravention.

7.2 The Compounding Authority may call for any information, record or any other documents relevant to the compounding proceedings. In case the contravener fails to submit the additional information/documents called for within the specified period, the application for compounding will be liable for rejection.

7.3 The following factors, which are only indicative, may be taken into consideration for the purpose of passing compounding order and adjudging the quantum of sum on payment of which contravention shall be compounded:

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q the amount of gain of unfair advantage, wherever quantifiable, made as a result of the contravention;

r the amount of loss caused to any authority/ agency/ exchequer as a result of the contravention;

s economic benefits accruing to the contravener from delayed compliance or compliance avoided;

t the repetitive nature of the contravention, the track record and/or history of non-compliance of the contravener;

u contravener's conduct in undertaking the transaction and in disclosure of full facts in the application and submissions made during the personal hearing; and any other factor as considered relevant and appropriate.

7.4 [2] As per provisions of section 13 of FEMA the amount imposed can be up to three times the amount involved in the contravention. However, the amount imposed is calculated based on guidance note given below. It may, however, be noted that the guidance note is meant only for the purpose of broadly indicating the basis on which the amount to be imposed is derived by the compounding authorities in Reserve Bank of India. The actual amount imposed may sometimes vary, depending on the circumstances of the case taking into account the factors indicated in the foregoing paragraph.

I. Guidance Note on Computation Matrix

Type of contravention	Existing Formula
1] **Reporting Contraventions** **A) FEMA 20** Para 9(1)(A), 9(1)(B), part B of FC(GPR), FCTRS (Reg. 10) and taking on record FCTRS (Reg. 4) **B) FEMA 3** Non submission of ECB statements **C) FEMA 120** Non reporting/delay in reporting of acquisition/setup of subsidiaries/step down subsidiaries /changes in the shareholding pattern **D) Any other reporting contraventions (except those in Row 2 below)**	Fixed amount : Rs10000/- (applied once for each contravention in a compounding application) + Variable amount as under: Up to 10 lakhs: 1000 per year Rs.10-40 lakhs: 2500 per year Rs.40-100 lakhs: 7000 per year Rs.1-10 crore 50000 per year Rs.10 -100 Crore : 100000 per year Above Rs.100 Crore : 200000 per year
E) Reporting contraventions by LO/BO/PO	As above, subject to ceiling of Rs.2 lakhs. In case of Project Office, the amount imposed shall be calculated on 10% of total project cost.

pInserted vide AP (DIR Series) Circular No. 73 dated May 26, 2016. Accordingly, existing para 7.4 has been re-numbered as 7.5

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2] AAC/ APR/ Share certificate delays In case of non-submission/ delayed submission of APR/ share certificates (FEMA 120) or AAC (FEMA 22) or FCGPR (B) [3]or FLA Return (FEMA 20)	Rs.10000/- per AAC/APR/FCGPR (B)[4]/FLA Return delayed. Delayed receipt of share certificate – Rs.10000/- per year, the total amount being subject to ceiling of 300% of the amount invested.
3] **A] Allotment/Refunds** Para 8 of FEMA 20/2000-RB (non-allotment of shares or allotment/ refund after the stipulated 180 days) **B] LO/BO/PO** **(Other than reporting contraventions)**	Rs.30000/- + given percentage: 1st year : 0.30% 1-2 years : 0.35% 2-3 years : 0.40% 3-4 years : 0.45% 4-5 years : 0.50% >5 years : 0.75% (For project offices the amount of contravention shall be deemed to be 10% of the cost of project).
4] All other contraventions except Corporate Guarantees	Rs.50000/- + given percentage: 1st year : 0.50% 1-2 years : 0.55% 2-3 years : 0.60% 3-4 years : 0.65% 4-5 years : 0.70% > 5 years : 0.75%
5] Issue of Corporate Guarantees without UIN/ [redacted] without permission wherever required /open ended guarantees or any other contravention related to issue of Corporate Guarantees.	Rs.500000/- + given percentage: 1st year : 0.050% 1-2 years : 0.055% 2-3 years : 0.060% 3-4 years : 0.065% 4-5 years : 0.070% >5 years : 0.075% In case the contravention includes issue of guarantees for raising loans which are invested back into India, the amount imposed may be trebled.

p **The above amounts are presently subject to the following provisos, viz.**

the amount imposed should not exceed 300% of the amount of contravention

In case the amount of contravention is less than Rs. One lakh, the total amount imposed should not be more than amount of simple interest @5% p.a. calculated on the amount of contravention and for the period of the contravention in case of reporting contraventions and @10% p.a. in respect of all other contraventions.

In case of paragraph 8 of Schedule I to FEMA 20/2000 RB contraventions, the amount imposed will be further graded as under:

If the shares are allotted after 180 days without the prior approval of Reserve Bank, 1.25 times the amount calculated as per table above (subject to provisos at (i) & (ii) above).

pInserted vide AP (DIR Series) Circular No. 29 dated February 02, 2017.
qInserted vide AP (DIR Series) Circular No. 29 dated February 02, 2017.

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If the shares are not allotted and the amount is refunded after 180 days with the Bank's permission: 1.50 times the amount calculated as per table above (subject to provisos at (i) & (ii) above).

If the shares are not allotted and the amount is refunded after 180 days without the Bank's permission: 1.75 times the amount calculated as per table above (subject to provisos at (i) & (ii) above).

t In cases where it is established that the contravenor has made undue gains, the amount thereof may be neutralized to a reasonable extent by adding the same to the compounding amount calculated as per chart.

If a party who has been compounded earlier applies for compounding again for similar contravention, the amount calculated as above may be enhanced by 50%.

q For calculating amount in respect of reporting contraventions under para I.1 above, the period of contravention may be considered proportionately {(approx. rounded off to next higher month ÷ 12) X amount for 1 year}. The total no. of days does not exclude Sundays/holidays.

7.5 In case where adjudication has been done by the Directorate of Enforcement and an appeal has been file under section 17 or section 19 of FEMA, 1999, no contravention can be compounded in terms of Rule 11 of Foreign Exchange (Compounding Proceedings) Rules, 2000.

8. Issue of the Compounding Order

8.1 The Compounding Authority shall pass an order of compounding after affording an opportunity of being heard to all the concerned as expeditiously as possible as and not later than 180 days from the date of application on the basis of the averments made in the application as well as other documents and submissions made in this context by the contravener during the personal hearings.

8.2 The time limit for this purpose would be reckoned from the date of receipt of the completed application for compounding by the Reserve Bank.

8.3 If the applicant opts for appearing for the personal hearing, the Reserve Bank would encourage the applicant to appear directly for it rather than being represented

p accompanied by legal experts / consultants, as compounding is only for admitted contraventions. Appearing for or opting out of personal hearing does not have any bearing whatsoever on the amount imposed in the compounding order. If the authorized representative of the applicant is unavailable for the personal hearing, the Compounding Authority may pass the order based on available information/ documents.

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8.4 The Compounding Order shall specify the provisions of the FEMA, 1999 or any rule, regulation, notification, direction or order issued in exercise of the powers under FEMA, 1999 in respect of which contravention has taken place along with details of the contravention.

8.5 One copy of the compounding order issued under sub rule (2) of Rule 8 of Foreign Exchange (Compounding Proceedings) Rules, 2000 shall be supplied to the applicant (the contravener) and also to the Adjudicating Authority, where the compounding of any contravention is made after making of a complaint under sub-section (3) of section 16 of the FEMA, as the case may be.

[5]8.6 To ensure more transparency and greater disclosure, it has been decided to host the compounding orders passed on or after June 1, 2016 on the Bank's website (www.rbi.org.in). The data on the website will be updated at monthly intervals in the following format:

Sr.No.	**Name of Applicant**	**Amount imposed under the compounding order**	**Whether the amount imposed has been paid**	**Download order**

9. Payment of the amount for which contravention is compounded

9.1 The sum for which the contravention is compounded as specified in the order of compounding shall be paid by way of demand draft in favour of the "Reserve Bank of India" within 15 days from the date of the order of compounding of such contravention. The manner in which the demand draft has to be drawn and deposited shall be indicated in the compounding order.

9.2 The provisions of the Rules do not confer any right to the contravener, after a compounding order is passed, to seek to withdraw the order or to hold that the compounding order is void or request review of the order passed by the Compounding Authority.

9.3 In case of failure to pay the sum compounded within the time specified in the compounding order and the Foreign Exchange (Compounding Proceedings) Rules, 2000, it shall be deemed that the contravener had never made an application for compounding of any contravention under these Rules.

uInserted vide AP (DIR Series) Circular No. 73 dated May 26, 2016

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9.4 In respect of the contraventions of the FEMA, 1999 which are not compounded by the Compounding Authority, other relevant provisions of FEMA, 1999 dealing with contraventions shall apply accordingly.

9.5 On realization of the sum for which contravention is compounded a certificate in this regard shall be issued by the Reserve Bank subject to the specified conditions, if any, in the order.

10. Directions to Authorised Dealers

10.1 In terms of Section 11 (2) of FEMA, 1999, the Reserve Bank may, for the purpose of ensuring the compliance with the provisions of the Act or of any rule, regulation, notification, direction or order made thereunder, direct any authorized person to furnish such information, in such manner, as it deems fit. Accordingly, RBI has entrusted to the Authorised Dealers (ADs) the responsibility of complying with the prescribed rules/ regulations for the foreign exchange transactions and reporting the same as per the directions issued from time to time. Authorised Dealers have, therefore, advised to take necessary steps to ensure that checks and balances are incorporated in systems relating to dealing with and reporting of foreign exchange transactions so that contraventions of provisions of FEMA, 1999 attributable to the Authorised Dealers do not occur.

10.2 In this connection, it is reiterated that in terms of Section 11(3) of FEMA, 1999, the Reserve Bank may impose on the authorized person a penalty for contravening any direction given by the Reserve Bank under this Act or failing to file any return as directed by the Reserve Bank.

11. Reporting requirements.

11.1 Reporting requirements in respect of Compounding of Contraventions under FEMA, 1999 are included in FED Master Direction No. 18/2015-16 dated January 1, 2016.

Master Direction – Acquisition and Transfer of Immovable Property under Foreign Exchange Management Act, 1999

[2]Master Direction 12/ 2015-16 - Acquisition and Transfer of Immovable Property under Foreign Exchange Management Act, 1999

Part I - Acquisition and Transfer of Immovable Property outside India by a person resident in India

1. Introduction

1.1 The Foreign Exchange Management Act, 1999 (FEMA) empowers the Reserve Bank to frame regulations to prohibit, restrict or regulate the acquisition or transfer of immovable property outside India by persons residents in India. The regulations governing acquisition and transfer of immovable property outside India are notified under [3]Notification No. FEMA 7(R)/2015-RB dated January 21, 2016, as amended from time to time.

1.2 A person resident in India can, acquire property outside India if so permitted under the FEMA or the regulations framed thereunder or with the general or special permission of the Reserve Bank. These restrictions, however, do not apply to the property held by a person resident in India who is a foreign national or if the property was acquired by a person resident in India on or before July 8, 1947 and continued to be held by him with the permission of the Reserve Bank. The restrictions also do not apply to acquisition of property outside India by a person resident in India on a lease not exceeding five years.

2. Definitions

Some key terms used in the regulations are given below:

2.1 'Relative' in relation to an individual means husband, wife, brother or sister or any lineal ascendant or descendant of that individual.

2.2 'Liberalised Remittance Scheme' is a facility available to resident individuals for making remittances outside India as per the conditions mentioned in the Master Direction on Liberalised Remittance Scheme.

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vi) Updated up to February 4, 2016 (cf. AP (DIR Series) circular No 43/2015-16/ [(1)/7(R)] dated February 4, 2016. The Original Master Direction No. 12/2015-16 was issued on January 1, 2016.

[vii] FEM (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2000 was repealed and replaced by FEM (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2015 with effect from January 21, 2016.

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3. Modes of acquiring property outside India by a resident

3.1 According to section 6(4) of the FEMA, a person resident in India can hold, own, transfer or invest in any immovable property situated outside India if such property was acquired, held or owned by him/ her when he/ she was resident outside India or inherited from a person resident outside India.

3.2 A resident can acquire immovable property outside India by way of gift or inheritance from:

AK. a person referred to at 3.1 above; or

AL. a person resident in India who had acquired such property on or before July 8, 1947 and continued to be held by him with the permission of the Reserve Bank.

AM.[4]a person resident in India who has acquired such property in accordance with the foreign exchange provisions in force at the time of such acquisition.

3.3 A resident can purchase immovable property outside India out of foreign exchange held in his/ her Resident Foreign Currency (RFC) account.

3.4 [5]A resident can acquire immovable property outside India jointly with a relative who is a person resident outside India, provided there is no outflow of funds from India.

[6][**]

4. Acquisition under the Liberalised Remittance Scheme (LRS)

A resident individual can send remittances under the Liberalised Remittance Scheme for purchasing immovable property outside India.

BL. Inserted by FEM (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2015 with effect from January 21, 2016.

BM. Inserted by FEM (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2015 with effect from January 21, 2016.

BN. Omitted by FEM (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2015 with effect from January 21, 2016. Prior to omission, the clause read as "If a person resident in India has acquired immovable property outside India as per the provisions listed at 3.1 to 3.3, above, he may transfer it by way of gift to his relative who is a person resident in India."

5. Companies having overseas offices

A company incorporated in India having overseas offices, may acquire immovable property outside India for its business and for residential purposes of its staff, provided total remittances [7]do not exceed the following limits prescribed for initial and recurring expenses, respectively:

v 15 per cent of the average annual sales/ income or turnover of the Indian entity during the last two financial years or up to 25 per cent of the net worth, whichever is higher;

w 10 per cent of the average annual sales/ income or turnover during the last two financial years.

Part II - Acquisition and Transfer of Immovable Property in India 1.

Introduction

1.1 The Foreign Exchange Management Act, 1999 (FEMA) empowers the Reserve Bank to frame regulations to prohibit, restrict or regulate the acquisition or transfer of immovable property in India by persons resident outside India. The regulations governing acquisition and transfer of immovable property in India are notified under Notification No. FEMA 21/2000-RB dated May 3, 2000, as amended from time to time. These restrictions do not apply to acquisition or transfer of immovable property in India by a person resident outside India on a lease not exceeding five years.

1.2 As per section 6(5) of FEMA, a person resident outside India can hold, own, transfer or invest in any immovable property situated in India if such property was acquired, held or owned by him/ her when he/ she was resident in India or inherited from a person resident in India.

2. Definitions

Some key terms used in the regulations are given below:

2.1 A 'Non-Resident Indian' (NRI) is a citizen of India resident outside India.

qInserted by AP (DIR Series) Circular No. 43/2015-16 [1/7(R)]. Prior to insertion it read as "in accordance with the direction issued by the Reserve Bank of India from time to time."

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2.2 A 'Person of Indian Origin' means an individual (not being a citizen of Pakistan or Bangladesh or Sri Lanka or Afghanistan or China or Iran or Nepal or Bhutan) who at any time, held an Indian Passport or who or either of whose father or mother or whose grandfather or grandmother was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955).

2.3 'Repatriation outside India' means the buying or drawing of foreign exchange from an authorised dealer in India and remitting it outside India through banking channels or crediting it to an account denominated in foreign currency or to an account in Indian currency maintained with an authorised dealer from which it can be converted in foreign currency.

2.4 'Transfer' includes sale, purchase, mortgage, exchange, pledge, gift, loan or any other form of transfer of right, title, possession or lien.

q Acquisition/ transfer by a Non- Resident Indian (NRI)

r 1 Purchase of immovable property

An NRI can acquire by way of purchase any immovable property (other than agricultural land/ plantation property/ farm house) in India.

3.2 Transfer of immovable property

2. An NRI may transfer any immovable property in India to a person resident in India;
3. An NRI may transfer any immovable property (other than agricultural land or plantation property or farm house) to an NRI or a PIO resident outside India.

3.3 Payment for Acquisition of Immovable Property

u NRIs can make payment for acquisition of immovable property (other than agricultural land/ plantation property/ farm house) out of funds received in India through normal banking channels by way of inward remittance from any place outside India or by debit to his NRE/ FCNR (B)/ NRO account;

v Such payments cannot be made either by traveller's cheque or by foreign currency notes or by other mode except those specifically mentioned above.

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r Acquisition/ transfer by a Person of Indian Origin (PIO)

q 1 Purchase of immovable property

A PIO resident outside India can acquire by way of purchase any immovable property (other than agricultural land/ plantation property / farm house) in India.

4.2 Gift/ Inheritance of immovable property A PIO

resident outside India may acquire

- v any immovable property (other than agricultural land/ plantation property/ farm house) in India by way of gift from a person resident in India or an NRI or a PIO resident outside India;
- w any immovable property in India by way of inheritance from a person resident outside India who had acquired such property in accordance with the provisions of the foreign exchange law in force or FEMA regulations, at the time of acquisition of the property or from a person resident in India.

4.3 Transfer of immovable property

A PIO resident outside India can transfer

by way of sale, any immovable property in India (other than agricultural land/ farm house/ plantation property), to a person resident in India;

by way of gift or sale, agricultural land/ farm house/ plantation property in India, to a person resident in India who is a citizen of India;

by way of gift, residential or commercial property in India, to a person resident in India or to an NRI or to a PIO resident outside India.

4.4 Payment for Acquisition of Immovable Property in India

A PIO resident outside India can make payment for acquisition of immovable property in India (other than agricultural land/ farm house/ plantation property) by way of purchase out of funds received by inward remittance through normal banking channels or by debit to his NRE/ FCNR (B) / NRO account;

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3. Such payments cannot be made either by traveller's cheque or by foreign currency notes or by other mode other than those specifically mentioned above.

p Acquisition of immovable Property by Foreign Embassies/ Diplomats/ Consulate Generals

Foreign Embassy/ Diplomat/ Consulate General, may purchase/ sell immovable property (other than agricultural land/ plantation property/ farm house) in India provided –

Clearance from the Government of India, Ministry of External Affairs is obtained for such purchase/sale, and

The consideration for acquisition of immovable property in India is paid out of funds remitted from abroad through the normal banking channels.

p Acquisition of immovable property by person resident outside India for carrying on a permitted activity

6.1 A branch or office in India established by a person resident outside India, other than a liaison office, may acquire immovable property in India which is necessary for or incidental to the activity carried on in India by such branch or office.

6.2 Such a person is required to file with the Reserve Bank a declaration in the form IPI (as given in the Master Direction on Reporting), not later than ninety days from the date of such acquisition.

6.3 The immovable property so acquired can be mortgaged to an Authorised Dealer as a security for any borrowing.

6.4 However, acquisition of immovable property in India by a branch, office or other place of business, of entities of Pakistan or Bangladesh or Sri Lanka or Afghanistan or China or Iran or Hong Kong or Macau or Nepal or Bhutan origin/ nationality/ ownership requires the prior approval of the Reserve Bank.

7. Repatriation of sale proceeds of immovable property

7.1 A person acquiring property in accordance with section 6(5) of FEMA (reference para 1.2 of Part II) or his successor cannot repatriate outside India the sale proceeds

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of such immovable property without the prior permission of the Reserve Bank. However, if such a person is an NRI or a PIO resident outside India, he can make a remittance under the facilities available under the Foreign Exchange Management (Remittance of Assets) Regulations, 2000, as amended from time to time.

7.2 In the event of sale of immovable property other than agricultural land/ farm house/ plantation property in India by a NRI/ PIO resident outside India, the Authorised Dealer may allow repatriation of the sale proceeds outside India, provided the following conditions are satisfied, namely:

t the immovable property was acquired by the seller in accordance with the provisions of the foreign exchange law in force at the time of acquisition by him or the provisions of Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) Regulations 2000;

u the amount to be repatriated does not exceed the amount paid for acquisition of the immovable property received through normal banking channels or out of funds held in FCNR(B) account or NRE account.

In case an immovable property in India has been purchased by an NRI/ PIO out of housing loans availed in terms of Foreign Exchange Management (Borrowing and lending in rupees) Regulations, 2000, as amended from time to time, and the repayments for such loans are made out of remittances received from abroad through banking channels or by debit to the NRE/ FCNR(B) account of the NRI, such repayments may be treated as equivalent to foreign exchange received.

v in the case of residential property, the repatriation of sale proceeds is restricted to not more than two such properties

12. Prohibition on acquisition or transfer of immovable property in India by citizens of certain countries

Citizens of Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Iran, Nepal, Bhutan, Macau or Hong Kong cannot, without prior permission of the Reserve Bank, acquire or transfer immovable property in India, other than on lease, not exceeding five years.

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9. Miscellaneous

9.1 Authorized Dealer Category-I banks may convey no objection for creation of charge on immovable assets of a person resident in India either in favour of the external commercial borrowing (ECB) lender or the security trustee subject to the following conditions:

14. 'No objection' shall be granted only to a resident ECB borrower;
15. The period of such charge on immovable assets has to be co-terminus with the maturity of the underlying ECB;
16. Such 'no objection' should not be construed as a permission to acquire immovable asset (property) in India, by the overseas lender/ security trustee;
17. In the event of enforcement/ invocation of the charge, the immovable asset (property) will have to be sold only to a person resident in India and the sale proceeds shall be repatriated to liquidate the outstanding ECB.

9.2 Any transfer of property not covered in these directions will require the prior permission of the Reserve Bank.

9.3 As per Government of India Press Release dated February 1, 2009, (given in the annex) in order to be considered as a person resident in India, a person has not only to satisfy the condition of the period of stay (being more than 182 days during the course of preceding financial year) but also his purpose of stay as well as the type of Indian visa granted to him should clearly indicate the intention to stay in India for an uncertain period. In this regard, to be eligible, the intention to stay has to be unambiguously established with supporting documentation including visa.

p **Payment of taxes –** Any transaction involving acquisition of immovable property under these regulations shall be subject to applicable tax laws in India.

Introduction

The legal framework for administration of exchange control in India is provided by the Foreign Exchange Management Act, 1999. Under the Act, freedom has been granted for buying and selling of foreign exchange for undertaking current account transactions. However, the Central Government has been vested with powers in consultation with Reserve Bank to impose reasonable restrictions on current account transactions. Accordingly, the Government has issued Notifications GSR.381(E) dated May 3, 2000, and S.O. 301(E) dated March 30, 2001, imposing certain restrictions on current account transactions in public interest.

These details are available on the Bank's website besides with the authorised dealers and regional offices of the Foreign Exchange Department. Our experience so far has been that the residents like to get information on several matters relating to various current account transactions and other incidental issues. This pamphlet attempts to answer to all such questions in simple language. While preparing replies to questions, special care has been taken to ensure that the replies are drafted in simple words and reference to technical details are avoided.

The Foreign Exchange Management Act,1999 (FEMA), has come into force with effect from June 1, 2000. With introduction of the new Act (in place of FERA), certain structural changes have been introduced and

now all transactions involving foreign exchange have been classified either as Capital or Current Account transactions. All transactions undertaken by a resident that do not alter his assets or liabilities outside India are current account transactions. In terms of Section 5 of the FEMA, persons are free to buy or sell foreign exchange for any current account transaction except for those transactions on which Central Government has imposed restrictions, vide its Notification No.G.S.R.381(E) dated May 3, 2000 (as amended from time to time). Full text of the said Notification is available in the Official Gazette. It is also available as annexure to our Master Circular on Miscellaneous remittances available at our website www.mastercirculars.rbi.org.in.Incidentally, no release of foreign exchange is admissible for any kind of travel to Nepal and Bhutan or for any transaction with persons resident in Nepal and Bhutan.

Some of the commonly or frequently asked questions by residents in connection with foreign exchange facilities or restrictions have been answered in the following paragraphs.

I. Guidelines on travel related matters

1. Who is a resident?

In terms of Section 2(v) of FEMA, 1999, a "person resident in India" means –

a person residing in India for more than one hundred and eighty-two days during the course of the preceding financial year but does not include –
(A) a person who has gone out of India or who stays outside India, in either case -

for or on taking up employment outside India, or
for carrying on outside India a business or vocation outside India, or
for any other purpose, in such circumstances as would indicate his intention to stay outside India for an uncertain period;
(B) a person who has come to or stays in India, in either case, otherwise than –

for or on taking up employment in India, or
for carrying on in India a business or vocation in India, or
for any other purpose, in such circumstances as would indicate his intention to stay in India for an uncertain period;
any person or body corporate registered or incorporated in India,
an office, branch or agency in India owned or controlled by a person resident outside India,
an office, branch or agency outside India owned or controlled by a person resident in India;
2.From where one can buy foreign exchange?

Foreign exchange can be purchased from any authorised dealer. Besides authorised dealers, full-fledged money changers are also permitted to release exchange for business and private visits.

3.Who is an authorized dealer?

An authorized dealer is normally a bank specifically authorized by the Reserve Bank under Section 10(1) of FEMA,1999, to deal in foreign exchange or foreign securities.

4.How much exchange is available for a business trip?

Authorized dealers can release foreign exchange up to USD 25,000 for a business trip to any country other than Nepal and Bhutan. Release of foreign exchange exceeding USD 25,000 for a travel abroad (other than Nepal and Bhutan) for business purposes, irrespective of period of stay, requires prior permission from Reserve Bank. Visits in connection with attending of an international conference, seminar, specialised training, study tour, apprentice training, etc., are treated as business visits. Visit abroad for medical treatment and/or check up also falls within this category.

5. Can one obtain additional foreign exchange for medical treatment outside India?

Authorized dealers may release foreign exchange upto USD 100,000 or its equivalent to resident Indians for medical treatment abroad on self declaration basis of essential details, without insisting on any estimate from a hospital/doctor in India/abroad.

A person visiting abroad for medical treatment can obtain foreign exchange exceeding the above limit, provided the request is supported by an estimate from a hospital/doctor in India/abroad.

This exchange is to meet the expenses involved in treatment and in addition to the amount referred to in paragraph 1 above.

6. How much exchange is available for studies outside India?

Students going abroad for studies are treated as Non-Resident Indians (NRIs) and are eligible for all the facilities available to NRIs under FEMA. In addition, they can receive remittances upto USD 100,000 from close relatives from India on self-declaration, towards maintenance, which could include remittances towards their studies also. Educational and other loans availed of by students as resident in India can be allowed to continue. There is no dilution in the existing remittance facilities to students in regard to their academic pursuits.

7. How much foreign exchange can one buy when going for tourism to a country outside India?

In connection with private visits abroad, viz., for tourism purposes, etc., foreign exchange up to USD10,000, in any one calendar year may be obtained from an authorised dealer. The ceiling of USD10,000 is applicable in aggregate and foreign exchange may be obtained for one or more than one visit provided the aggregate foreign exchange availed of in one calendar year does not exceed the prescribed ceiling of US$10,000 {The facility was earlier called B.T.Q or F.T.S.}. This limit of USD10,000 can be availed of by a person along with foreign exchange for travel abroad for any purpose, including for employment or immigration or studies. However, no foreign exchange is available for visit to Nepal and/or Bhutan for any purpose.

8. How much foreign exchange is available to a person going abroad on employment?

Person going abroad for employment can draw foreign exchange upto USD100,000 from any authorised dealer in India on the basis of self-declaration.

9. How much foreign exchange is available to a person going abroad on emigration?

Person going abroad on emigration can draw foreign exchange upto USD100,000 on self- declaration basis from an authorized dealer in India. This amount is only to meet the incidental expenses in the country of emigration.

No amount of foreign exchange can be remitted outside India to become eligible or for earning points or credits for immigration. All such remittances require prior permission of the Reserve Bank.

10. Is there any purpose for which going abroad requires prior approval from the Reserve Bank or Govt. of India?

Dance troupes, artistes, etc., who wish to undertake cultural tours abroad, should obtain prior approval from the Ministry of Human Resources Development, Government of India, New Delhi.

11. How much foreign exchange can be purchased in foreign currency notes while buying exchange for travel abroad?

Travellers are allowed to purchase foreign currency notes/coins only up to USD 2000. Balance amount can be taken in the form of traveller's cheque or banker's draft. Exceptions to this are (a) travellers proceeding to Iraq and Libya can draw foreign exchange in the form of foreign currency notes and coins not exceeding US$ 5000 or its equivalent; (b) travellers proceeding to the Islamic Republic of Iran, Russian Federation and other Republics of Commonwealth of Independent States can draw entire foreign exchange released in form of foreign currency notes or coins.

12. Do same Rules apply to persons going for studies abroad?

For the purpose of studies abroad, exchange for maintenance expenses is released in the form of (i) currency notes up to US$ 2,000, (ii) the balance foreign exchange may be taken in form of traveller's cheques or bank draft payable overseas.

13. How much in advance one can buy foreign exchange for travel abroad?

The foreign exchange acquired for any purpose has to be used within 60 days of purchase. In case it is not possible to use the foreign exchange within the period of 60 days it should be surrendered to an authorised dealer.

14. Can one pay by cash full rupee equivalent of foreign exchange being purchased for travel abroad ?

Foreign exchange for travel abroad can be purchased from banks against rupee payment in cash up to Rs.50,000/-. However, if the rupee equivalent exceeds Rs.50,000/-, the entire payment should be made by way of a crossed cheque/banker's cheque/pay order/demand draft only.

15. Within what period a traveller who has returned to India is required to surrender foreign exchange?

On return from a foreign trip travellers are required to surrender unspent foreign exchange held in the form of currency notes within 90days and travellers' cheques within 180 days of return. However, they are free to retain foreign exchange upto USD 2,000, in the form of foreign currency notes or TCs for future use or credit to their RFC(Domestic) Account without any limit.

16. On return to India can one retain some foreign exchange?

Residents are permitted to hold foreign currency up to USD 2,000 or its equivalent or credit to their RFC(Domestic) Account without any limit provided the foreign exchange was -

acquired by him while on a visit to any place outside India by way of payment for services not arising from any business in or anything done in India; or
acquired by him, from any person not resident in India and who is on a visit to India, as honorarium or gift or for services rendered or in settlement of any lawful obligation, or
acquired by him by way of honorarium or gift while on a visit to any place outside India; or
acquired by him from an authorised person for travel abroad and represents the unspent amount thereof.
17. Is one required to surrender foreign coins also to an authorised dealer?

There is no restriction on residents holding foreign coins.

18. How much foreign exchange can one send as gift / donation to a person resident outside India?

Any person resident in India can remit upto USD 5,000 in any one year as a gift to a person residing outside India or as donation to a charitable/educational/religious/ cultural organisation outside India. Remittances exceeding the limit require prior permission from the Reserve Bank.

19. Is one permitted to use International Credit Card (ICC) for undertaking foreign exchange transactions?

Use of the International Credit Cards (ICCs) / ATMs/ Debit Cards can be made for making personal payments like subscription to foreign journals, internet subscription, etc., and for travel abroad in connection with various purposes. Your entitlement of foreign exchange on International Credit Cards (ICCs) is limited by the credit limit fixed by the card issuing authority only. With ICCs you can i) meet expenses/make purchases while abroad ii) make payments in foreign exchange for purchase of books and other items through internet in India. If you have a foreign currency account in India or with a bank overseas, you can even obtain ICCs of overseas banks and reputed agencies.

Use of these instruments for payment in foreign exchange in Nepal and Bhutan is not permitted.

20. While coming into India how much Indian currency can be brought in?

A person coming into India from abroad can bring in with him Indian currency notes within the limits given below:

a. upto Rs. 5,000 from any country other than Nepal or Bhutan, and

b. any amount in denomination not exceeding Rs.100 from Nepal or Bhutan.

21. While going abroad how much foreign exchange, in cash, can a person carry?

Residents are free to carry the foreign exchange purchased from an authorised dealer or money changer in accordance with the Rules. They are, however, allowed to carry foreign exchange in the form of currency notes/coins upto USD 2,000 or its equivalent only. Balance amount can be carried in the form of traveller's cheque or banker/s draft. (In this connection please see item No.9).

22. While coming into India how much foreign exchange can be brought in?

A person coming into India from abroad can bring with him foreign exchange without any limit. However, if the aggregate value of the foreign exchange in the form of currency notes, bank notes or travellers cheques brought in exceeds USD 10,000/- or its equivalent and/or the value of foreign currency exceeds USD 5,000/- or its equivalent, it should be declared to the Customs Authorities at the Airport in the Currency Declaration Form (CDF), on arrival in India.

23. While going abroad how much foreign exchange can a person carry?

Residents are free to carry the foreign exchange purchased from an authorised dealer or money changer in accordance with the Rules. In addition, they can also carry up to USD 2,000, or higher amounts representing the unutilized balance of a previous trip, if already held by them (see item13 above) in accordance with the Regulations.

24. Is one required to follow complete export procedure when a gift parcel is sent outside India?

A person resident in India is free to send (export) any gift article of value not exceeding Rs. 5,00,000 provided export of that item is not prohibited under the extant EXIM Policy.

25. How much jewellery one can carry while going abroad?

Taking personal jewellery out of India is governed by Baggage Rules framed under Export-Import Policy by the Government of India. No approval of Reserve Bank is required in this case.

26. Can a resident extend local hospitality to a non-resident?

A person resident in India is free to make any payment in Indian Rupees towards meeting expenses on account of boarding, lodging and services related thereto or travel to and from and within India of a person resident outside India who is on a visit to India.

27. Can residents purchase air tickets in India for their travel not touching India?

Residents may book their tickets in India for their visit to any third country. That is residents can book their tickets for travel for instance to London/New York through domestic/foreign airlines in India itself.

28. Can a resident open a foreign currency denominated account in India?

Persons resident in India are permitted to maintain foreign currency accounts in India under following two Schemes:

EEFC Accounts:-
To avoid exchange loss on conversion of foreign exchange into Indian Rupee & Rupee into foreign exchange, residents can retain upto 50% of foreign currency remittances received from abroad in a foreign currency account, viz., EEFC account, with an authorised dealer in India. Funds held in EEFC account can be utilised for current account transactions and also for approved capital account transactions as specified by the extant Rules/Regulations/Notifications/Directives issued by the Government/RBI from time to time.

RFC Accounts :-
Returning Indians, i.e., those Indians, who were non-residents earlier, and are returning now for permanent stay, are permitted to open, hold and maintain with an authorised dealer in India a Resident Foreign Currency (RFC) Account to keep their foreign currency assets. Assets held outside India at the time of return can be credited to such accounts. The foreign exchange (i) received or acquired as gift or inheritance from a person referred to sub-section (4) of section 6 of FEMA,1999 or (ii) referred to in clause (c) of section 9 of the Act or acquired as gift or inheritance therefrom may also be credited to this account.

The funds in RFC account are free from all restrictions regarding utilisation of foreign currency balances including any restriction on investment outside India. The facility is also available to residents provided foreign exchange to be credited to such account is received out of certain specified type of funds/accounts.

c. RFC (Domestic)Account:-

A person resident in India can open, hold and maintain with an authorized dealer in India, a Resident Foreign Currency (Domestic) Account, out of foreign exchange acquired in the form of currency notes, Bank notes and travellers cheques from any of the sources like, payment for services rendered abroad, as honorarium, gift, services rendered or in settlement of any lawful obligation from any person not resident in India.

The account may also be credited with/opened out of foreign exchange earned like proceeds of export of goods and/or services, royalty, honorarium, etc., and/or gifts received from close relatives (as defined in the Companies Act) and repatriated to India through normal banking channels by resident individuals.

29. Can a person resident in India hold assets outside India?

In terms of sub-section 4, of Section (6) of the Foreign Exchange Management Act, 1999, a person resident in India is free to hold, own, transfer or invest in foreign currency, foreign security or any immovable property situated outside India if such currency, security or property was acquired, held or owned by such person when he was resident outside India or inherited from a person who was resident outside India. (Please also refer to the Liberalised Remittance Facility of USD 25,000 discussed below).

II. Liberalised Remittance Scheme of USD 25,000.

30. What is the liberalised Remittance Scheme of USD 25,000?

This is a new facility extended to all resident individuals under which they may freely remit upto USD 25,000 per calendar year for any permissible current or capital account transaction or a combination of both.

31.Who is eligible to avail of this Liberalised Remittance Facility?

The facility is available to resident individuals only.

32.Is there any frequency for the remittance?

Resident individuals can avail of the remittance facility under the Scheme once in a calendar year.

33. What are the purpose/s for which remittance can be made under the Scheme?

This facility is available for making remittance/s for any permissible current or capital account transaction or a combination of both. It is not available for purposes specifically prohibited (Schedule I) or regulated by the Government of India (Schedule II) of Foreign Exchange Management (Current Account Transactions) Rules, 2000.

34. Can residents avail of this facility for acquiring immovable property and other assets abroad?

Yes. Individuals are free to use this Scheme to acquire and hold immovable property, shares or any other asset outside India without prior approval of RBI.

35.Can individuals open a foreign currency account abroad for making remittance under the scheme?

Yes. Individuals are free to open, hold and maintain foreign currency accounts with a bank outside India for making remittances under the Scheme without the prior approval of RBI. The account can be used for putting through any transaction connected with or arising from remittances under the Scheme.

36.What is the impact of the Scheme on the existing facilities for private/business travel, gift, donation, studies, medical treatment etc./items covered in Schedule III of Foreign Exchange Management (Current Account Transactions) Rules, 2000?.

The facility under the Scheme is in addition to those already available under Foreign Exchange Management (Current Account Transactions) Rules, 2000.

37. Can an individual send remittance under the Scheme to any country?

Remittance cannot be made directly or indirectly to Bhutan, Nepal, Mauritius or Pakistan. The facility is also not available for making remittances directly or indirectly to countries identified by the Financial Action Task Force (FATF) as 'non-co-operative Countries or Territories' viz., Cook Islands, Egypt, Guatemala, Indonesia, Myanmar, Nauru, Nigeria, Phillippines and Ukraine.

Further, remittance under the facility cannot be made to individuals and entities identified as posing significant risk or committing acts of terrorism as advised to banks by RBI from time to time.

38.What are the requirements to be complied with by the remitter?

The individual will have to designate a branch of an AD through which all the remittances under the Scheme will be made. He has to furnish an application-cum-declaration in the specified format regarding the purpose of the remittance and declare that the funds belong to him and will not be used for purposes prohibited or regulated under the Scheme.

39.If an investment of USD 25,000 rises in value within the year, can one book profits and invest abroad again?

The investor is free to book profit or loss abroad and to invest abroad again. He is under no obligation to repatriate the funds sent abroad.

40. Can an individual, who has repatriated the amount sent during the calendar year, avail of the facility once again?

Once a remittance is made for an amount upto USD 25,000 during the calendar year, he would not be eligible to make any further remittances under this route, even if the proceeds of the investments have been brought back into the country.

41. Can remittances be made only in US Dollars?

The remittances can be in any currency equivalent to USD 25,000 in a calendar year.

42.Last year, resident investors could invest in equities of overseas listed firms that hold at least 10% in a listed Indian firm. Does this condition still apply?

The stipulation that investors could invest in equities of overseas listed firms that hold at least 10% in a listed Indian firm which was made in terms of our A.P.(DIR Series) Circular No.66 dated January 13, 2003 continues as an additional facility. Under the current Liberalised Remittance Scheme, no such stipulation has been made.

43.Can an individual investor sign-on with an international online brokerage and buy and sell stocks (without exceeding the USD 25,000 limit)?

The Scheme does not restrict such transactions, provided the transactions are within the limit of USD 25,000 per calendar year and is otherwise in order.

III. Guidelines for Financial Intermediaries offering special schemes, protection under the Scheme.

44.Are intermediaries expected to seek specific approval for making overseas investments available to clients?

Banks including those not having operational presence in India are required to obtain prior approval from Reserve Bank for soliciting deposits for their foreign/overseas branches or for acting as agents for overseas mutual funds or any other foreign financial services company.

45.What restrictions have been placed on the scope of activity of the intermediaries?

It has been decided in public interest that all banks, both Indian and foreign, including those not having an operational presence in India, should seek prior approval from Reserve Bank for the schemes being marketed by them in India to Indian residents either for soliciting foreign currency deposits for their foreign/overseas branches or for acting as agents for overseas mutual funds or any other foreign financial services company.

46. Are there any restrictions on the kind/quality of debt or equity instruments an individual can invest in?

No ratings or guidelines have been prescribed under the Liberalised Remittance Scheme of USD 25,000 on the quality of the investment an individual can make. However, the individual investor is expected to exercise due diligence while taking a decision regarding the investments which he or she proposes to make.

47.Whether minor resident Individuals would be permitted to open, maintain and hold such foreign currency accounts if the same is permissible as per local law in the country of the overseas branch?

Banks may take necessary steps in the matter based on the settled legal position regarding enforcement of the declaration in case the remittance is made on behalf of a minor.

48.Whether credit facilities in Indian Rupees or foreign currency would be permissible against security of such deposits?

No. The Scheme does not envisage extension of credit facility against the security of the deposits.

49.Can bankers open foreign currency accounts in India for residents under the Scheme?

No. Banks in India can not open a foreign currency account in India for residents under the Scheme.

50.Can OBU in India be treated on par with a branch of the bank outside India for the purpose of opening of foreign currency accounts by residents under the Scheme?

No. For the purpose of the Scheme, an OBU in India is not treated as an overseas branch of a bank in India.

The legal framework for administration of foreign exchange transactions in India is provided by the Foreign Exchange Management Act, 1999. Under the Foreign Exchange Management Act, 1999 (FEMA), which came into force with effect from June 1, 2000, all transactions involving foreign exchange have been classified either as capital or current account transactions. All transactions undertaken by a resident that do not alter his / her assets or liabilities, including contingent liabilities, outside India are current account transactions.

In terms of Section 5 of the FEMA, persons resident in India[1] are free to buy or sell foreign exchange for any current account transaction except for those transactions for which drawal of foreign exchange has been prohibited by Central Government, such as remittance out of lottery winnings; remittance of income from racing/riding, etc. or any other hobby; remittance for purchase of lottery tickets, banned / proscribed magazines, football pools, sweepstakes, etc.; remittance of dividend by any company to which the requirement of dividend balancing is applicable; payment of commission on exports under Rupee State Credit Route except commission up to 10% of invoice value of exports of tea and tobacco; payment of commission on exports made towards equity investment in Joint Ventures / Wholly Owned Subsidiaries abroad of Indian companies; remittance of interest income on funds held in Non-Resident Special Rupee (Account) Scheme and payment related to “call back services” of telephones.

Foreign Exchange Management (Current Account Transactions) Rules, 2000 - Notification [GSR No. 381(E)] dated May 3, 2000 and the revised Schedule III to the Rules as given in the Notification G.S.R. 426(E) dated May 26, 2015 is available in the Official Gazette as well as, as an Annex to our Master Direction on ‘Other Remittance Facilities’ available on our website www.rbi.org.in.

These FAQs attempt to put in place the common queries that users have on the subject in easy to understand language. However, for conducting a transaction, the Foreign Exchange Management Act, 1999 (FEMA) and the Regulations/Rules made or directions issued thereunder may be referred to.

Q 1. Who is an Authorized Dealer (AD)?

Ans. An Authorised Dealer (AD) is any person specifically authorized by the Reserve Bank under Section 10(1) of FEMA, 1999, to deal in foreign exchange or foreign securities (the list of ADs is available on www.rbi.org.in) and normally includes banks.

Q 2. Who are authorized by the Reserve Bank to sell foreign exchange for travel purposes?

Ans. Foreign exchange can be purchased from any authorised person, such as an AD Category-I bank and AD Category II. Full-Fledged Money Changers (FFMCs) are also permitted to release exchange for business and private visits.

Q 3. How much foreign currency can be carried in cash for travel abroad?

Ans. Travellers going to all countries other than (a) and (b) below are allowed to purchase foreign currency notes / coins only up to USD 3000 per visit. Balance amount can be carried in the form of store value cards, travellers cheque or banker’s draft. Exceptions to this are (a) travellers proceeding to Iraq and Libya who can draw foreign exchange in the form of foreign currency notes and coins not exceeding USD 5000 or its equivalent per visit; (b) travellers proceeding to the Islamic Republic of Iran, Russian Federation and other Republics of Commonwealth of Independent States who can draw entire foreign exchange (up-to USD 250,000) in the form of foreign currency notes or coins.

For travellers proceeding for Haj/ Umrah pilgrimage, full amount of entitlement (USD 250,000) in cash or up to the cash limit as specified by the Haj Committee of India, may be released by the ADs and FFMCs.

Q 4. How much Indian currency can be brought in while coming into India?

Ans. A resident of India, who has gone out of India on a temporary visit may bring into India at the time of his return from any place outside India (other than Nepal and Bhutan), currency notes of Government of India and Reserve Bank of India notes up to an amount not exceeding Rs.25,000. A person may bring into India from Nepal or Bhutan, currency notes of Government of India and Reserve Bank of India notes, in denomination not exceeding Rs.100. Any person resident outside India, not being a citizen of Pakistan and Bangladesh and also not a traveller coming from and going to Pakistan and Bangladesh, and visiting India may bring into India currency notes of Government of India and Reserve Bank of India notes up to an amount not exceeding Rs. 25,000 while entering only through an airport.

Any person resident in India who had gone to Pakistan and/or Bangladesh on a temporary visit, may bring into India at the time of his return, currency notes of Government of India and Reserve Bank of India notes up to an amount not exceeding Rs. 10,000 per person.

Q 5. How much foreign exchange can be brought in while visiting India?

Ans. A person coming into India from abroad can bring with him foreign exchange without any limit. However, if the aggregate value of the foreign exchange in the form of currency notes, bank notes or travellers cheques brought in exceeds USD 10,000 or its equivalent and/or the value of foreign currency alone exceeds USD 5,000 or its equivalent, it should be declared to the Customs Authorities at the Airport in the Currency Declaration Form (CDF), on arrival in India.

Q 6. Can one pay by cash full rupee equivalent of foreign exchange being purchased for travel abroad?

Ans. Foreign exchange for travel abroad can be purchased from an authorized person against rupee payment in cash below Rs.50,000/-. However, if the sale of foreign exchange is for the amount equivalent to Rs 50,000/- and above, the entire payment should be made by way of a crossed cheque/ banker's cheque/ pay order/ demand draft/ debit card / credit card / prepaid card only.

Q 7. Is there any time-frame for a traveller who has returned to India to surrender foreign exchange?

Ans. On return from a foreign trip, travellers are required to surrender unspent foreign exchange held in the form of currency notes and travellers cheques within 180 days of return. However, they are free to retain foreign exchange up to USD 2,000, in the form of foreign currency notes or TCs for future use or credit to their Resident Foreign Currency (Domestic) [RFC (Domestic)] Accounts.

Q 8. Should foreign coins be surrendered to an Authorised Dealer on return from abroad?

Ans. The residents can hold foreign coins without any limit.

Q 9. Is there any category of visit which requires prior approval from the Reserve Bank or the Government of India?

Ans. Dance troupes, artistes, etc., who wish to undertake cultural tours abroad, should obtain prior approval from the Ministry of Human Resources Development (Department of Education and Culture), Government of India, New Delhi.

Q 10. Whether permission is required for receiving grant/donation from abroad under the Foreign Contribution Regulation Act, 1976?

Ans. The Foreign Contribution Regulation Act, 1976 is administered and monitored by the Ministry of Home Affairs whose address is given below:

Foreigners Division, Jaisalmer House, 26, Mansingh Road, New Delhi-110011

No specific approval from the Reserve Bank is required in this regard

Q 11. Who is permitted to hold International Credit Card (ICC) and International Debit Card (IDC) for undertaking foreign exchange transactions?

Ans. Banks authorised to deal in foreign exchange are permitted to issue International Debit Cards (IDCs) which can be used by a resident individual for drawing cash or making payment to a merchant establishment overseas during his visit abroad. IDCs can be used only for permissible current account transactions and the usage of IDCs shall be within the LRS limit.

AD banks can also issue Store Value Card/Charge Card/Smart Card to residents traveling on private/business visit abroad which can be used for making payments at overseas merchant establishments and also for drawing cash from ATM terminals. No prior permission from Reserve Bank is required for issue of such cards. However, the use of such cards is limited to permissible current account transactions and subject to the LRS limit.

Resident individuals maintaining a foreign currency account with an Authorised Dealer in India or a bank abroad, as permissible under extant Foreign Exchange Regulations, are free to obtain International Credit Cards (ICCs) issued by overseas banks and other reputed agencies. The charges incurred against the card either in India or abroad, can be met out of funds held in such foreign currency account/s of the card holder or through remittances, if any, from India only through a bank where the card-holder has a current or savings account. The remittance for this purpose, should also be made directly to the card-issuing agency abroad, and not to a third party. It is also clarified that the applicable credit limit will be the limit fixed by the card issuing banks. There is no monetary ceiling fixed by the RBI for remittances, if any, under this facility. The LRS limit shall not apply to the use of ICC for making payment by a person towards meeting expenses while such person is on a visit outside India.

Use of ICCs/ IDCs can be made for travel abroad in connection with various purposes and for making personal payments like subscription to foreign journals, internet subscription, etc. However, use of ICCs/IDCs is NOT permitted for prohibited transactions indicated in Schedule 1 of FEM (CAT) Amendment Rules 2015 such as purchase of lottery tickets, banned magazines etc.

Use of these instruments for payment in foreign exchange in Nepal and Bhutan is not permitted.

Q 12. How much jewellery can be carried while going abroad?

Ans. Taking personal jewellery out of India is as per the Baggage Rules, governed and administered by Customs Department, Government of India. While no approval of the Reserve Bank is required in this case, approvals, if any, required from Customs Authorities may be obtained.

Q 13. Can a resident extend local hospitality to a non-resident?

Ans. A person resident in India is free to make any payment in Indian Rupees towards meeting expenses, on account of boarding, lodging and services related thereto or travel to and from and within India, of a person resident outside India, who is on a visit to India.

Q 14. Can residents purchase air tickets in India for their travel not touching India?

Ans. Residents may book their tickets in India for their visit to any third country. For instance, residents can book their tickets for travel from London to New York, through domestic/foreign airlines in India. However, the same (air tickets) would be a part of the traveller's overall LRS entitlement of USD 250,000.

Q 15. Is meeting of medical expenses of a NRI close relative, in India, by Resident Individuals permitted?

Ans. Where the medical expenses in respect of NRI close relative ['relative' as defined in Section 2(77) of the Companies Act, 2013) are paid by a resident individual, such a payment being in the nature of a resident to resident transaction may be covered under the term "services related thereto" under Regulation 6(2) of Notification No. FEMA 14(R)/2016-RB dated May 2, 2016.

Q 16. Can a person resident in India hold assets outside India?

Ans. In terms of sub-section 4, of Section (6) of the Foreign Exchange Management Act, 1999, a person resident in India is free to hold, own, transfer or invest in foreign currency, foreign security or any immovable property situated outside India if such currency, security or property was acquired, held or owned by such person when he was resident outside India or inherited from a person who was resident outside India.

Further, a resident individual can also acquire property and other assets overseas under LRS.

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[1] A 'person resident in India' is defined in Section 2(v) of FEMA, 1999 as :
(i) a person residing in India for more than one hundred and eighty-two days during the course of the preceding financial year but does not include-
(A) a person who has gone out of India or who stays outside India, in either case-
(a) for or on taking up employment outside India, or
(b) for carrying on outside India a business or vocation outside India, or
(c) for any other purpose, in such circumstances as would indicate his intention to stay outside India for an uncertain period;
(B) a person who has come to or stays in India, in either case, otherwise than-
(a) for or on taking up employment in India, or
(b) for carrying on in India a business or vocation in India, or
(c) for any other purpose, in such circumstances as would indicate his intention to stay in India for an uncertain period;
(ii) any person or body corporate registered or incorporated in India,
(iii) an office, branch or agency in India owned or controlled by a person resident outside India,
(iv) an office, branch or agency outside India owned or controlled by a person resident in India.

Inward remittance

INTRODUCTION

Reserve Bank of India has permitted foreign inward remittance through banking channels without any restrictions (except in the case of remittances attracting the provisions of Foreign Contribution Regulation Act, 1976). Besides, Indian residents can also receive foreign currency payments directly subject to the condition that the foreign exchange is surrendered to authorized dealers within 7 days from the date of receipt. RBI has also permitted retention of foreign currency notes and coins by Indian residents up to USD2000, exclusive of collection for numismatic purposes.

Inward remittances are generally received in the following forms:

1. Demand drafts, personal cheques, bankers cheques, International Money Orders(IMO)

2. Foreign currency notes, coins, foreign currency travellers cheques.
3. M.T.s/T.T.s through banking channels.

1. EXCHANGE CONTROL PROVISIONS;

1. FEMA permits receipt of foreign inward remittance by Indian residents either directly or through ADs. Foreign exchange received directly has to be surrendered to ADs within 7 days, except for retention limit of USD2,000 referred to earlier.

2. **Foreign Currency coins can be retained indefinitely without any limit.**

3. Where the amount of remittance exceeds Rs.1.00 lac, the purpose of inward remittance i.e. whether it represents transfer of capital, savings, profits, dividends etc., should be ascertained and reported in supplementary statement annexed to relative R-Return. However, actual payment is not to be delayed for the want of information related to purpose of remittance. In such cases the information may be collected separately either from the remitter or beneficiary and furnished to RBI in due course.

5. At the request of beneficiary of inward remittance, AD branches can issue FIRC (Annexure-II) on security paper. Each FIRC should bear distinctive serial no. and reference number. **No FIRC is to be issued in respect of inward remittance received for credit to all types of Non Resident accounts; as such funds are freely repatriable.**

6. AD branches can refund inward remittances cancelled by overseas remitting bank. However, before refunding the amount branch has to satisfy that refund is not made to cover transactions of compensatory nature leading to loss of forex to the nation or used by residents in India other than the original beneficiaries. Refunds cannot be made at the instance of the beneficiary. Such cases need prior approval of RBI.

7. **Unspent foreign exchange brought back to India by a traveler should be surrendered to an authorised person against payment in rupees within 180 days from the date of return of the traveler if the unspent foreign exchange is in the form of currency notes. If such foreign exchange is in the form of traveler cheques, the same should be surrendered to an authorised person within 180 days from the date of return. Exchange so brought back can be utilized by the traveller for his subsequent visit abroad during the period specified above. However, a returning traveller is also permitted to retain with him, foreign currency travellers cheques and notes upto an aggregate amount of USD 2000 and foreign currency coins without any ceiling. (Notification No.FEMA 11/2000-RB dated 3rd May 2000). Foreign exchange so retained can be utilized by the traveller for his subsequent visit abroad.**

Note: Where a person approaches an authorised person for surrender of foreign exchange after the prescribed period authorised person should not refuse to purchase the foreign exchange on the ground that the prescribed period has expired.

2. ENCASHMENT OF TRAVELLER CHEQUES

Travellers cheque issued by leading overseas banks/institution offer great degree of safety to the travelling business community and private tourists. These T.C.s are acceptable to banks as they have the backing of leading banks/entities. Normally T.C.s are sold through authorised dealers / authorised money changers/forex bureaus etc. Issuing bank, selling bank, purchaser of the T.C. payee and encashing banks are the various parties related to TC transaction

T.C.s are usually presented to our branches by the following categories of persons:

viii) Exporters
ix) Tourists
x) NRIs during their visit
xi) Money changers
xii) Travel agents, hotels etc.,

In the recent past many fraudulent instances have come to light. It is, therefore, essential to take utmost care while encashing T.Cs.

The T.C.s issued by different banks and entities have varying security features.

2.1. SECURITY FEATURES

Most of the T.C.s bear the following general security features:

I. TCs are printed on security paper in multi-colour with intricate background designs.
II. TCs bear serial nos in magnetic ink.
III. TCs have two specified places for signature of the purchasers, at the time of issuance and encashment.
IV. TCs have currency, denomination, facsimile signature, name of issuing bank watermarks, etc. on the face thereof.

2.2. PRECAUTIONS TO BE TAKEN DURING ENCASHMENT

While encashing the TCs following precautions are to be taken:

I. Branch should ask the holder (tourist/non customers) to handover passport together with TCs to be encashed, for the purpose of scrutiny.

AN. Passport bears a photograph and generally specimen signature of the holder. The signature of purchaser appearing on the TC is to be compared with the signature on the passport. Also identify the presenter with the help of photo on the passport.

BO. Satisfy that TC is not countersigned already and space meant for countersignature and writing name of encashing bank is not tampered with.

IV. Verify the circulars regarding stolen/lost TCs to ensure that TCs presented are not lost/stolen or contact the local office of TC issuing agency to ascertain whether the TC presented for encashment is reported lost/stolen.

V. Compare the TCs with the specimen TC supplied by the issuer. The design and water mark should be as provided in the specimen.

VI. Obtain a written application for encashment of TCs. The application should contain among others, following details:

- x Name
- r Passport No.
- r Details of issue: o Country of Issue o Expiry date:
- o Local address(Hotel etc.,)

VII. Ask the holder to countersign the TCs in the presence of branch officials in the appropriate place appearing on TC for signature at the time of encashment.. The officials in whose presence the signature has been affixed should be alert to see that the holder is signing confidently and not copying the specimen already appearing on the TCs. In case of doubt, refuse encashment.

VIII. The signature at the time of issuance of TC and the counter signature should be a close match and should compare favourably. If the signatures mismatch, advise the customer to sign on the reverse of the TC and satisfy that the signature do match.

IX. In case of doubt, the branch should ask for TC purchase agreement, which is an indicator of the genuineness of the holders. Most of the fraudsters are not in possession of purchase agreement.

X. It is in order for branches to call for additional identification documents such as driving licence, civil identity card etc., if need be.

XI. TCs do not have specific validity period. In other words, TCs can be encashed at any time after issue, without period restriction. However, if TCs are presented belatedly, branch has to ascertain the reason for delay (if TCs bear date of issue)

XII. Normally TCs are not to be purchased for third parties. In exceptional cases, if TCs are accepted by exporter client, hotels, money changers etc. having account relationship with the branch, TCs may be purchased after observing normal banking precautions.

XIII. If foreign currency TCs, currency notes and Bank notes exceed USD10,000 /- or its equivalent, same has to be declared at the Airport/Seaport customs in Currency Declaration Form (CDF). If TCs tendered exceed the above limits, CDF should be insisted upon. After encashment, necessary endorsement has to be made on the reverse of the CDF. If entire FCTC declared in the CDF is not encashed, original CDF has to be returned to the holder, retaining a photocopy for branch records. If entire TCs are encashed, original CDF should not be returned to the holder and should be held with the branch alongwith the relevant papers.

XIV. Normally tourists encash TCs for small amounts only. If TCs for large amounts are tendered by tourists, extra caution has to be exercised.

XV. If TCs are encashed very frequently by the same person, extra caution is to be exercised.

If Branch decides to encash the TC, enter the same in Safe-in Safe-out Register and allot NE serial number.

2.3. DELEGATED AUTHORITY

The Head of the branch or officer not below the rank of Scale III may permit encashment of traveler cheques subject to a maximum of USD 500/- or equivalent per tourist/non customer, at any point of time. For others like exporters, travel agents, hotels etc., the TCs can be purchased within sanctioned limits/the delegated authority vested in field functionaries.

2.4 DESPTACH OF TC

Branch should affix special crossing stamp of the Bank on the TC. Incorporate the name of the Bank in the space meant for writing the name of the payee. If third party TCs are purchased, payee has to endorse the TC on the reverse thereof in favour of the Bank. Suitable endorsement/discharge has to be made by the branch.

Thereafter branch has to list the TCs provided to them by the customer. Branch should retain photocopies of TCs along with forwarding schedule. Make entry in Safe out Register.

3. PURCHASE OF FOREIGN CURRENCY

s Any resident Indian is permitted to receive foreign currency notes directly from overseas. Further, residents in India are also permitted to receiveforeign currency payments from persons resident outside India and who are on visit to India, for services rendered or in settlement of any lawful obligations, subject to the condition that amount in excess of USD 2000 or its equivalent is surrendered to an AD within the prescribed time as under:

4. Foreign Exchange due or accrued as remuneration for services rendered whether in or outside India or in settlement of any lawful obligation or an income on asset held outside India or an inheritance settlement or gift within 7 days from the date of receipt.

5. In all other cases within a period of 180 days from the date of receipt.

w ADs are also permitted to freely purchase foreign currency notes and coins from any person whether traveller or not, against payment in Indian Rupees. If the person tendering foreign currency notes, is a resident Indian he need not necessarily possess a passport.

s Any person bringing foreign currency notes/coins into India exceeding **USD5000/-** or its equivalent has to declare in Currency Declaration Form (CDF) to the customs.

For exchange control provisions . the time of purchase of foreign currency exceeding **USD 5000/- or its equivalent** AD branch has to seek production of CDF.

r The issue of encashment certificate in security paper has been dispensed with .But ADs can issue encashment certificates only when requested by the customers in form ECF (Annexure-III) on Bank's letterhead containing its logo. Duplicate copies of certificate have to be preserved. Such certificates should be issued on the day of encashment itself and should be made valid for 3 months for the purpose of re-conversion of unspent balance, if any, into foreign exchange. Duplicate encashment certificate is not to be issued by branches. Request for issuance of encashment certificate is to be maintained and certificates issued are to be serially numbered.

x Charges for issuance of encashment certificate are as under
Rs 150/- per certificate.

3.1. PERMITTED CURRENCIES

AD branches can purchase any international currency. However, ‗A' category branches provide currency purchase rates in respect of all the currencies which are usually traded in the market. In respect of other currencies, purchases can be done only after covering transactions with approved Full Fledged Money Changers (FFMC).

3.2. PROCEDURE FOR ENCASHMENT:

SCRUTINY OF PASSPORT:

If the tenderer of foreign currency is a tourist or NRI, passport is to be scrutinized for establishment of his identity. If the tenderer is branch's own client, verification of passport is not necessary. However, proceeds are to be credited to client's a/c only. If the person, who surrenders foreign currency is a resident Indian, but not a customer of the bank, the transaction may be handled only if the branch can establish his identity / genuiness / purpose / source of currency, with the help of well known reputed customer of the Bank.

SCRUTINY OF CURRENCY NOTES

4. The currency notes should not be soiled, mutilated, defaced, oily etc..
5. Currency notes should be of denomination, which are existent. In case of difficulty or doubt, contact nearest A/B category branch.
6. Currency notes should on the face of it appear to be in order, in usual structure and should not contain unusual features.

7. Currency notes should not bear rubber stamps of external agencies which may lead to rejection of currency notes.

3.3. OPERATIONAL GUIDELINES

q Obtain request letter in duplicate for purchase of foreign currency. The letter should contain following details:

Denomination
Printed number
No. of pieces
Total value.

q Letter should also contain an undertaking to indemnify the bank against fake and counterfeit notes.

w Verify passport wherever applicable to establish identity.

q If the currency surrendered is more than **USD 5000/- or its equivalent**, CDF has to be obtained. Photocopy of CDF should be held on record. In case entire currency declared is surrendered, original CDF should not be returned to the party and **should be held by the branch for inspection of RBI /Internal auditors.**

p The currencies so purchased should be disposed off through approved FFMC of repute. The difference in exchange rate has to be treated as branch income. The A/B category branch should pass on such income to the originating branch.

q In respect of FC other than US Dollar, GBP and **EUR** before quoting currency buying rate to the customers the transaction has to be covered with FFMC of repute.

o The sale of foreign currency to FFMCs is subject to the following conditions:

1. FFMCs should hold a valid licence issued by RBI and they should be on bank's approved panel.
2. P.O/DD at agreed exchange rate should be obtained before parting with foreign currency.
3. The rate quoted by FFMCs should be competitive.

o On realization of DD/PO lodged by FFMCs credit is to be afforded to Foreign Money on Hand a/c and Income a/c Exchange. Suitable entries are to be made in Register for Foreign Money on Hand (BK No.2249)

- A/B category branch who have been sanctioned foreign money on hand limit, can utilize the FC balance held by them for meeting the forex needs of travelers going abroad. During half yearly closing, foreign currency on hand has to be revalued as per FEDAI revaluation rate (1 month forward) and the resultant profit or loss has to be taken to P/L account. If there is no balance of foreign currency on hand, and there is still a Rupee balance in Foreign Money on Hand a/c in General Ledger, such balance is to be
  transferred to P/L account.
- **Acceptance of foreign currency Notes – Open currency position: Foreign Currencies purchased by B/C category branches at our currency buying rate circulated by Dealing Rooms and held with them or forwarded to the nearest B/A category branches by insured post parcel awaiting receipt of the final proceeds are subject to Foreign Exchange Risk . Branches are advised to report such balances being a part of the open overnight position as of last Friday of each month to their respective Position Maintaining branch (A Category) branch i.e. Treasury Branch, Mumbai by way of telex or fax. A Category branches will incorporate the same in their open position.**

3.4. PURCHASE OF FOREIGN CURRENCY NOTES BY ‗C' BRANCH

With a view to ensure to meet the foreign exchange requirements of the customers, particularly, the customers who do not have any trade related foreign exchange transactions, it has been decided that certain forex products/ facilitie's may also be made available through all 'C' category branches.

C category branches can also purchase foreign currencies from tourists, NRI clients etc. The procedure detailed above for purchase and subsequent sale to FFMC is to be strictly followed. Details of such purchase and sales are to be furnished to the nearest ‗B' category branch for reporting in R-Returns to RBI.

In such cases purchase is to be made based on the rate quoted by nearest A/B category branch/ or card rate on UBINET. The foreign currency encashment
/ sale transactions must be routed through the CBS menu IRM / ORM sub-registers (CNPUR / CNSAL) along with customer's application
as per Annexure -I. The following precautions should be taken care by the branches

i) In order to mitigate risk involved, the branches may restrict encashment of cash currencies to USD 1000 or equivalent, per transaction for travelers.

ii) Branches can encash any amount for their more regular NRI clients for deposit and other account holders. However, credit for amount in excess of USD 1000 will be afforded on realisation of value.

Note: Branches are advised that all transactions should be undertaken only after proper identification of the traveller / customer. Further, Suitable records with regard to proper identification should be retained after verifying with the original as under:

i. For purchase of foreign exchange less than USD 200/- or its equivalent, photocopies of identification/documents need not be kept on record. However, full details of the identification documents should be maintained.

ii. For encashment of foreign exchange between USD 200/- and USD 2,000/- or its equivalent, the photocopies of the identification document is required to be maintained for one year and completion of statutory audit.

iii. For encashment in excess of USD 2,000/- or its equivalent, photocopies of the identification documents is required to be maintained for a minimum period of 5 years.

3.5. PROCEDURE TO BE FOLLOWED BY THE BRANCHES WHILE ENCASHMENT OF FOREIGN CURRENCY NOTES

i. Scrutiny of passport

a. If the tenderer of foreign currency is a tourist or an NRI, passport is to be scrutinised for establishment of his identity.

b. If the tenderer is branch's own client, verification of passport is not necessary. However, in such cases, the proceeds should be credited to the client's account only.

c. If the person, who surrenders foreign currency, is a resident Indian but not a customer of the Bank, the transaction may be handled only if the branch can establish his identity with the help of a well-known customer of the Bank. However, no cash to be paid if the encashed value is more than Rs.20,000/-.

Note: In respect of request for payment in cash by foreign visitors / non-resident Indians, the same can be considered upto USD 3,000/- or its equivalent. However, all encashment within one month should be treated as a single transaction for the 3rd purpose.

ii. Scrutiny of Currency Notes

a) The currency note should not be soiled, mutilated, defaced, oily etc.

b) Currency Notes should be of denomination, which are extant. In case of difficulty or doubt the branches can contact nearest **B'** category branches or FFMC.

c) Currency notes should on the face of it appear to be in order and usual structure and should not contain any unusual feature.

d) Currency notes should not bear rubber stamp of external agencies / banks which may lead to rejection of currency notes.

iii. Additional Requirement

If the currency surrendered is more than USD 5000 or its equivalent, the tenderer should be requested to produce Currency Declaration Form (CDF). This CDF form should be endorsed with the amount of encashment permitted. A photocopy of the duly endorsed CDF should be held on record. In case the entire currency declared is surrendered, the original CDF should not be returned to the party and should be held by the branch for inspection by RBI / Internal auditors.

iv)**Operational guidelines**

a) Obtain a request letter in duplicate for purchase of foreign currency. The letter should contain following details.

i. Denomination;

ii. Printed no.;

iii. No. of pieces;

iv. Total value;

v. Local address

b) The letter should also contain an undertaking to indemnify the bank against fake and counterfeit notes.

c) Verify passport wherever applicable to establish identity and retain a copy for record.

v) Rate Application

For USD, GBP and Euro, branches should apply cash buying rate given in the daily rate chart. These rates are published on the Intranet on daily basis.

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vi)Disposal of Foreign Currency

a.The foreign currency so encashed should be disposed of locally through the approved FFMC of repute.

b.For this purpose, the rate should be called for from the approved FFMC and

should be disposed off to such FFMC who has quoted the best exchange rate.

c. The disposal of foreign currency should be carried out on a daily basis.

Note:

a. Proper record of the rate for disposal of foreign currency agreed with FFMC should be maintained. Accountant / Branch Head must countersign such details.

b. The difference in exchange rate offered by the FFMC and the rate at which the encashment was permitted represents the Exchange Income for the branch and it should be booked accordingly by the respective branch in their books.

vii)Encashment Certificate

a. The branches can also issue Encashment Certificates in the form ECF in respect of foreign currency purchased from the foreign tourist.

b. These certificates should be issued on a security paper if the foreign currency encashed exceeds Rs.15,000 in value.

c. In all other cases, certificates can be issued on Bank's letter head containing its logo.

d. The Encashment Certificate should be issued on the day of encashment itself and should be made valid for 3 months for the purpose of reconversion of unspent balance, if any, into foreign exchange.

e. No duplicate Encashment Certificate should be issued.

f. The request for issuance of Encashment Certificate should be maintained properly in the form of a register.

viii) Reporting

a. Branches will have to report such transactions to the nearest 'IT category branches in the form of a letter on fortnightly basis so as to enable the concerned 'B' category branches to include the same in the R-Returns for the relevant period.

b. Branches should ensure that such reporting on a fortnightly basis is done to the nearest B category branches so as to reach them latest by the next working day.

c. There may be instances that the foreign currencies purchased are still held with the branch pending its disposal. Such holding is subject to foreign exchange risk and it amounts to the open position. Branches are, therefore, advised to report such balances, if any, as of last Friday of each month to their respective position maintaining branch i.e. Treasury Branch, Mumbai by way of fax. However, efforts should be taken to dispose of the currency without delay.

3.5.1. PROCEDURE TO BE FOLLOWED BY THE ‗C‘ CAT BRANCHES WHILE FORWARDING FOREIGN CURRENCY NOTES TO THE NEAREST FOREX DEALING BRANCH IS AS UNDER:

In many centers FFMCs may not be operating and hence, it may not be possible for a ‗C‘ category branch to dispose of the foreign currency. In such cases purchase is to be made based on the rate quoted by nearest A/B category branch/ or card rate on UBINET. The following procedure should be adopted by the branches.

1. Foreign Currency Notes accepted by the branches for purchase/collection should immediately be entered in a Register styled as Foreign Currency Remittance Register and respective entries initialled by the Branch Manager, or in his absence by the Accountant and the Officer concerned who has accepted the currency notes from the tourists/public/account-holders. Thereafter, the usual procedure of entering the details in the Outward Purchase or the Outward Collection Register should be followed.

2. Till such time the foreign currency notes are dispatched to the foreign exchange department of nearest Forex dealing branch, the same will be held in joint custody in the cash safe.

3. The total amount of foreign currency notes held should be stated daily in the Cash Balance Book of the branch, and the rupee equivalent should be reflected in the W-1 Statement under the heading ‗Foreign Money on Hand Account'. FC on hand balance, each currency-wise/denomination wise is to be jotted on daily basis in a separate register.

4. Foreign Currency Notes should not be defaced with rubber stamps, collection reference numbers or endorsements.

5. Foreign Currency SHOULD BE DESPATCHED ONLY BY REGISTERED INSURED POST, irrespective of the value. The Rupee equivalent of the Foreign Currency Notes sent in any one insured envelope should not exceed

   Rs.10,000/-. The envelope should be specially addressed to foreign exchange department of exchange dealing branches.

6. The foreign currency notes to be dispatched should be listed in a ‗Memorandum of Particulars' in duplicate, giving the following particulars:
   a. Date (i.e the date on which the foreign currency notes were received by the branch)
   b. Party from whom it was received.
   c. Serial number and the denomination of each note
   d. Total foreign currency notes received from each party.

The Memorandum will show the total foreign currency notes purchased (for which POB claim should be enclosed) and the total foreign currency notes sent for collection. The Memorandum of Particulars will be signed jointly by the Branch Manager or in his absence, by the Accountant and the Officer/Head Cashier handling the currency notes.

7. The foreign currency notes , together with the Memorandum of Particulars and the POB claim, if any, should be wrapped in wax paper or butter paper, and where such paper is not easily available, in brown paper.

8. After the notes are wrapped in paper as stated above, the same should be inserted in a canvas-lined envelope in the presence of Branch Manager or in his absence, the Accountant and the Officer who handles the foreign currency transactions in the

branch. No other letter or document of any nature whatsoever should be enclosed in this envelope. The cover should be properly closed and the Bank's Seal should be affixed in the presence of these two Officers (i.e. the Branch Manager, or in his absence, the Accountant and the other Officer concerned). These two Officers should place their signature on the envelope below the seal, indicating the reference number of their Power of Attorney or Resolution Power. These signatures would testify to the correctness of the foreign currency notes enclosed in the envelope.

9. Insurance should be taken out for the actual value declared on the envelope.

10. The envelope thereafter should be entered in the Despatch Register, giving full particulars in the ‗ Particulars' Column.

11. If the value of the contents of the envelope is below Rs.5000/- it should be sent to the Post Office with a responsible clerk, and where the value exceeds Rs.5000/- an armed /unarmed Watchman should also accompany him. Postal Receipt, evidencing the dispatch should be in the custody of the Accountant in a separate file, after noting down the receipt number and the date in the outward Foreign Currency Remittance Register, and the Despatch Register.
12. As soon as the cover is dispatched, the Branch Manager will post an advising letter to the nearest forex dealing branch to whom the FC is sent by insured post parcel.

13. Since holding of foreign currency notes at the branch involves loss of interest branches are advised that at no time total accumulation exceeds, the equivalent of Rs.10,000/-

14. The internal auditors have been directed to check the foreign Currency Remittance Register to ensure that details of the insured parcel/its receipt number have been duly entered therein. Further, the internal auditors would also check whether appropriate entries have been made in the Cash Balance Book as detailed above and the same have also been reflected in the W-1 Statement submitted by branches.

15. Make suitable notation in the Foreign Currency Remittance Register.

3.6. PROCEDURE TO BE FOLLOWED BY THE FOREX DEALING BRANCH

1. The inward mail department of forex dealing branch will under no circumstances accept any registered insured envelopes addressed to the foreign exchange department. They will direct the postman to deliver the

   insured post parcels, or to convey intimation of arrival thereof, to the foreign exchange department.
2. When the intimation of arrival is received from the Post Office, the officer-in-charge of foreign currency section, alongwith a clerk and an armed/unarmed Watchman will proceed to Post Office to collect the registered insured envelopes. Before accepting these envelopes from the Post Office, the officer will verify the envelopes to ensure that the Bank‘s seal is intact. If the seal is observed to be tampered with, an _Open Delivery‘ must be insisted upon.

3. After returning to foreign exchange department, the officer will enter the insured envelopes in the Inward Remittance Register and will thereafter open the envelopes in the presence of the Senior Manager, or Manager. The contents of the envelopes will be verified with the Memorandum of Particulars enclosed in the cover and after satisfying that the contents are correct, the officer-in-charge and the Senior Manager or the Manager will sign the duplicate of the Memorandum of Particulars in token of having received the contents and return it to the branch concerned. If the contents of the envelopes are different than what has been shown in the Memorandum of Particulars, the matter should be promptly reported to the Head of the branch, and also branch concerned should be notified in a most expeditious manner, under advice to the respective Regional Offices. The Regional Office should be kept informed by the foreign exchange dealing branch till the issue is resolved.

4. Where the foreign currency notes are received from any branch in a manner other than as prescribed above, the foreign exchange department will draw the attention of the branch concerned to the latter‘s lapse, and endorse a copy of its letter to the Regional Office concerned for taking appropriate action in the matter.

5. The foreign currency notes on hand will be held in joint safe custody in the foreign exchange department, until the same are to be utilized for normal business transactions or sold to FFMC. If separate cash safe is not available in forex department the FC should be kept in the cash safe provided to the cash department of general banking section.

3.7. RETURN OF UNREALISED CURRENCY NOTES

a. At times, the currency notes are rejected for reasons such as counterfeit, defaced, soiled, mutilated etc.

b. In such cases, amount should be recovered from the customer together with interest at commercial rate.

c. If such currency notes were purchased from tourist who had already left the country, the same should be reported to the controlling office for disposal instructions / write off of the amount.

3.8. ACCEPTANCE OF CURRENCY NOTES FOR COLLECTION: (BY ‗C‘ CATEGORY Branch)

If the branch decides to handle currency notes on collection basis, following procedure is to be followed:

1. Obtain request letter with full details as explained in purchase of foreign currency

2. Allot clean collection no.,(OBC No….) and enter in collection register.

3. Prepare clean collection schedule (FE 503) for dispatch of F.C. to nearest B category branch.

4. Pass collection contra entry.

5. Follow the procedure for dispatch of FC through insured post parcel as explained in para no 18.3.5.

6. On receipt of credit from B category branch pass the following entry

   Dr. L/Branch /C.O. a/c

   Cr. Customers a/c

   Cr. Income a/c Exchange on FC.

   (as indicated by B category branch)

7. Customer is to be afforded credit at the exchange rate indicated by ‗B‘ category branch (currency purchase rate). Difference between the above rate and the credit received from B category branch is to be taken to Income a/c Exchange on FC.

8. If any currency notes are returned unencashed the same is to be returned to customer against proper acknowledgement.

9. Reverse contra liability. Mark payment details in the registers.

4. DDs/TTs/MTs

1. Most Inward Remittances are received in the form of authenticated telex or swift messages (MT 103) addressed to ‗A/B…..‘ category branches. ‗A‘ category branch will convert F.C. into Indian Rupees and remit the proceeds directly to ‗B‘ or ‗C‘ category branch where beneficiary maintains the account without seeking disposal instructions upto an amount equivalent to Indian Rs 1.00 lac.

2. For inward remittances exceeding Rs1.00 lac , disposal instructions will be sought from respective branches and payments will be executed as per instructions received. ‗B‘/‘C‘ category branches should also ascertain and inform whether beneficiary intends to retain a portion in EEFC a/c subject to overall permissible limits.

3. If the value of inward remittance exceeds USD5000 or its equivalent, ‗A‘ category branch has to satisfy actual receipt of cover funds in its nostro account. The correspondent banking agreement with various banks, the threshold limit for issuance honoring of MTs/DDs/TTs without prior provision of cover funds has been agreed as USD 5000/- or its equivalent. In respect of such cases of Inward remittance payments can be made on the basis of authenticated telex/swift messages. If receipt of cover funds is delayed for whatever reason, interest has to be claimed from the remitting bank.

4. On receipt of credit advice along with photocopy of MT 103/telex message from ‗A‘ category branch, beneficiary‘s account has to be credited, after satisfying that the remittance does not pertain to export bill purchased/sent on collection. In case purpose of remittance is not available, payment should not be delayed and matter should be taken up with the remitting bank for ascertaining purpose of remittance. A declaration as per Annexure -IV is to be obtained from the beneficiary.

5. FOR ―B‖ CATEGORY BRANCHES CONNECTED TO SWIFT: DECENTRALISATION

With a view to ensure that the time gap involved in releasing the amount is reduced the proceeds and the remittances are credited to the customer‘s account expeditiously, the function of handling inward remittances is decentralized.

The salient features of the decentralisation for the purpose of handling inward remittances are as under:-

1. The inward remittances messages MT 103, MT 202 etc received at CBT at Treasury Branch with SWIFT Code of ‗B‘ category branches are redirected by the system to the concerned ‗B‘ category branch. Certain messages received with CBT code with beneficiary address at places where we have ‗B‘ category branch or ‗C‘ category branch in the command area of the ‗B‘ category branch will be directed by CBT to that ‗B‘ category branch.
2. The practice to convert the Foreign Currency into Indian Rupee and credit the proceeds to the beneficiary‘s a/c. or to remit the same to ‗C‘ category branch where the beneficiary maintains the account, without seeking disposal instructions upto an amount equivalent to Rs.1 lacs will be followed by the ‗B‘ category branches provided with SWIFT connectivity.

   In respect of the inward remittance in excess of equivalent of Rs. 1 lac they will seek disposal instructions from the beneficiaries and shall act accordingly.

3. With view to ensure that the credit is made available to the beneficiaries in respect of small value remittances immediately, the Treasury Branch and the Exchange Dealing Branches are hereby authorised to release the credit in respect of remittance upto USD 1000 or equivalent immediately irrespective of whether the credit is sighted or not in the Nostro a/c.

   In all other cases, the credit will be released by them after ensuring that relevant cover funds are credited by the counter party banks in our Notsro a/c.s, The Exchange Dealing Branches will be in a position to verify the credit in Nostro a/c. by perusing the daily US Dollar Notsro a/c. statement received by them from our Notsro a/c. maintaining correspondent bank. In the case of all other currencies they will be in a position to confirm the relevant cover funds by contacting the inward remittance section or treasury Branch over telephone / telex / fax and report the transaction thereafter for the purpose of release of credit in respect of inward remittances.

It will be the responsibility of the concerned account maintaining branch to credit the amount to the customer‘s a./c. after satisfying the purpose of the remittance and the genuineness of the customers, by looking into the details furnished in the copy of the relevant MT 103 which will be sent by the Treasury Branch / the concerned exchange dealing branch alongwith the digital authority cheque. The Exchange Dealing Branch/ ‗C‘ category branch must ensure that the inward remittance received is not against export bills purchased / sent for collection. The remittance may not be however, delayed in case, the purpose of remittance is not available, indicated in the MT 103 and Treasury Branch / ‗B‘ category branch will follow up for the same separately with the remitting bank.

4. The concerned ‗B‘ category branch will report the transaction with regard to the remittance directly to on line rate system. Uniform numbering system for entering / reporting such transactions is done by FINACLE system. The same pattern should be followed while taking rate to avoid duplication.

The prefix generated by FINACLE to the various Exchange Dealing Branches for the purpose of control of import LCs / Clean Collection / Clean Purchase is to be used by the ‗B‘ category branches also for this purpose. This will enable the inward remittance section of the ‗A‘ category branch to identify the transaction correctly and remit the amount to the concerned ‗B‘ category branch.

5. The ‗B‘ category branch will report the transaction subject to their satisfying that the relevant MT 103 message is received by them and it is in their possession in original. In case of remittance in excess of USD 1000 or equivalent, they will additionally ensure by perusal of the daily statement of Nostro a/c. for USD remittances and contacting inward remittance section. Treasury Branch for other currencies before reporting the transaction, that the cover funds in respect of the relevant inward remittances are credited to our account. In any case, the reporting of the transaction will be made by them not earlier than the value date advised in the MT 103 message.

6. After reporting the transaction as above, the system will debit POB a/c.
Forex and credit the customers a/c. or remit amount to the concerned ‗C category branch by way of digital authority cheque. On receipt of the digital authority cheque from Treasury Branch, the outstanding in POB a/c. foreign currency may be adjusted.

In case the required details/ information is found inadequate for applying the funds, it will be the responsibility for the concerned _B' category branch / Treasury Branch to take up the matter with the remitting bank for full details.

7. On implementation of the new system for inward remittances as stated above, the FIRCs will be issued by the concerned _B' category branches in respect of the inward remittances handled by them.

8. Branches are advised to log on to SWIFT as per schedule advised by SWIFT section at least twice a day and drain out all the messages for taking action thereon.

6. ISSUANCE OF FIRC:

1. FIRC is being issued by the system in some branches and other branches it is being issued manually on the prescribed format. FIRC charges are being recovered by the system. No changes should be made in FIRC after issuance. _B' category branch should, before issuing FIRC , ensure correctness of the details by cross verification with original MT 103 message.
2. FIRCs should not be issued against inward remittances to NRE accounts even if received through credit push systems

   like RTGS / NEFT / NECS ECS. In case of inward remittances other than for credit to NRE accounts, if
   the proceeds of inward remittance received are remitted in foreign currency itself to the beneficiary's banker, then FIRC is to be issued by the bank which has received the proceeds in foreign exchange, i.e. the bank which converts the foreign currency into rupees is required to issue FIRC.

3. FIRCs should be issued on security paper as per Form BCI bearing distinctive serial /reference no.

4. FIRC should be issued only in respect of

   (a) Advance payment for exports

   (b) Receipt of export proceeds by an AD Bank other than the one who handles /handled GR Form/Softex/SDF/PP Forms.

   (c) Inward remittance covering FDI/FII.

5. All FIRCs should be signed by Authorised officers of AD Banks only (i.e. those who are allotted P.A. Numbers) and whose signatures are on record with Reserve Bank of India.

6. Stocks of blank certificates should be kept in safe custody. Loss/theft if any should be reported to FEDAI through IBD, C.O. The AD Branch will also report the Loss/theft to the office of RBI concerned.

7. **In the case of inward remittances other than listed under 2(a), (b) and (c) above, the certificates should not be issued on security paper.** Such certificates should be issued in the following manner:

(a) Import Trade Control or other authorities may require certificate in the format prescribed by them.

(b) Director General of Foreign, Trade may require certificate in prescribed form of negotiation of documents but prior to realisation of export proceeds. Such certificate shall not contain the value realized and date of realisation. Banks should merely indicate FOB value while issuing such certificates, **Authorised Dealers should make a specific remark that it is not an export realisation certificate.**

(c) AD Banks may issue a certificate of inward remittance in form 10H for submission to Income Tax authorities. The form 10H is prescribed under Section 8ORRA of Income Tax Act. The certificate should be specifically marked **"For Income Tax Purpose".** No separate ECF should be issued in such case, if salaries are paid in foreign currency in cash.

(d) In cases of encashment of foreign currency notes / travellers cheque for other than salary purpose, the certificate should be issued in **Form ECF only.**

(e) In cases other than point 3 and point 7(a),(b) and(c) above, certificate may be issued on printed-letterheads bearing AD Bank's Logo.

8. Multiple certificates against the same remittances should not be issued.

9. a) The AD Bank that actually receives the inward remittance or reimbursement in foreign exchange-should issue certificate.

b) In case of rupee remittance received by debit to non-resident bank account, the certificate should be issued only by the bank's branch that maintains and debits the non-resident bank account.

c) A branch of the same bank different from one actually receiving remittance or maintaining non-resident bank account may issue certificate after confirmation from the concerned branch that no such certificate has been issued and shall not be issued in future.

10. Normally, **certificates should be issued' only in one copy.** Where more copies are required by the beneficiary, additional copies may be issued by AD Bank after satisfying the need for doing so. **The additional copies should also bear the same distinctive serial / reference no.and should be prominently marked Duplicate, Triplicate etc. at the top.** The purpose for which the .extra copies should be indicated prominently on the top of additional copies.

11. <u>As inward remittance received for credit of NRE /FCNR Accounts can be repatriated freely, no certificate should be issued for such remittances.</u>

12. Where inward remittances are required to be refunded to the remitters, certificates, if any already issued, must be called back and cancelled before the refunds can be allowed.

13. **The validity of FIRCs and other certificates mentioned above should be restricted to one year only.**

6.1. Issuance of duplicate FIRC

The issuance of duplicate FIRCs is fraught with risk of misuse; as several agencies are involved in granting fiscal concessions on the basis of FIRCs. The banks that issue large number of duplicate FIRCs, should carry out internal review process and ensure the followings:

1. FIRCs are issued only in the case of 3 events me ntioned in item No. 18.6(4) above.

2. The dispatch / delivery process of FIRCs is adequately tightened and controlled.

3. The bank is satisfied about the track records of the customer and circumstances about loss of certificates.

4. An appropriate indemnity should be obtained from the beneficiary of the FIRC.

5. If the beneficiary is not a customer of the issuing bank; the indemnity should be countersigned by the beneficiary's bank.

6. The duplicate FIRC should be prominently supersc ripted and bear the same number as that of the original.

7. The duplicate FIRC should clearly indicate name of the Authority to whom such duplicate FIRC is to be produced.

8. If it is not possible to make a notation of the authority as per para (7) above, and the AD bank is satisfied about the same,then the AD-bank may make a notation that This FIRC is issued for recordpurpose only and not to be used for repatriation purpose".

9.Whenever FIRC is utilised for release of GR Forms or repatriation with AD bank other than FIRC issuing bank, it should communicate to the issuing bank the fact of utilizing the FIRC for their noting.

1O.The loss should be immediately reported to FEDAI and the due process be followed. (IBD Circular Letter No.6075 dated 16.04.2009 and I C 8790 dated 20.10.2010).

11. If original FIRC is issued for purpose other than mentioned in Para 18.6 (4) above, the issuance of duplicate FIRC is not warranted at all. In such situation, the process of reporting of loss of FIRC would therefore be redundant. AD Branches may consider issuance of certificate on Bank's letterhead on case-to-case basis in such situation.

12. The purpose of FIRC gets served in short time and in any case within one year. Hence, vide SPL-02 /FIRCs /2013 dated13.02.2013 FEDAI has reiterated the following:

(a) FIRCs are issued for eligible purpose only as stated above.

(b) **The validity of FIRCs and other certificates mentioned above should be restricted to one year only.**

(c) Duplicate FIRC are issued solely at the discretion of the banks concerned. FEDAI does not give any kind of approval, concurrence for issual of duplicate FIRC.

(d) **Issual of duplicate FIRC may not arise for FIRC that are more than one year old.** FEDAI keeps details of loss of FIRC on their website (fedai.org.in) for one year only. AD Branches to ensure that the requests for duplicate FIRCs for transactions over one year are examined and probed carefully. The Branch concerned should satisfy -itself that no foul- play, misuse,-mischief takes place due to issue of duplicate FIRC. The bank may consider issuing a certificate on its letterhead providing details of remittance.

6.2. OTHER PROCEDURAL GIDELINES

1. MT 103 will be received directly by _B‘ category branch. Hence, payment should be made by them, after confirming receipt of cover funds, if the value of remittance exceeds USD5000 or its equivalent.

2. The Bank has also entered into arrangements with correspondent banks by exchange of **Relationship Management Application (RMA)**. On receipt of the RMA, branches should check the genuineness of the same by referring to SWIFT Department and release the amount.

3. If the beneficiary does not bank with us, branch should issue FC denominated MT receipt and seek disposal instructions, using address available in MT 103. In case the beneficiary desires to retain a portion of the amount in EEFC a/c or if the payment pertains to exports, foreign currency may be transferred to nostro a/c of beneficiary's bank, subject to deduction of charges. In all other cases payments may be made in Rupees as per disposal instructions of the beneficiary, less charges.

4. **CHARGES:**

Type of Transactions	Exchange and interest rates applicable
a. Encashment of TTs/ in respect of which cover has been received in Nostro Accounts	Current TT buying rate.(No exchange margin or interest to be charged)
b. Purchase of TTs/ Purchase of MTs/DDs where cover has not been received in Nostro Accounts	TT buying rate plus exchange margin of 0.125%. Interest shall be recovered separately from the customer at domestic commercial rate for a transit period of 15 days.

5. Details of inward remittances have to be entered in Inward Remittance Register.

6. Detailed procedure regarding handling of FCCs /FDDs etc., has been dealt with at length in Chapter 11 of the Book of Instructions on Exports under Clean purchase/Clean collection.

7. Often remittances are received through other authorised dealers. On receipt of DD/TT/PO from other ADs, credit has to be afforded to beneficiary's account. For remittances exceeding Rs.1.00 lac, other banks will forward foreign currency denominated MT Receipt seeking disposal instructions. Branch in turn has to obtain clear instructions from the beneficiary and present the MT Receipt duly discharged to the executing bank informing disposal instructions of the beneficiary. Payment when received has to be credited to beneficiary's account. However, in the

following cases payment should necessarily be received in foreign currency from other banks.

Remittances meant for FCNR , RFC,EEFC deposits.

Export bills where forward contracts were booked by our branches.

Payment of export bills where PCFC/FC loans have been availed from us.

Export bills purchased/negotiated/discounted by reporting to our ‗A' category branches.

8. Additionally as per Section 80 RRA of the Income Tax Act, an Income tax assessee has to furnish a certificate of inward remittance in form 10H (Annexure-VI. The form is similar to FIRC (FE 642) and the exchange dealing branch which has issued the relative FIRC should issue the certificate on form 10 H on the written request of the beneficiary of inward remittance, specifically superscribing the same ― For Income Tax purposes‖.

9. **Sharing of Commission for Collection of cheques/DDs/TCs: Commission will be collected by B Category branches.**

7. FOREIGN CONTRIBUTION REGULATION ACT (FCRA), 2010.

Foreign Contribution (Regulation) Act, 2010 stipulates that every person who has been granted a certificate of registration/prior permission as stipulated in the Act shall receive foreign contribution in a single account and only through such branches of a bank as may be specified in his/her application. It strictly prohibits the receipt or deposit of any other funds (other than foreign contribution) in such accounts. The Act mandates that every bank or authorized person in foreign exchange shall report to specified authority, the prescribed amount of foreign remittance, source and manner in which foreign remittance was received and other particulars in such form and manner as may be prescribed. Section 18 of the Act requires every person who has been granted a certificate of registration or prior permission under the Act to intimate the Central

Government on the details provided therein in the manner stipulated therein. This intimation has to be accompanied by a copy of the statement indicating the particulars of foreign contribution received duly certified by an officer of the bank or authorized person in foreign exchange.

Associations which were granted certificates of registration or prior permission under Foreign Contribution (Regulation) Act, 1976, will continue to be eligible to receive foreign contribution under the Act and such registration shall be **valid for a period of five years** from the date on which the Act came into force. Any permission to accept foreign hospitality granted would also be deemed to be the permission granted under the Act until such permission is withdrawn by the Central Government.

Persons/organisations who are not authorized to accept foreign contribution are:

1. Candidates for election
2. Editor, printer, columinist, cartoonist or publisher of a registered newspaper, owner, correspondent etc.
3. Judge, Govt. servant or employee of any Corporation,
4. Member of any legislature,
5. Political party or office bearers thereof.
6. Organisations of a political nature as may be specified;
7. Associations or companies engaged in the production or broadcast of audio news or audiovisual news or current affairs programmes through any electronic mode or form or any other mode of mass communication;
8. Correspondent or columnist, cartoonist, editor, owner of the association or company referred to in (7) above.

The Act empowers the Central Government to specify organizations as organizations of political nature by publication in the Official Gazette. Foreign contribution can, however, be accepted by the above-mentioned persons in the following specific cases:

1. by way of salary, wages or other remuneration due to him or to any group of persons working under him, from any foreign source or by way of

   payment in the ordinary course of business transacted in India by such foreign source; or
2. by way of payment, in the course of international trade or commerce, or in the ordinary course of business transacted by him outside India; or
3. as an agent of a foreign source in relation to any transaction made by such foreign source with the Central Government or State Government; or
4. by way of a gift or presentation made to him as a member of any Indian delegation, provided that such gift or present was accepted in accordance with the rules made by the Central Government with regard to the acceptance or retention of such gift or presentation; or
5. from his relative; or
6. by way of remittance received, in the ordinary course of business through any official channel, post office, or any authorised person in foreign exchange under the Foreign Exchange Management Act, 1999; or

7. by way of any scholarship, stipend or any payment of like nature.

IMPORTANT PROVISIONS

In case a person falling in the above category is not registered with the Central Government, it can accept foreign contribution only after obtaining prior permission of the Central Government. The Central Government is also authorised to suspend or cancel the registration so granted. Every person who has been granted a certificate shall have such certificate renewed within six months before the expiry of the period of the certificate.

The foreign contribution shall be utilised only for the purposes for which contribution was received. No foreign contribution or any income arising out of it can be used for speculative purposes. Use of foreign contribution for defraying administrative expenses has been restricted by the Act.

A person who has been granted a certificate of registration or prior permission receives foreign contribution in excess of one crore rupees, or equivalent thereto, in a financial year, he/it shall place the summary data on receipts and utilisation of the foreign contribution pertaining to the year of receipt as well as for one year thereafter, in the public domain.

Branches are required to

1. Keep special watch on bank accounts of organisations/associations etc. and ensure valid permission has been obtained before allowing credit of any foreign contributions. Every person who has been granted a certificate or given prior permission shall receive foreign contribution in a single account only through such one of the branches of a bank as he may specify in his application for grant of certificate. Such person can open one or more accounts in one or more banks for utilising the foreign contribution received by him. However, no funds other than foreign contribution shall be received or deposited in such account or accounts. The Act makes it mandatory for every bank or authorised person in foreign exchange to report to such specified authority (a) the prescribed amount of foreign remittance (b) the source and manner in which the foreign remittance was received and (c) other particulars, in such form and manner as may be prescribed.

2. Report every half year (September and March) to IBD for consolidation and onward submission to the Ministry of Home Affairs. Branches will confirm to their respective Regional office that the said statement has been be submitted. In case there are no such transactions a 'NIL' statement should be sent to IBD.

3. Other domestic transactions are not to be permitted in such accounts.

4. No advances are to be granted in such accounts.

5. If the amount of foreign contribution lying unutilised in the exclusive foreign contribution bank account of a person whose certificate of registration has been cancelled shall vest with the banking authority concerned till the Central Government issues further directions is the matter. In case a person whose certificate of registration has been cancelled transfers/has transferred the foreign contribution to any other person, the above condition would apply to the person to whom the fund has been transferred.

6. Bank has to send a report to the Central Government within thirty days of any transaction in respect of receipt of foreign contribution by any person who is required to obtain a certificate of registration or prior permission under the Act, but who was not granted such certificate or prior permission as on the date of receipt of such remittance. Such report has to contain the following details:

i. Name and address of the donor.

ii. Name and address of the recipient.

iii. Account number.

iv. Name of the Bank and Branch.

v. Amount of foreign contribution (in foreign currency as well as Indian Rupees).

vi. Date of receipt.

vii. Manner of receipt of foreign contribution (cash/cheque/electronic transfer etc.)

7. Bank concerned to send a report to the Central Government within thirty days from the date of such last transaction in respect of receipt of any foreign contribution in excess of one crore rupees or equivalent thereto in a single transaction or in transactions within a duration of thirty days, by any person, whether registered or not under the Act, and such report also has to include the aforesaid details.

7.1. Cheques / Drafts received under FCRA

Branches are receiving cheques/drafts denominated in foreign currency for collection which are subsequently turned out to be fraudulent in nature. In order that branches are not put in loss due to non-adherence of the stipulated guidelines, the procedure to be followed while handling foreign cheques/drafts for collection:-

i) Scrutinize the instrument carefully where required and incase of any doubt, make proper enquiry of source, nature of transaction/credential of remitter before accepting for collection. Branches will accept cheques/drafts only if these are payable to the customer having account with the Branch. The originating branch will give proper endorsement on the back of the instrument such as payee's a/c will be credited on realization or payee's account credited."

ii) Branches will comply with the requirements of KYC norms and FCRA. Regulations as applicable. Branches will retain photocopy, both obverse and reverse, of the cheque/drafts for their records.

iii) Branches will control the instrument with FBC No. and give the name of the branch on the face of the instrument.

v)The branch will then forward the instrument to CCC at Overseas Branch, Mumbai for collection. However, while forwarding such instruments, branches should also inform CCC that the cheque/draft represents the foreign contribution. They should also confirm to CCC that the provision of FCRA 2010 have been duly complied with while forwarding the instrument for the purpose of collecting the proceeds. On realization CCC will credit the proceeds to respective branches through finacle.

VERY IMPORTANT FOREIGN EXCHANGE MCQs

1.Our Branches report their foreign currency transactions to ___________________

(a) International Banking Department, Mumbai

(b) Treasury, Mumbai

(c) International Banking Division, LHO

(d) RBI

Ans: b

2.The foreign currency account maintained by our Foreign Department with our foreign

ranches/correspondents in different countries is known as _________________

(a) Special account...

(b) Vostro account

(c) Nostro account

(d) FCNR account

Ans: c

3.Transactions having international financial implications are regulated in our country by

(a) External Affairs Ministry, New Delhi

(b) The Foreign Exchange Dept., RBI, Mumbai

(c) Institute of Foreign Trade, New Delhi

(d) International Division, SBI, Bombay

Ans: b

4.All the forex transactions are reported to Treasury through

(a) Special account

(b) Branch Clearing General Account Schedules 3 and 7

(c) Foreign Currency General Account

(d) FCNR account

Ans: c

5.The account maintained by an our Foreign Branches / Correspondents with our domestic branch (in India) is known as ________________

(a) Loro a/c

(b) Vostro a/c

(c) Special a/c

(d) Nostro a/c

Ans: b

6.Rate applied for a foreign exchange transaction which involves immediate conversion of currency is known as _________________

.(a) ready rate

(b) forward rate

(c) merchant rate

(d) long rate

Ans: a

7.A quotation in which the home currency unit is the standard unit and the rate is expressed in variable units of foreign currency is called _________________

(a) direct rate

(b) spot rate

(c) indirect rate

(d) forward rate

Ans: c

8.When conversion/exchange of currencies takes place at some future date at a rate of exchange agreed upon now, such a transaction is known as

(a) spot transaction

(b) cover transaction

(c) cash transaction

(d) forward transaction

Ans: d

9.The maxim applied in respect of Direct Quotation is

(a) buy low, sell low

(b) buy low, sell high

(c) buy high, sell low

(d) buy high, sell high

Ans: b

10.A rate of exchange established between any two currencies on the basis of the respective quotation of each currency in terms of a third currency is known as

(a) cross rate

(b) merchant rate

(c) wash rate

(d) composite rate

Ans: a

11.When branches pass forex transactions at provisional rates, the entries are passed by debit to

(a) Forex Clearing gen. a/c

(b) Br. Cl. Gen. a/c 3 and 7

(c) IBIT

(d) None of the above

.Continue....

Ans: c

12.

The rate quoted for issue of Drafts/TTs is ________________

(a) Bill Selling rate

(b) Inter-Office rate

(c) Forward rate

(d) TT Selling rate

Ans: d

13.

The rate applicable for an export bill tendered for negotiation is ________________

(a) bill buying rate

(b) bill selling rate

(c) composite rate

(d) TT buying rate

Ans: a

14.

The rate quoted for inward remittances by TT/DD, where the cover fund has already been credited to our Nostro a/c is

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(a) TT buying rate

(b) DD buying rate

(c) Inter-Office rate

(d) Cross rate

Ans: a

15.

How many types of rates are quoted in respect of foreign exchange sales transactions?

(a) 5

(b) 4

(c) 3

(d) 2

Ans: b

16.

How many types of rates are quoted in respect of foreign exchange purchase transactions?

(a) 6

(b) 5

(c) 4

(d) 3

Ans: a

.

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17.

When foreign currency notes are purchased by branches not designated to retain foreign currencies, the rate applied while debiting the Designated Branch through Branch Clearing General Account is

____

(a) TT buying rate

(b) Foreign currency note buying rate

(c) Inter-Office rate

(d) DD buying rate

Ans: c

18.

A swap transaction involves ____.

(a) purchase of currency

(b) sale of currency

(c) purchase of currency against sale or forward sale of the currency.

(d) simultaneous purchase and sale of one currency against another for different settlement dates.

Ans: d

19.

The transactions of the Bank undertaken to sell the surplus and buy the required foreign currencies in order to keep its position 'square' are known as ___.

.

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(a) cover operations

(b) merchant transactions

(c) exchange transactions

(d)forward transactions

Ans: a

20.

A foreign currency travellers cheque is valid for ____.

(a) 3 months

(b) 6 months

(c) 1 month

(d) no time limit unless otherwise mentioned therein

Ans: d

21.

The rate quoted for clean instruments returned unpaid is

(a) TT selling rate

(b) DD buying rate

(c) Inter-Office rate

(d) TT buying rate

.

Ans: a

22.

A traveller returning from abroad should surrender his unused foreign exchange in excess of USD 2000 to an authorised dealer within:

(a) 90 days of his return to India, if he is holding foreign currency notes, and 180 days if he is holding travellers cheques

(b) 60 days of his return to India

(c) 30 days of his return to India

(d) None of these

Ans: a

23.

Maximum foreign exchange that can be released by an Authorised Dealer for medical treatment abroad is

(a) USD 50,000.

(b) USD 1,00,000

(c) as per estimate from the Doctor in India / Hospital / Doctor abroad.

(d) any amount sought by the applicant.

Ans: b,c

24.

All the outward remittances such as DDs/TTs/Debit Authorisations issued by branches on our foreign offices should be issued under Double Signature System if:-

.

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(a) The amount of such remittance is greater than USD/GBP 3000 or equivalent of Rs.10000 in other currencies

(b) The amount of such remittance is of the equivalent of Rs.50,000/- and above.

(c) The amount of such remittance is over the equivalent of Rs.1 lac.

Ans: b

25.

For outward remittance other than imports, the applicant should submit

(a) Form A2 (b) Form A1

(c) Form A4 (d) Form A3

Ans: a

26.

‘R’ returns are submitted to RBI as on every

(a) month

(b) 10th, 20th & 30th

(c) 15th & last working day of the month

(d) every week

Ans: c

27.

How many types of ‘R’ return are required to be submitted at present?

.

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(a) 5 (b) 6

(c) 7 (d) 2

Ans: d

28.

Name the different types of ‘R’ returns.

(a) Nostro & Vostro (b) Nostro

(c) Vostro (d) Nostro & Vostro, Loro a/c

Ans: a

29.

In documentary credit transactions

(a) all parties deal with documents and not goods

(b) all parties deal in documents and goods as well

(c) buyer and seller deal in goods and banks in documents

(d) all parties deal in goods only

Ans: a

30.

A documentary letter of credit has normally

(a) two parties (b) one party

(c) four parties (d) no one

.

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Ans: c

31.

The buyer or importer who procures a letter of credit from his banker is called

(a) opener of the credit (b) beneficiary of the credit

(c) negotiator of the credit (d) none of these

Ans: a

32.

The bank through whom the credit is advised and who confirms the letter of credit when required and negotiates the documents tendered is called

(a) Opening Bank (b) Foreign Bank

(c) Advising Bank (d) None of these

Ans: b

33.

An L/C which can be amended or cancelled by the Issuing Bank at any time prior to its expiry without notice to the Beneficiary is called a / an

(a) Confirmed L/C (b) Irrevocable L/C

(c) Revolving L/C (d) Revocable L/C

Ans: d

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34.

A L/C that cannot be cancelled or amended without the consent of the parties concerned is known as a / an

(a) Confirmed L/C (b) Irrevocable L/C

(c) Transferable L/C (d) Back to back L/C

Ans: b

35.

When the Advising Bank, at the request of the issuing Bank, adds its confirmation which would constitute a definite undertaking by the former the L/C is known as a / an

(a) Irrevocable L/C (b) Transferable L/C

(c) Confirmed L/C (d) Revolving L/C

Ans: c

36.

An irrevocable LC which authorises the advising bank to extend preshipment/packing credit upto a certain amount to the beneficiary to enable him to meet preshipment expenses is known as a / an

(a) Irrevocable LC (b) Transferable LC

(c) Revolving LC (d) Red Clause LC

Ans: d

37.

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An LC which authorises the Advising Bank, to transfer, at the request of the Beneficiary (First Beneficiary) the credit available in whole or in part to one or more other beneficiaries (Second Beneficiaries) is known as

(a) Anticipatory LC (b) Revolving LC

(c) Transferable LC (d) Back to back credit

Ans: c

38.

An ancillary LC which arises when the seller(beneficiary) uses the LC opened in his favour to support another LC opened by the Seller's Bank, favouring his supplier is called

(a) Transferable LC (b) Back to Back LC

(c) Revolving LC (d) none of these

Ans: b

39.

Non-resident Indian is defined for banking purpose in

(a) FEMA (b) Income Tax Act 1961

(c) Wealth Tax Act 1957 (d) None of the above

Ans: a

40.

Import licenses are valid for shipment

(a) 12 months from the date of issuance of licence

(b) 1 week after the arrival of goods into the country

.

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(c) upto last day of the month in which they expire

(d) 18 months from the date of arrival of goods.

Ans: c

41.

The face value of an Import Licence should take care of:

(a) Cost of goods only

(b) Cost, Insurance and Freight (i.e) CIF

(c) CIF plus interest

(d) CIF, Interest and Agency Commission, if any.

Ans: d

42.

A customer wants to know the provisions for importing a motor vehicle. Which book should he refer to?

(a) Exchange Control Manual

(b) Codified Foreign Dept. Circulars

(c) Handbook of Import-Export Procedures

(d) Customs Manual

Ans: c

43.

An import licence is valid for

.

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(a) 12 months from the date of issue

(b) 18 months

(c) upto the validity of import licence and if no period is specified until 31st March of the licensing year.

(d)

no time limit

Ans: b

44.

The exchange control copy of import licence submitted by the importer for opening LC/making

remittance should, after full utilisation, be

(a) forwarded to RBI along with `R' Return

(b) retained by AD for scrutiny by inspecting officials

(c) handed over to the importer

(d) forwarded to the Trade Control authorities

Ans: b

45.

Importers should retire the demand bills drawn under LC on

(a) the day on which the bill is received at the branch

(b) before the expiry date of license

(c) within 10 days from the date of receipt of the bill.

(d) no specific period

Ans: c

.

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46.

Usance bills drawn under Import LC should be retired

(a) 10 days from the date of receipt of the bill

(b) on due date

(c) last day of the month in which the licence expires

Ans: b

47.

Recovery of commission and transit period interest, on import bills is required to be done even when 100% cash margin is retained on the LCs. Is this statement true or false?

(a) True (b) False

Ans: a

48.

For making payment towards imports into India, application from importers is obtained on

(a) Form A1 (b) Form A4

(c) Stat 4 (d) R 6

Ans: a

49.

Branches should submit return of overdue import bills

(a) monthly (b) quarterly

.

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(c)half yearly

(d)fortnightly as on 15th & last working day of each month

Ans: d

50.

GR forms are submitted in respect of

(a) Import transactions (b) FOCNA transactions

(c) Export transactions (d) NRE transactions

Ans: c

51.

Packing credit limits are granted

(a) to cover specifically packing charges incurred for goods meant for export

(b) against LC or firm orders

(c) against duly packed goods stored in warehouse

(d) to an importer in a foreign country in respect of goods exported from India

Ans:b

52.

The Uniform Customs and Practice for Documentary Credits are drawn by

(a) RBI

(b) FEDAI

.

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(c) International Chamber of Commerce

(d) IBA

(e) GOI

Ans:c

53.

Agencies involved in export finance are controlled by

(a) RBI (b) IDBI

(c) ECGC (d) EXIM Bank

Ans:d

54.

Balance of Trade of a country is :

(a) The difference between the Inward and Outward remittances made in foreign exchange

(b) The surplus generated shown in a Trading Account

(c) The difference between exports and imports

Ans:c

55.

A registered exporter is one who is registered with

(a) Export Trade Control Authorities

(b) Reserve Bank of India

.

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(c) Export Promotion Council/Commodity Board

(e)Customs authorities

Ans:c

56.

Certificate of Origin is necessarily called for in import transactions

(a) to arrive at the country's trade figures

(b) to determine method of payment

(c) for Customs to determine the duty payable

(d) None of the above

Ans:b

57.

Remuneration of foreign exchange transaction is credited to

(a) Exchange a/c (b) Interest a/c

(c) Commission a/c (d) Discount a/c

Ans:a

58.

Certificate for Encashment of Foreign Currency Travellers Cheques is issued on

(a) FD 119 (b) FD 125

(c) FD 123 (d) FD 124

.

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Ans:c

59.

Minimum maturity period for FCNB deposits is __________________ months

(a) 3 (b) 6

(c) 12 (d) none of the above

Ans:c

60.

Under the revised categorisation of branches, ‘C1’ category branches are authorised to handle

(a) only service related transactions in both foreign currencies and Indian rupees

(b) only service related transactions in Indian rupees

(c) both trade and service related transactions in foreign currencies and Indian rupees through another designated branch.

(d) all types of transactions

Ans:c

61.

FCNB a/c can be in

(a) all foreign currencies

(b) DM, Japanese Yen

(c)Pound Sterling, US $, & Euro

(d) Pound Sterling, US $, Euro, Yen, Canadian $, Australian $

.

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Ans:d

62.

Interest Rates on FCNB Deposit, withdrawn prematurely will be as follows :

(a) At the contracted rate, without levy of penalty

(b) Two percent below the rate applicable to the period the deposit remained with the Bank

(c) One percent below the rate applicable for the period the deposit remained with the Bank.

(d) USD, British Pounds Sterling, Euro, Yen, Canadian Dollar and Australian Dollar

Ans:c

63.

Interest rates on FCNB deposits are subject to change from time to time and is advised by __________

(a) International Banking Group, Corp. Centre, Mumbai

(b) FOCNA Link Office

(c) FD, Kolkata

Ans:a

64.

Form FCNB-1 is used to report the following transactions to FD Kolkata

(a) Payment of the FCNB TDR on maturity

(b) Premature payment of FCNB TDR/STDR

(c) Issuance / Renewal of FCNB TDR/STDR.

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Ans:c

65.

Form FCNB 2/2A is used for reporting :

(a) Repayment of Principal amount of the FOCNA TDR/STDR

(b) Repayment of Interest only

(c) Repayment of FCNB deposit principal and interest.

Ans:c

66.

In case of loans/overdrafts against FCNB deposit the margin requirement should be calculated on the rupee equivalent at ___________ rate.

(a) TT selling rate (b) Bill selling rate

(c) Others (d) Notional rate

Ans:d

67.

All accounting entries in respect of transactions in respect of C1 category branch will originate

(a) at Link Office (b) at Linked Branch

(c) at FD, Kolkata (d) at Overseas Branch

Ans:a

.

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68.

Commission in respect of LC business will be shared between LO & LB at....

(a) 50:50 basis (b) 30:70 basis

(c) 70:30 basis (d) 20:80 basis

Ans:a

69.

Exchange remuneration will be shared between LO & LB at

(a) 70:30 (b) 30:70

(c) 50:50 (d) 20:80

Ans:b

70.

Loans against NRE TDRs can be granted upto Rs. ____ to the NRI depositor.

(a) Rs.25,000 (b) Rs.50000

(c) Rs.1,00,000 (d) Rs. 20 lakhs

Ans:d

71.

The ceiling for repatriation of funds from NRE/FCNR accounts is :

(a) Rs.2 lacs (b) Rs.5 lacs

(c) Rs.10 lacs (d) No ceiling

.

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Ans:d

72.

An Ordinary Non-Resident Account (NRO) can be opened with:

(a) Proceeds of foreign inward remittance

(b) Conversion of existing resident account

(c) All the above

(d) None of the above.

Ans:c

73.

What are the tax concessions that are available to NRIs?

(a) Wealth tax, Income tax (b) Income tax, Gift Tax

(c) Gift tax, Wealth Tax (d) Wealth tax, Gift tax and Income tax

Ans:d

74.

Interest for the transit period has to be recovered in the case of

(a) all purchases (b) all bills negotiated/purchased

(c) only usance bill purchases (d) only demand bill purchases

Ans:b

.

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75.

Nomination facility is available for NRO/ FCNB deposits

Yes/No

Ans:a

76.

RBI will sell (spot) only the following currency

(a) Pound Sterling (b) US Dollar

(c) Deutsche Mark (d) Japanese Yen

Ans:b

77.

RBI will buy (spot and forward) the following currency(ies)

(a) Pound Sterling(b) US Dollar

(c) Deutsche Mark (d) Japanese Yen

(e) All the above currencies

Ans:b

78.

Gift can be sent without RBI's approval upto a ceiling of

(a) $1,000/- (b) $2,000/

.

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(c) $4,000/- (d) $5,000/ (per remitter / donor per annum)

Ans:d

79.

Under FCNB Deposit scheme who absorbs the exchange risk involved

(a) The bank that accepts such deposits (b) RBI

(c) GOI (d) The Depositor

Ans:a

80.

Monthly interest can be paid on NRE term deposits

True / False

Ans:a

81.

Investment by NRIs in units of UTI should be done only through an Authorised Dealer

Yes / No

Ans:a

82.

Loans/OD granted against FCNR/NRE TDRs/STDRs may be liquidated

.

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(a) by Indian rupee remittance (b) by Foreign inward remittance

(c) by adjustment against TDR/STDR proceeds

(d) by any method mentioned above

Ans:d

83.

What is an OCB ?

(a) It is a trust (b) It is a foreign company

(c) Overseas Commercial Bank (d) Overseas Corporate Body

Ans:d

84.

How much silver can be brought in by NRI to India ?

(a) 50 Kg (b) 75 Kg

(c) 200 Kg (d) 100 Kg

Ans:d

85.

Persons of Indian Origin but with foreign citizenship are freely permitted to purchase immovable

property in India

True / False

Ans:a

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86.

Commercial Paper issued by an Indian Company in favour of NRIs will be on _______ and _______ basis.

(a) non-repatriable, transferable (b) repatriable, non-transferable

(c) non-repatriable, non-transferable (d) repatriable, transferable

Ans:b

87.

E.E.F.C account is

(a) Exchange Earners Foreign Currency Account

(b) Exchange Entitlement for Civil servants

(c) Export Earnings and Foreign Currency Account

(d) None of the above

Ans:a

88.

Before establishment of letter of credit, in the absence of sale contract, Authorised Dealer can accept

(a) order together with confirmation of overseas suppliers

(b) proforma invoice of supplier, duly counter-signed by the importer

(c) Indent/offer from Overseas supplier

(d) Any one among a, b, c

Ans:d

.

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89.

Applications for opening letter of credit providing for payment against documents other than shipping documents

(a) should be referred to RBI for prior approval

(b) should be referred to ITC authorities

(c) can be entertained directly by Authorised Dealers

Ans:a

90.

The negotiating bank, while claiming reimbursement from another bank should certify that the terms and conditions of the letter of credit have been complied with

True / False

Ans:a

91.

Unless otherwise specified in the credit, Bank can accept as originals, the documents produced by reprographic systems, computerised systems or as carbon copies, if marked as originals.

True / False

Ans:a

92.

Compounding of interest on FCNB deposit is done

(a) monthly (b) quarterly

.

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(c) half-yearly (d) yearly

Ans:c

93.

Granting of loans to third parties against NRI deposits by ADs require sanction from

(a) RBI (b) IBA

(c) FEDAI (d) None of these

Ans:d

94.

A foreign citizen of Indian origin who is having NRE STDR for Rs.20.00 lacs with you asks for a loan of Rs.12.00 lacs against STDR to buy a house

(a)the loan can be granted.

(b)the loan cannot be granted as the loan amount exceeds the limit of Rs.5.00 lacs

(c) prior permission from controllers necessary

(d) none of the above

Ans:a

95.

ADs may grant loans and overdrafts to a foreign national without reference to RBI

(a) without any limit as long as the loan is collaterally secured.

(b) within a ceiling of Rs.5.00 lacs

(c) only to the extent of Rs.1 lac for personal purposes.

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Ans:c

96.

What is the validity period for a foreign draft?

(a) 3 months (b) 6 months if not mentioned otherwise

(c) 6 months (d) 30 days

Ans:b

97.

An NRI is eligible for wealth tax exemption for _______ years after his/her return to India

(a) 5 years (b) 3 years

(c) 1 year (d) 7 years

Ans:d

98.

How much foreign currency Mr. Ramamoorthy residing in T. Nagar, Chennai can keep with him?

(a) US $ 500 or its equivalent

(b) US$ 1000 or its equivalent

(c) US $ 2000 or its equivalent

(d) US $ 5000 or its equivalent

Ans:c

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99.

Export Credit should reach_____% of the net bank credit.

(a) 5% (b) 10%

(c) 12% (d) 17%

Ans:c

100.

In India, foreign exchange rates are quoted as under :

(a) Direct Quote (b) Indirect Quote

(c) Cross Rate (d) None of the above

Ans:b

101.

Deposits under FCNB scheme can be opened for a maturity period of

a) cannot open

(b) One year only

(c) 1-3 years

(d) 1 – 5 years

Ans:d

102.

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All demand bills in foreign currency drawn under and import LC will be crystalised into Rupee liability on ________th day from the date of receipt of document.

(a) 10 (b) 7

(c) 15 (d) 30

Ans:a

103.

Branches are to recover interest on EBR loans upfront and on PCFC loans at quarterly intervals or on closure thereof and credit to

(a) Branch Interest A/c.

(b) F.D. Kolkata

(c) Branch Discount A.c.

(d) Exchange Account

Ans:a

104.

Inward Remittance Certificate can be issued only on security paper, if the amount of remittance exceeds

(a) Rs.10,000/- (b) Rs.15,000/-

(c) Rs.25,000/- (d) Rs.50,000/-

Ans:d

105.

Exchange Bureaux, and ADs in airports/seaports may, at their discretion convert unspent Indian currency of non-resident travellers who are leaving after a visit to India, if for bonafide reasons the

.

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person is unable to produce Encashment Certificate provided the value of amount to be reconverted doesn't exceed Rs. ____________

(a) Rs.1,000/- (b) Rs.5,000/-

(c) Rs.10,000/- and Rs.25,000/-

Ans:a

106.

Periodicity of XOS statement is

(a) Monthly (b) Quarterly

(c) Half yearly (d) Annual

Ans:c

107.

A person bringing in foreign exchange in the form of foreign currency notes and travellers cheques have to declare in form CDF in the following cases

(a) amount exceeds US $2,000 or its equivalent

(b) amount exceeds US $10,000 or its equivalent

(c) if the amount of foreign currency notes exceeds US $ 5,000 and the amount of foreign currency notes plus travellers cheque exceeds US $ 10,000/-

(d) Need not declare

Ans:c

108.

Margin that is to be retained on loans granted to the depositor against FCNRB deposits is

.

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(a) 10% (b) 15%

(c) 25% (d) No margin

Ans:a

109.

Margin that is to be retained on loans to third parties against FCNB deposits is

(a) 15% (b) 10%

(c) 25% (d) No margin

Ans:c

110.

Standard Transaction Reference Number (STRN) on export bill covering schedules consists of _______ digits

(a) 8 (b) 10

(c) 12 (d) 16

Ans:d

111.

Under FCNB scheme, Fixed Notional Rate (FNR) for the US $ for the purpose of accounting in branch books is

(a) Rs.40/- (b) Rs.44/-

(c) Rs.45/- (d) Prevailing TT buying rate

.

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Ans:b

112.

How much gold can be brought in by NRIs

(a) 5 kg (b) 20 kg

(c) 10 kg (d) 30 kg

Ans:c

113.

NRIs are permitted to invest on non-repatriation basis with the prior permission of RBI/SEBI in Money Market Mutual Funds (MMMFs) floated by

(a) Domestic public/private sector companies

(b) Commercial banks and Public/Private sector, financial institutions

(c) Both by (a) and (b).

(d)Not permitted to invest in MMMFs

Ans:c

114.

Import bills may be received by the banker of the buyer directly from overseas sellers, if the bank is satisfied and if the value of such import bill does not exceed _______________

(a) Rs.10,000/-

(d)Rs.2 lacs

(c)US $ 10,000/-

(d)US $ 25,000/-

.

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Ans:d

115.

Facilities such as PCFC, EEFC, and discounting of bills abroad are available for exporters for transactions

in ACU dollar

Yes / No

Ans:a

116.

Transactions between India and Nepal will be routed through revised ACU mechanism

Yes/No

Ans:b

117.

Request for cash payment against FTC/FCN may be accepted upto the extent of US$ _______________

or its equivalent per transaction at non metro centres

(a) US $ 2,000 (b) US $ 1,000

(c) US $ 500 (d) Only against RBI's approval

Ans:c

118.

Under revised procedure, FCNB transactions should be reported to

.

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(a) FOCNALO, Mumbai (b) IB Division, Chennai

(c) Foreign Department, Kolkata (d) International Division, CorporateCentre

Ans:c

119.

BEF (Bill of Entry Form) statement should be submitted to RBI

(a) Fortnightly (b) Monthly

(c) Half yearly (d) Yearly

Ans:c

120.

Export of computer software in non-physical form should be declared in

(a) GR Form (b) PP Form

(c) SOFTEX Form (d) ENC Form

Ans:c

121.

Interest/income earned on investments made by NRIs in India on non-repatriation basis

(a) cannot be repatriated at all

(b) cannot be repatriated in full

(c) only net Interest/income (after tax) can be repatriated

(d) Can be repatriated after a lock in period of 5 years

.

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Ans:c

122.

ADs may allow advance remittance for import of goods upto a ceiling of

(a) US $ 5,000 (b) US $ 10,000 (c) US $ 20,000

(d) If advance remittance exceeds US @ 100000 an unconditional irrevocable standby letter of credit or guarantee from an International Bank

Ans:d

123.

What is the rate of customs duty payable by NRI on gold brought in by them

(a) Rs.250 per 10gm (b) Rs.1000 per 10gm

(c) Rs.500 per 10gm (d) None

Ans:a

124.

What is the approved method of sending remittance into India

(a) Through normal banking channel (b) Through foreign banks

(c) Through authorised money changers

Ans:a

125.

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Requests for cash payments against Foreign Currency Travellers Cheques and Foreign Currency Notes may be accepted up to the extent of USD _______________ or its equivalent per transaction in the Metro centres

(a) 10000 (b) 5000

(c) 1000 (d) 500

Ans:c

126.

Forex transactions are reported to Treasury, Mumbai through _________________

(a) FOREX 3 (b) DATANET

(c) ELENOR (d) SWIFT

Ans:c

127.

We offer Resident Foreign Currency Account (RFC) in ________designated currency (ies)

(a) 4 (b) 3

(c) 2 (d) 1

Ans:d

128.

Maximum quantum of Foreign exchange that can be released to Residents for business visits abroad

(a) $25000/- (b) $15000/-

(c) $5000/- (d) $1000/-

.

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Ans:a

129.

On return from abroad, a traveller should surrender his unspent travellers' cheques, within ________ days from date of return

(a) 90 (b) 180

(c) 30 (d) 60

Ans:b

130.

International Gateway for SWIFT is situated in

(a) London (b) Frankfurt

(c) Brussels (d) New York

Ans:c

131.

A transferable letter of credit can be transferred

(a) Twice (b) Once

(c) any number of times (d) five times

Ans:b

132.

.

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Export usance bills should be crystallised on ____________ day from due date

(a) 15th (b) 30th

(c) 45th (d) 60th

Ans:b

133.

Rate to be applied when an export bill is cyrstallised

(a) Bill buying

(b) Bill selling

(c) TT buying

(d) TT selling

Ans:d

134.

Rate to be applied when a crystallised export bill is realised

(a) Bill buying

(b) TT buying

(c) Bill selling

(d) Bill selling

Ans:b

135.

.

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Normal Transit Period allowed for export sight bills

(a) 20 days

(b) 25 days

(c) 30 days

(d) 35 days.

Ans:b

136.

Import / Export Trade in India is regulated by

(a) RBI (b) EXIM Bank

(c) DGFT (d) ECGC

Ans:c

137.

FEMA 1999 came into force with effect from

(a) 01 Jan 1999

(b) 01 June 1999

(c) 01 June 2000

(d) 01 June 2001

Ans:c

138.

.

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What is the periodicity of submitting `R' Returns?

(a) Weekly

(b) Fortnightly

(c) Monthly

(d) Quarterly

Ans:b

139.

Which of the following is correct about transactions above Rs.2.5 lacs but lessthan Rs.5 lacs?

a) upto 5 paise improvement over Card Rate allowed

b) To be reported to FD for online rate

c) Only Card Rate - No improvement

d) Competitive (Fine/Very Fine) Rate to be quoted liberally

Ans:a

140.

Which of the following documents evidences import of goods into India?

a) Bill of Entry form b) Commercial invoice

c) Bill of Lading d) Courier Receipt

Ans:a

141.

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An importer should furnish to the AD document evidencing import within

a) 6 months from the date of remittance

b) 3 months from the date of shipment

c) 3 months from the date of remittance

d) No period restriction.

Ans:c

142.

A customer of your branch requests for release of foreign exchange for travel to Kathmandu, Nepal,.

How much will you release?

a) USD 500

b) USD 1000

c) USD 5000

c) USD 10000

e) NIL

Ans:e

143.

An NRI sells gold brought by him to residents against rupees. What can he do with the rupee proceeds?

a) can be freely repatriated

b) can be credited to his NRE a/c

c) FCNB can be opened by converting the proceeds to USD

d)can be credited to his NRO account only

.

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Ans:d

144.

Documents pertaining to exports are to be submitted to A.D within ___ days from the date of export.

a) 7

b) 10

c) 15

d) 21

Ans:d

145.

The duplicate copy of GR/PP/SDF Forms is returned to the exporter under the following circumstances.

a) Bill sent on collection returned unpaid

b) Crystallized FCSB/BE is paid by the exporter from his local resources

c) When the unrealized export bill is written off

d) Should not be returned to exporter except for rectification of errors and resubmission.

Ans:d

146.

Who is authorized to write off unrealized export bills?

a) RBI

b) ECGC

c) EXIM Bank

.

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d) Authorized Dealer subject to

certain conditions.

Ans:d

147.

Authorised Dealer may normally allow advance remittance for import of goods without guarantee from an international bank of repute upto

a) USD 5000

b) USD 10000

c) USD 25000

d) USD 100000

Ans:d

148.

What is the normal period within which physical import of goods into India should be made when advance payment is effected?

Ans:Within 6 months from the date of remittance (36 months for capital goods).

149.

Despatch of encashed foreign currency notes through post, (viz. Registered Insured Post) should be restricted to

a) Rupee value of foreign currency notes per packet not to exceed Rs.25 lacs

b) Rupee value of foreign currency notes per packet not to exceed Rs.1 lac

c) Rupee value of foreign currency notes per packet not to exceed Rs.10000

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d)No restriction.

Ans:c

150.

________ has introduced Uniform Customs and Practices for Documentary Credits (UCPDC)

a) RBI

b) FEDAI

c) Government of India

d) International Chamber of Commerce, Paris.

Ans:d

151.

INCOTERMS refer to

a) Incorporated Terms

b) International Commercial Terms

c) Indian Commercial Terms

d) None of the above.

Ans:b

152.

As per RBI guidelines, banks are to provide export finance to the extent of

a) 10% of net bank credit b) 12% of net bank credit

.

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c) 18% of net bank credit d) No stipulation.

Ans:b

153.

Documents evidencing import into India received by an Authorised dealer

a) should be sent to RBI along with “R” return

b) should be sent to RBI along with “BEF” return

c) to be returned to importer for submission to Customs Authorities

d) should be preserved by A.D for a period of 1 year from the date of it’s verification by internal

Inspectors/Auditors

Ans:d

154.

Importer –Exporter code number is allotted by

a) RBI

b) DGFT

c) EXIM BANK

d) ECGC

e) NONE OF THE ABOVE

Ans:b

155.

A returning non-resident Indian

.

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a) can continue to hold his foreign currency assets abroad

b) can hold a Resident Foreign Currency a/c to keep his foreign currency assets

c) both a) & b)

e)None of the above. Such assets should be converted into Indian Rupees.

Ans:c

156.

In regard to balances in NRE/FCNB accounts of Returning Non-Resident Indians,

a) ADs would redesignate such accounts as resident accounts immediately on their return to India but continue to pay the interest at the rate originally fixed for the full term.

b) eligible persons can transfer the balance to RFC a/c without penalty for premature payment

c) Has to be closed before maturity and converted into Indian rupees

d) a) & b)

Ans:d

157.

An Indian citizen going abroad on a private visit to countries other than Nepal & Bhutan is eligible for foreign exchange

a)Upto USD 5000 in any calendar year

b)Upto USD 10000 in any calendar year

c)Upto USD 25000 in any calendar year

d)Upto USD 30000 in any calendar year

Ans:b

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158.

An Indian citizen going abroad on a private visit to Nepal & Bhutan is eligible for foreign exchange

a)Upto USD 5000 in any calendar year

b)Upto USD 10000 in any calendar year

c)Upto USD 25000 in any calendar year

d)No foreign exchange

Ans:d

159.

An Indian citizen going abroad for higher studies is eligible for foreign exchange

a) Upto USD 5000 or upto the estimate of the institution abroad, whichever is higher.

b) Upto USD 10000 or upto the estimate of the institution abroad, whichever is higher.

c) Upto USD 25000 or upto the estimate of the institution abroad, whichever is higher.

d) Upto USD 100000 or upto the estimate of the institution abroad,

whichever is higher.

Ans:d

160.

An Indian citizen going abroad for employment is eligible for foreign exchange

a) Upto USD 100000 on production of letter of employment

b) Upto USD 100000 on self declaration basis

c) Upto USD 25000 on production of letter of employment

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d) No foreign exchange

Ans:b

161.

An Indian citizen going abroad on emigration is eligible for foreign exchange

a) Upto USD 100000 or amount prescribed by the country of immigration on the basis of visa

b) Upto USD 100,000 on self declaration basis

c) Upto USD 25000 or amount prescribed by the country of immigration on the basis of visa

d) No foreign exchange.

Ans:b

162.

An Indian citizen going abroad for medical treatment is eligible for foreign exchange

a) Upto USD 10000 on self declaration basis and in excess thereof as per the estimate from a doctor or hospital in India or overseas

b) Upto USD 20000 and in excess thereof as per the estimate from a doctor or hospital in India or overseas

c) Upto USD 30000 and in excess thereof as per the estimate from a doctor or hospital in India or overseas

d) Upto USD 100000 and in excess thereof as per the estimate from a doctor or hospital in India or overseas.

Ans:d

163.

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An Indian citizen is eligible for foreign exchange for miscellaneous purpose without production of any document upto

a) USD 500 b) USD 1000

c) USD 2000 d) USD 5000

Ans:a

164.

An Indian citizen is eligible for foreign exchange for gift / donation per annum upto

a) USD 10000 per remitter / donor b) USD 5000 per remitter / donor

c) USD 25000 per remitter / donor d) US 1000 per remitter / donor

Ans:b

165.

An Indian citizen going abroad for medical treatment is eligible for foreign exchange in addition to the medical expenses as per estimate

a) upto USD 10000 per person for meeting boarding, lodging & travel expenses of the patient and the attender

b) upto USD 25000 per person for meeting boarding, lodging & travel expenses of the patient and the

attender

c) upto USD 50000 per person for meeting boarding, lodging & travel expenses of the patient and the

attender

d) upto USD 100000 per person for meeting boarding, lodging & travel expenses of the patient and the

attender.

Ans:b

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166.

Sale proceeds of immovable property acquired in India by an NRI out of repatriable funds

a) can be repatriated without any lock in period

b) cannot be repatriated

c) can be repatriated after 10 years from the date of purchase

d)NRI is not permitted to buy immovable property in India.

Ans:a

167.

What is the time limit within which the bank has to sanction a fresh / enhancement export credit

proposal ?

a)

30 days b) 45 days c) 15 days d) 10 days

Ans:b

168.

Export Packing Credit is normally sanctioned for a period of

a)90 days b) 180 days c) 270 days d) 365 days

Ans:b

169.

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For travellers proceeding to Iraq and Libya, exchange in the form of foreign currency notes and coins may be sold up to

a)US $ 2000 or its equivalent

b)US $ 5000 or its equivalent

c)Unlimited

d)No foreign currency notes/coins to be sold

Ans:b

170.

Exchange Earners Foreign Currency (EEFC)Account can be maintained

a) Only in the form of non-interest bearing current account

b) Only in the form TDR/STDR

c) Only in the form of SB A/c

d) Any one of above

Ans:a

171.

The cost of premium in respect of Whole Turnover Post-Shipment Guarantee is

a) Recovered from the exporter

b) Borne by the Central Government

c) Absorbed by the bank

d) Shared by the exporter and the bank at 50:50 basis

Ans:c

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172.

Refinance for PCFC is available to the banks from

a) No refinance is available

b) RBI

c) EXIM Bank

Ans:a

173.

Amount from NRO account that can be repatriated

a) No repatriation is allowed from NRO account for any bonafide purpose

b) US $ 1million per calendar year subject to payment of applicable taxes

c) Upto US$ 1,00,000

d) Up to US $ 10,000

Ans:b

174.

Foreign Trade Policy is framed by

a) RBI

b) EXIM bank

c) DGFT

d) Ministry of Commerce, Govt. of India

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Ans:d

175.

Opinion Report on foreign buyers can be obtained from

a) Reserve Bank of India

b) EXIM bank

c) Dun & Bradstreet

d) Ministry of Commerce, Govt of India

Ans:c

176.

The following risk is not covered under Specific Shipment Policy-Short Term

(SSP-ST)

a) Insolvency of the buyer

b) Buyer's failure to accept the goods(subject to certain conditions)

c) Insolvency of the L/C opening Bank

d) Exchange rate fluctuation.

Ans:d

177.

Exporters are permitted to open EEFC accounts in

a) US $ only

b) Euro only

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c) Any one of the four currencies viz US$, GBP, EURO, YEN

d) Both a and b.

Ans:c

178.

A Student going abroad for studies is eligible for all facilities available to NRI.

Therefore

a) he has to close educational loan if any already availed by him

b) he has to close other loans, if any, availed by him

c) need not close educational loan

d) he may continue all the loans

Ans:d

MCQS 2

FOREIGN EXCHANGE MANAGEMENT

Multiple Choice Questions.
1. Foreign exchange transactions involve monetary transactions
A. among residents of the same country
B. between residents of two countries only
C. between residents of two or more countries
D. among residents of at least three countries
ANSWER: B
2. Under FEMA, the RBI has been authorised to make ------ to carry out the provisions of the Act.
A. rules
B. regulations
C. both rules and regulations
D. notifications
ANSWER: B
3. A foreign currency account maintained by a bank abroad is its
A. nostro account
B. vostro account
C. loro account
D. foreign bank account
ANSWER: A

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4. 'Non-resident Bank Accounts' refer to
A. nostro account
B. vostro account
C. accounts opened in offshore centres
D. none of the above
ANSWER: B
5. Non-resident bank accounts are maintained in
A. the permitted currencies
B. the currency of the country of the bank maintaining the account
C. the currencies in which FCNR accounts are permitted to be maintained
D. Indian Rupee
ANSWER: D

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6. The statutory basis for administration of foreign exchange in India is
A. Foreign Exchange Regulation Act, 1973
B. Conservation of foreign Exchange and Prevention of Smuggling Act.
C. Foreign Exchange Management Act, 1999
D. Exchange Control Manual
ANSWER: C
7. Full fledged money changers are authorized to undertake
A. only sale transactions
B. only purchase transactions

C. all types of foreign exchange transactions
D. purchase and sale of foreign currency notes, coins and travellers cheques
ANSWER: D
8. The acronym FEDAI stands for
A. Foreign Exchange Dealers' Association of India
B. Federal Export Dealers' Association of India
C. Fixed Earners' Draft Agreement on Interest
D. None of the above
ANSWER: A
9. An authorised person under FEMA does not include
A. an authorised dealer
B. an authorised money changer
C. an off-shore banking unit
D. an exchange broker
ANSWER: D
10. The authorised dealers under FEMA are classified into ----- categories
A. Three
B. one
C. two
D. four
ANSWER: A
11. The term 'loro account' means
A. our account with you
B. your account with us
C. their account with them
D. none of the above
ANSWER: C
12. The term 'Nostro account' means
A. our account with you
B. your account with us
C. their account with them
D. none of the above
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ANSWER: A
13. The term 'Vostro account' means
A. our account with you
B. your account with us
C. their account with them
D. none of the above
ANSWER: B
14. The market forces influencing the exchange rate are not fully operational under
A. floating exchange rate system
B. speculative attack on the market
C. fixed exchange rate system
D. current regulations of IMF
ANSWER: C
15. According to classification by IMF, the currency system of India falls under
A. managed flating
B. independently floating
C. crawling peg
D. pegged to basked of currencies
ANSWER: A
16. Under fixed exchange rate system, the currency rate in the market is maintained through
A. official intervention

B. rationing of foreign exchange
C. centralising all foreign exchange operations with central bank of the country
D. none of the above
ANSWER: A
17. The reduction in the value of a currency due to market forces is known as
A. revaluation
B. depreciation
C. appreciation
D. inflation
ANSWER: B
18. The largest foreign exchange market in the world is
A. Newyork
B. London
C. Japan
D. Swiss
ANSWER: B
19. Foreign exchange market is considered 24 hours market because
A. it is open all through the day
B. all transactions are to be settled with in 24 hours
C. due to geographical dispersal at least one market is active at any point of time
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D. minimum 24 hours must lapse before any transaction is settled
ANSWER: C
20. The major players in the foreign exchange market are
A. commercial banks
B. corporates
C. exchange brokers
D. central bank of the country and the central government
ANSWER: A
21. Speculation in foreign exchange market refers to
A. buying or selling of currencies in large volumes
B. booking of forward contracts without intention to execute
C. buying or selling with a view to make profits from movement in rates
D. buying or selling with a view to making riskless profits.
ANSWER: C
22. Arbitrageur in a foreign exchange market
A. buys when the currency is low and sells when it is high
B. buys and sells simultaneously the currency with a view to making riskless profit
C. sells the currency when he has a receivable in furture
D. buys or sells to make advantage of market imperfections
ANSWER: B
23. The acronym SWIFT stands for -
A. Safety Width in Financial Transactions
B. Society for Worldwide International Financial Telecommunication
C. Society for Worldwide Interbank Financial Telecommunication
D. Swift Worldwide Information for Financial Transactions
ANSWER: C
24. Indirect rate in foreign exchange means -
A. the rate quoted with the units of home currency kept fixed
B. the rate quoted with units of foreign currency kept fixed
C. the rate quoted in terms of a third currency
D. none of the above
ANSWER: A
25. Indirect rate of exchange is quoted in India for -

A. sale of foreign travellers cheque
B. sale of rupee travellers cheques
C. purchase of personal cheques
D. none of the above
ANSWER: D
26. In direct quotation, the unit kept constant is -
A. the local currency
B. the foreign currency

C. the subsidiary currency
D. none of the above.
ANSWER: B
27. The maxim 'buy low; sell high' is applicable for -
A. quotation of pound-sterling
B. indirect rates
C. direct rates
D. US dollars
ANSWER: C
28. In Mumbai, US Dollar is quoted as under: USD 1 = Rs.43.6725/6875. It means-
A. The buying rate is Rs.43.6725 and selling rate is Rs.43.6875.
B. The buying rate is Rs.43.6875 and selling rate is Rs.43.6725
C. The dollar is appreciating in value.
D. The dollar is depreciating in value
ANSWER: A
29. In foreign exchange markets, 'American Quotation' refers to-
A. quotation by a US based bank
B. quotation in New York foreign exchange market
C. quotation in which the value of foreign currency is expressed per US dollar.
D. quotation in which the value of US dollar is expressed per unit of foreign currency
ANSWER: D
30. Forward margin is-
A. the profit on forward contract
B. commission payable to exchange brokers.
C. difference between the spot rate and forward rate
D. none of the above
ANSWER: C
31. In the following quote: Spot USD 1 = Rs.45.6500/650 Spot September 100/150 September forward buying rate for dollar is -
A. Rs.45.6800
B. Rs.45.6600
C. Rs.45.7500
D. Rs.45.6500
ANSWER: B
32. the transaction where the exchange of currencies takes place two days after the date of the contract is
known as
A. ready transaction
B. value today
C. spot transactions
D. value tomorrow
ANSWER: C
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33. The transaction where the exchange of currencies takes place on the same date is known as
A. tom

B. ready transaction
C. spot transactions
D. value tomorrow
ANSWER: B
34. A transaction in which the currencies to be exchanged the next dayof the transaction is known as
A. ready transaction
B. value today
C. spot transactions
D. Value tomorrow
ANSWER: D
35. The transaction in which the exchange of currencies takes place at a specified future date, subsequent
to the spot date is known as a
A. swap transaction
B. forward transaction
C. future transaction
D. non-deliverable forwards
ANSWER: B
36. One month forward contract entered into on 22nd March will fall due on
A. 21th April
B. 22nd April
C. 23rd April
D. 24th April
ANSWER: D
37. The buying rate is also known as the
A. bid rate
B. offer rate
C. spread
D. swap
ANSWER: A
38. The selling rate is also known as
A. bid rate
B. offer rate
C. spread
D. swap
ANSWER: B
39. The difference between buying rate and selling rate is the gross profit for the bank and is know as the
A. bid rate
B. offer rate
C. spread
D. swap
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ANSWER: C
40. Direct quotation is also known as
A. home currency quotation
B. foreign currency quotation
C. currency quotation
D. American quotation
ANSWER: A
41. In direct quotation the principle adopted by the bank is to
A. buy low only
B. buy low; sell high
C. buy high; sell low
D. sell low only

ANSWER: B
42. In indirect quotation the principle adopted by the bank is to
A. buy low only
B. buy low; sell high
C. buy high; sell low
D. sell low only
ANSWER: C
43. Indirect quotation is also known as
A. home currency quotation
B. foreign currency quotation
C. European quotation
D. American quotation
ANSWER: B
44. Derivatives can be used by an exporter for managing-
A. currency risk
B. cargo risk
C. credit risk
D. all the above
ANSWER: A
45. The term risk in business refers to-
A. chance of losing business
B. chance of making losses
C. uncertainty associated with expected event leading to losses or gains
D. threat from competitors
ANSWER: C
46. Under the forward exchange contract-
A. the exchange rate is determined on the future date
B. the parties agree to meet at a future date for finalisation
C. delivery of foreign exchange is done on a predetermined future date
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D. none of the above
ANSWER: C
47. The bank should verify the letter of credit/sale contract for booking a-
A. forward sale contract
B. forward purchase contract
C. cancelleing a forward contract
D. none of the above
ANSWER: B
48. Normally forward purchase contract booked should be used by the customer-
A. for executing the export order for which the contract was booked
B. for any export order from the same buyer
C. for any export order for the same commodity
D. for any export order
ANSWER: A
49. A currency future is not
A. traded on futures exchanges
B. a special type of forward contract
C. of standard size
D. available in India
ANSWER: D
50. Which of the following statements is true?
A. Exchange exposure leads to exchange risk
B. exchange risk leads to exchange exposure
C. exchange exposure and exchange risk are unrelated

D. none of the above
ANSWER: A
51. The net potential gain or loss likely to arise from exchange rate changes is-
A. exchange exposure
B. exchange risk
C. profit/loss on foreign exchange
D. exchange difference
ANSWER: B
52. The exchange loss/gain due to transaction exposure is reckoned on-
A. entering into a transaction in foreign exchange
B. quoting a price for a foreign currency transaction
C. conversion of foreign currency into domestic currency
D. entry in the books of accounts
ANSWER: C
53. Transaction exposure can be hedged
A. by internal methods only
B. by external methods only

C. either by internal methods or by external methods, but not by both
D. either by internal methods or by external methods or a combination of both
ANSWER: D
54. The external methods of hedging transaction exposure does not include-
A. forward contract hedge
B. money market hedge
C. cross hedging
D. futures hedging
ANSWER: C
55. The true cost of hedging transaction exposure by using forward market is-
A. the difference between agreed rate and the spot rate at the time of entering into the contact
B. the difference between agreed rate and the spot rate on the due date of the contract.
C. the forward premium/discount annualised
D. none of the above
ANSWER: B
56. Money market hedge involves-
A. borrowing/investing the concerned currency in the money market and squaring the position on the due date of receivable/payable
B. borrowing/investing the concerned currency in the money market and covering the position immediately in the forward market.
C. covering an exposure int he domestic currency
D. simultaneous borrowing and lending int he money market.
ANSWER: A
57. The cost of hedging through options includes-
A. option premium
B. interest on option premium till due date of the contract
C. both (a) and (b) above
D. (a) above and differences between option price and spot price.
ANSWER: C
58. Hedging with options is best recommended for-
A. hedging receivables
B. hedging contingency exposures
C. hedging foreign currency loans.
D. hedging payables
ANSWER: B
59. A firm operating in India cannot hedge its foreign currency exposure through

A. forwards
B. futures
C. options
D. none of the above
ANSWER: B
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60. Internal hedge for transaction exposure does not include-
A. exposure netting
B. choosing currency of invoicing
C. cross hedging
D. none of the above
ANSWER: D
61. Foreign currency exposure can be avoided by
A. entering into forward contracts
B. denominating the transaction in domestic currency
C. exposure netting
D. maintaining foreign currency account
ANSWER: B
62. Maintaining a foreign currency account is helpful to-
A. avoid transaction cost
B. avoid exchange risk
C. avoid both transaction cost and exchange risk
D. avoid exchange risk and domestic currency depreciation
ANSWER: C
63. The following method does not result in sharing of exchange risk between importer and exporter-
A. denominating in a third currency
B. denominating partly in the importer's currency and partly int he exporter's currency.
C. entering a exchange rate clause in the contract
D. denominating in domestic currency
ANSWER: D
64. Leading refers to-
A. advancing of receivables
B. advancing of payables
C. advancing payments either receivables or payables
D. advancing of receivables and delaying of payables.
ANSWER: C
65. Translation exposure arises in respect of items translated at -
A. current rate
B. historical rate
C. average rate
D. all the above
ANSWER: A
66. Translation loss is-
A. a loss to the parent company
B. a loss to the subsidiary company
C. a notional loss
D. an actual loss
ANSWER: C
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10 of ., .
67. The translation exposure is positive when-
A. exposed assets are lesser than exposed liabilities
B. exposed liabilities are lesser than exposed assets
C. the exposure results in profit

D. there are no agreed liabilities
ANSWER: B
68. For the purpose of translation, current rate refers to-
A. the rate current at the time of the transaction
B. the rate prevalent on the date of the balance sheet
C. the rate prevalent on the date of preparation of the balance sheet
D. the spot rate
ANSWER: B
69. For the purpose of translation exposure, historical rate is the rate prevalent on the date-
A. the parent company was established
B. the foreign subsidiary was established
C. the investment in the subsidiary was made by the parent company
D. the asset was acquired or the liability was incurred
ANSWER: D
70. Exposed assets are those translated at-
A. historical rate
B. average rate
C. current rate
D. current rate or average rate.
ANSWER: C
71. A positive exposure will lead to ....when the currency of the subsidiary company appreciates.
A. translation gain
B. translation loss
C. exchange gain
D. exchange loss
ANSWER: A
72. Translation loss may occur when-
A. exposed assets exceed exposed liabilities and foreign currency appreciates
B. exposed assets exceed exposed liabilities and foreign currency depreciates
C. the subsidiary's balance sheet shows a loss
D. the foreign currency depreciates
ANSWER: B
73. The following method cannot be used for managing translation exposure
A. forward contract
B. option contract
C. exposure netting
D. leading and laging
., .
11 of ., .
ANSWER: B
74. The method of managing translation exposure that is also available for managing transaction exposure
is-
A. balance sheet hedge
B. transfer pricing
C. swaps
D. none of the above
ANSWER: D
75. Economic exposure does not deal with-
A. changes in real exchange rates
B. future cash flows of the firm
C. expected exchange rate changes
D. none of the above
ANSWER: C
76. If rupee depreciates in real terms, cash inflows of a firm engaged in exports is-

A. definite to increase
B. definite to decrease
C. generally will increase, if government does not intervene.
D. will increase provided the demand for its exports is elastic.
ANSWER: D
77. Market selection as a strategy to manage economic exposure requires-
A. preferring domestic market to foreign market
B. preferring market with fixed exchange rate
C. shifting to a market whose currency has appreciated
D. shifting to a market whose currency has depreciated
ANSWER: C
78. Ideal time for launching a product in foreign market is
A. when domestic currency has depreciated
B. when domestic currency has appreciated
C. when exchange rate in the markets are fluctuating violently
D. none of the above
ANSWER: A
79. Production strategies for managing economic exposure do not include-
A. importing input if local currency appreciates
B. shifting production to a country whose currency has not appreciated
C. shifting production to a low cost centre
D. reviving uneconomic units
ANSWER: D
80. Financial strategies for managing economic exposure does not include-
A. minimising cost of borrowing by sourcing from cheaper market
B. matching of assets and liabilities in a currency
., .
12 of ., .
C. securing parallel loans and swaps
D. delaying the product launch
ANSWER: D
81. The transaction in which the bank receives foreign currency from the customer and pays him in local currency is a -
A. purchase transaction
B. sale transaction
C. direct transaction
D. indirect transaction
ANSWER: A
82. The transaction in which the bank receives local currency from the customer and pays him foreign currency is a-
A. purchase transaction
B. sale transaction
C. direct transaction
D. indirect transaction
ANSWER: B
83. The following is not a sale transaction of foreign exchange:
A. issue of a foreign demand draft
B. payment of an import bill
C. realisation of an export bill
D. none of the above
ANSWER: C
84. Interest for the transit period is included in -
A. bill buying rate
B. bill selling rate
C. usance bill buying rate

D. none of the above
ANSWER: D
85. The exchange margin included by a bank in the exchange rate quoted to the customer is-
A. prescribed by Reserve Bank
B. prescribed by FEDAI
C. determined by the bank concerned within the limits prescribed by FEDAI
D. determined by the bank concerned
ANSWER: D
86. The minimum fraction in which exchange rates are quoted by banks to their customers is-
A. 0.0001
B. 0.005
C. 0.0025
D. 0.01
ANSWER: C
., .
13 of ., .
87. The exchange rates quoted by an authorised dealer to its customers are known as-
A. authorised rates
B. commercial rates
C. merchant rates
D. indirect rates
ANSWER: C
88. TT buying rate is not applicable for the following transaction-
A. encashment of a DD for which cover has already been received
B. encashment of an MT for which paying bank has to make reimbursement claim with the issuing bank.
C. realisation of a foreign bill sent for collection
D. payment of a cable transfer.
ANSWER: B
89. Bill buying rates are applicable to
A. all export transactions
B. any transaction to which TT buying rate is not applicable
C. realisation of a foreign bill sent for collection
D. only for puchase/negotiation of export bills
ANSWER: D
90. As per FEDAI Rules, the rupee value of all foreign exchange transactions should be rounded off tto-
A. nearest rupee
B. nearest ten rupees
C. nearest paise
D. nearest ten paise
ANSWER: A
91. Buying rate for ready merchant rate is derived from-
A. interbank spot buying rate
B. interbank ready buying rate
C. interbank spot selling rate
D. interbank ready selling rate
ANSWER: A
92. The quotation for merchant transaction is-
A. two-way quotation
B. applicable to all merchant transactions uniformly
C. specific to the transaction for which it is quoted
D. applicable only for traders.
ANSWER: C
93. An export bill is taken for collection by the bank. The exchange rate applied for the transaction will be:
A. bill buying rate
B. bill selling rate

C. TT buying rate as on the date of sending the bill for collection
D. TT buying rate as on the date of realisation of the bill
ANSWER: D
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94. An import customer accepts a bill drawn on him. The bank will apply-
A. bill selling rate
B. bill acceptance rate
C. TT selling rate
D. no exchange rate, since no foreign exchange transaction is executed
ANSWER: D
95. TT buying rate is applicable for transactions where-
A. remittance is received by telecommunicaton
B. remittance is sent by telecommunication
C. the nostro account of the bank is already credited
D. the nostro account of the bank is already debited
ANSWER: C
96. The term notional due date refers to-
A. the date on which an export bill is likely to be paid
B. due date arrived at without considering the holidays
C. due date of a bill drawn without a due date
D. none of the above
ANSWER: A
97. TT selling rate is applicable for transactions of-
A. issue of telegraphci transfers
B. outward remittances other than for retirement of import bill
C. retirement of import bill for which remittance is sent by TT
D. payment of telegraphic transfer
ANSWER: B
98. In calculating cross rates, exchange margin is entered-
A. only once int he dollar/rupee rate
B. only once int he dollar/foreign currency rate
C. twice in the dollar/rupee rate and dollar/foreign currency rate
D. twice int he dollar/rupee rate and dollar/foreign
ANSWER: A
99. The merchant rate for pound sterling is calculated by banks in India-
A. directly based on interbank sterling/rupee rate
B. directly based on RBI rate for sterling
C. as a cross rate using dollar/rupee rate and dollar/sterling rate
D. as a cross rate using Euro/rupee rate and Euro/sterling rate
ANSWER: C
100. For calculating cross currency rates, banks in India use the dollar/foreign currency rate quotedin-
A. Mumbai
B. London
C. New York
D. any international market
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15 of ., .
ANSWER: D
101. For cross currency quotation rounding off is done to the nearest multiple of-
A. 0.0001
B. 0.0025
C. 0.001
D. No rounding off.
ANSWER: B

102. for option forward purchase transactions the forward premium will be reckoned
A. based on earliest delivery date
B. based on latest delivery date
C. based on the average due date for delivery
D. none of the above.
ANSWER: A
103. cover deal by a dealer of an authorised dealer is undertaken to-
A. profit from exchange rate movements
B. cover up mistakes done by the dealer
C. square up the position resulting from dealings with customers
D. none of the above.
ANSWER: C
104. For funding the vostro acount, the bank in India will apply-
A. its TT buying rate
B. its TT selling rate
C. interbank spot buying rate
D. interbank spot selling rate
ANSWER: C
105. The objective of trading inforeign exchange by a dealer of a bank is to-
A. make profit out of exchange rate fluctuations
B. insulate the bank from exchange rate changes
C. comply with exchange control regulations
D. none of the above
ANSWER: A
106. For the banker, the spread will be wider when-
A. purchase of foreign currency from a customer is covered by a sale to another customer of the bank
B. merchant trades are covered by interbank deals
C. exposure in one currency is covered by a position in another currency
D. purchase of foreign currency from a customer is covered by sale to customer of another bank
ANSWER: A
107. Both legs of swap will be executed
A. at the same rate
B. on the same date
C. at different rates
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16 of ., .
D. at different rates on different dates
ANSWER: D
108. A swap deal is executed by
A. settling the difference int he rates
B. actual delivery of currencies
C. entering into another swap deal
D. none of the above
ANSWER: B
109. Foreign Exchange Management Act Passed int he year
A. 1997
B. 1998
C. 1999
D. 2000
ANSWER: C
110. Euro was launched on
A. 1999
B. 2000
C. 2001
D. 2002

ANSWER: A
111. -------- transaction the quoting bank acquires foreign currency and parts with home currency
A. Sale
B. purchase
C. spot
D. forward
ANSWER: B
112. In a ------------ transaction the quoting bank parts with foreign currency and acquires home currency
A. sale
B. purchase
C. spot
D. forward
ANSWER: B
113. TT stands for
A. Telegraphic Transfer
B. Telex Transfer
C. Telephone Transfer
D. Today Transfer
ANSWER: A
114. The rate applied when the Nostro account of the bank would already have been credited
A. TT selling rate
B. Bill buying rate
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17 of ., .
C. Bill selling rate
D. TT buying Rate
ANSWER: D
115. The rate applied when payment of demand draft drawn on the bank where bank's nostro account is already credited
A. TT selling rate
B. Bill selling rate
C. Bill buying rate
D. TT buying Rate
ANSWER: C
116. The rate applied when payment of mail transfers drawn on the bank where bank's nostro account is already credited
A. TT selling rate
B. Bill selling rate
C. TT buying Rate
D. Bill buying rate
ANSWER: C
117. The rate applied when payment of telegraphic transfers drawn on the bank where bank's nostro account is already credited
A. TT selling rate
B. Bill selling rate
C. Bill buying rate
D. TT buying Rate
ANSWER: D
118. The rate applied when foreign bills collected and the bank's nostro account abroad is credited
A. TT buying Rate
B. TT selling rate
C. Bill selling rate
D. Bill buying rate
ANSWER: A
119. The rate applied when a foreign bills is purchased

A. TT buying Rate
B. TT selling rate
C. Bill selling rate
D. Bill buying rate
ANSWER: D
120. The rate used for all transactions that do not involve handling of documents by the banks is
A. TT buying Rate
B. TT selling rate
C. Bill selling rate
D. Bill buying rate
ANSWER: B
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18 of ., .
121. TT selling rate is calculated on the basis of ------selling rate
A. interbank
B. merchant
C. spot
D. security
ANSWER: A
122. Exchange margin enters into the bills selling rate
A. one time only
B. twice
C. three times
D. none of the above
ANSWER: B
123. The bills selling rate is calculated by adding exchange margin to the
A. TT buying rate
B. TT selling rate
C. Bills buying rate
D. Bills selling rate
ANSWER: B
124. In India exchange rates for foreign currencies other than US dollar are calculated as
A. TT buying rate
B. Cross rates
C. TT sellling rate
D. Bill sellling rate
ANSWER: B
125. -------- are authorised to carry out all current account and capital account transaction.
A. Authorised Dealer - Category I
B. Authorised Dealer - Category II
C. Authorised Dealer - Category II
D. money changers
ANSWER: A
126. FEDAI was established in
A. 1956
B. 1957
C. 1958
D. 1959
ANSWER: C
127. FEDAI has its headquarters at
A. Delhi
B. Mumbai
C. Kolkatta
D. Bangalore
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ANSWER: B
128. With regard to charging of commission, quotation of rates, etc., the authorised dealer should also comply with the rules of
A. RBI
B. FEDAI
C. Central Government
D. Bank
ANSWER: B
129. The system under which maintenance of external value of the currency at a predetermined level is
A. fixed exchange rate
B. floating exchange rate
C. gold standard
D. par value system
ANSWER: A
130. In a pure form fixed exchange rate system the exchange rate for currency is determined by the ---------
A. Demand forces
B. Supply forces
C. Government
D. Banks
ANSWER: C
131. The reduction in the value of a currency due to market forces is known as
A. Appreciation
B. Revaluation
C. Depletion
D. Depreciation
ANSWER: D
132. The purchase or sale of foreign exchange by the central bank of the country to influence the exchange
rate is known as -----
A. Appreciation
B. official intervention
C. Depreciation
D. Inflation
ANSWER: B
133. Paper currency was used for internal use and gold was used for international settlement under ----------
standard
A. IMF
B. gold bullion
C. fixed
D. floating
ANSWER: B
134. Rupee is partially convertible on
., .
20 of ., .
A. current account
B. vostro account
C. capital account
D. nostro account
ANSWER: C
135. Convertibility of rupee refers to its convertibility into a ______ as desired by its holder.
A. foreign currency
B. local currency

C. Bank Notes
D. Demand Draft
ANSWER: A
136. IMF classifies Indian curreny system as
A. Currency Board Arrangements
B. Independently floating
C. Managed floating with no predetermined path for the exchange rate
D. Exchange rates within crawling bankds
ANSWER: C
137. Balance of payment records ---------transactions of the country with outsiders
A. economic
B. debit
C. credit
D. cash
ANSWER: A
138. For balance of payments statistics, visible trade refers to trade in
A. goods only
B. service only
C. goods/commodities
D. gold
ANSWER: C
139. Generally imports are recorded at ---------- value in balance of payments
A. FOB
B. CIF
C. CPT
D. CIP
ANSWER: B
140. Generally exports are recorded at ------value in balance of payments
A. FOB
B. CIF
C. CPT
D. CIP
ANSWER: A
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21 of ., .
141. Difference in balance of payments due to statistical discrepancies are recorded as
A. balance of trade
B. balance of payment
C. errors and omissions
D. deficit
ANSWER: C
142. A 'credit in balance of payments indicates
A. accumulation of bank balances abroad
B. foreign direct investment received into the country
C. earning of foreign exchange by the country
D. earning of foreign exchange or incurring of liability abroad or decrease in asset abroad
ANSWER: D
143. A debit in balance of payments does not indicate
A. import of goods and services
B. foreign tourists encashing travellers cheque in the country
C. investments made abroad
D. none of the above
ANSWER: B
144. The current account of balance of payments includes
A. unilateral payments

B. portfolio investments
C. short term borrowings
D. long term borrowings
ANSWER: A
145. The balance of payment does not include
A. transactions in real assets
B. transactions of financial claims
C. transactions between two non-residents
D. transactions in gold
ANSWER: C
146. Country A imports gold worth USD 100 million for commercial purposes. The transaction will affect
A. current account only
B. capital account only
C. official reserves account only
D. both current account and capital account
ANSWER: D
147. Basic balance in balance of payments refers to
A. the balance of payments on current account
B. the combined balance of current and capital accounts
C. the balance in official reserves account
D. the total of balance of current account and balances on long term items in capital account.
ANSWER: D
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Srinivas kante

148. Autonomous transactions in balance of payments take place
A. only among private individuals
B. without the approval of the government
C. generally for profit motive
D. as an effect of exchange rate changes
ANSWER: C
149. Exchange control as a method of correcting balance of payments disequilibrium does not include
A. exchange restriction
B. exchange reserves
C. exchange intervention
D. exchange clearing arrangement
ANSWER: B
150. The strategy of deflation employed to correct balance of payments deficit includes use of
A. monetary policy
B. fiscal policy
C. both fiscal and monetary policy
D. exchange rate policy
ANSWER: C
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Glossary of Forex (Foreign Exchange) Terminology

A

Aggregate Demand - The sum of government spending, personal consumption expenditures, and business expenditures. **Appreciation** - A currency is said to 'appreciate ' when it strengthens in price in response to market demand. **Arbitrage** - The purchase or sale of an instrument and simultaneous taking of an equal and opposite position in a related market, in order to take advantage of small price differentials between markets. **Around** - Dealer jargon used in quoting when the forward premium/discount is near parity. For example, "two-two around" would translate into 2 points to either side of the present spot. **Ask Rate** - The rate at which a financial instrument if offered for sale (as in bid/ask spread). **Asset Allocation** - Investment practice that divides funds among different markets to achieve diversification for risk management purposes and/or expected returns consistent with an investor's objectives.

B

Back Office - The departments and processes related to the settlement of financial transactions. **Balance of Trade** - The value of a country's exports minus its imports.

Bar Charts - Standard bar charts are commonly used to convey price activity into an easily readable chart. Usually four elements make up a bar chart, the Open, High, Low, and Close for the trading session/time period. A price bar can represent any time frame the user wishes, from 1 minute to 1 month. The total vertical length/height of the bar represents the entire trading range for the period. The top of the bar represents the highest price of the period, and the bottom of the bar represents the lowest price of the period. The Open is represented by a small dash to the left of the bar, and the Close for the session is a small dash to the right of the bar. **Base Currency** - In general terms, the base currency is the currency in which an investor or issuer maintains its book of accounts. In the FX markets, the US Dollar is normally considered the 'base' currency for quotes, meaning that quotes are expressed as a unit of $1 USD per the other currency quoted in the pair. The primary exceptions to this rule are the British Pound, the Euro and the Australian Dollar. **Bear Market** - A market distinguished by declining prices. **Bid Rate** - The rate at which a trader is willing to buy a currency.

Bid/Ask Spread - The difference between the bid and offer price, and the most widely used measure of market liquidity. **Big Figure** - Dealer expression referring to the first few digits of an exchange rate. These digits rarely change in normal market fluctuations, and therefore are omitted in dealer quotes, especially in times of high market activity. For example, a USD/Yen rate might be 107.30/107.35, but would be quoted verbally without the first three digits i.e. "30/35". **Book** - In a professional trading environment, a ‘book’ is the summary of a trader’s or desk’s total positions. **Broker** - An individual or firm that acts as an intermediary, putting together buyers and sellers for a fee or commission. In contrast, a ‘dealer’ commits capital and takes one side of a position, hoping to earn a spread (profit) by closing out the position in a subsequent trade with another party. **Bretton Woods Agreement of 1944** - An agreement that established fixed foreign exchange rates for major currencies, provided for central bank intervention in the currency markets, and pegged the price of gold at US $35 per ounce. The agreement lasted until 1971, when President Nixon overturned the Bretton Woods agreement and established a floating exchange rate for the major currencies. **Bull Market** - A market distinguished by rising prices. **Bundesbank** - Germany’s Central Bank.

Buying/Selling - In the forex market currencies are always priced in pairs; therefore all trades result in the simultaneous buying of one currency and the selling of another. The objective of currency trading is to buy the currency that increases in value relative to the one you sold. If you have bought a currency and the price appreciates in value, then you must sell the currency back in order to lock in the profit.

C Cable - Trader jargon referring to the Sterling/US Dollar exchange rate. So called because the rate was originally transmitted via a transatlantic cable beginning in the mid 1800’s. **Candlestick Chart** - A chart that indicates the trading range for the day as well as the opening and closing price. If the open price is higher than the close price, the rectangle between the open and close price is shaded. If the close price is higher than the open price, that area of the chart is not shaded. **Central Bank** - A government or quasi-governmental organization that manages a country’s monetary policy. For example, the US central bank is the Federal Reserve, and the German central bank is the Bundesbank. others include the ECB, BOE, BOJ. **Chartist** - An individual who uses charts and graphs and interprets historical data to find trends and predict future movements. Also referred to as Technical Trader. **Choice Market**- A market with no spread. All trades buys and sells occur at that one price

Clearing - The process of settling a trade. **Contagion** - The tendency of an economic crisis to spread from one market to another. In 1997, political instability in Indonesia caused high volatility in their domestic currency, the Rupiah. From there, the contagion spread to other Asian emerging currencies, and then to Latin America, and is now referred to as the ‘Asian Contagion’. **Collateral** - Something given to secure a loan or as a guarantee of performance. **Commission** – A transaction fee charged by a broker.

Contagion - The tendency of an economic crisis to spread from one market to another. In 1997, financial instability in Thailand caused high volatility in its domestic currency, the Baht, which triggered a contagion into other East Asian emerging currencies, and then to Latin America. It is now referred to as the Asian Contagion **Confirmation** - A document exchanged by counterparts to a transaction that states the terms of said transaction. **Contract** - The standard unit of trading.

Contract (Unit or Lot) - The standard unit of trading on certain exchanges. **Counterparty** - One of the participants in a financial transaction. **Country Risk** – Risk associated with a cross-border transaction, including but not limited to legal and political conditions such as war etc. **Cross Rates** - The exchange rate between two currencies expressed as the ratio of two foreign exchange rates that are both expressed in terms of a third currency. Foreign exchange rate between two currencies other than the U.S. dollar, the currency in which most exchanges are usually quoted.

Currency - Any form of money issued by a government or central bank and used as legal tender and a basis for trade. **Currency Risk** - the probability of an adverse change in exchange rates.

D Day Trading - Refers to positions which are opened and closed on the same trading day. **Dealer** - An individual who acts as a principal or counterpart to a transaction. Principals take one side of a position, hoping to earn a spread (profit) by closing out the position in a subsequent trade with another party. In contrast, a broker is an individual or firm that acts as an intermediary, putting together buyers and sellers for a fee or commission. **Deficit** - A negative balance of trade or payments. **Delivery** - An FX trade where both sides make and take actual delivery of the currencies traded.

Derivative – A contract that changes in value in relation to the price movements of a related or underlying security, future or other physical instrument. An Option is the most common derivative instrument. **Devaluation** - The deliberate downward adjustment of a currency's price, normally by official announcement.

E Economic Indicator - Economic indicators such as GDP, foreign investment, and the trade balance reflect the general health of an economy, and are therefore responsible for the underlying shifts in supply and demand for that currency.

End Of Day Order (EOD) - An order to buy or sell at a specified price. This order remains open until the end of the trading day which is typically 5PM ET. **EURO** – since 2002 the Euro has been the currency of the European Monetary Union (EMU). A replacement for the European Currency Unit (ECU). Members of the EMU are Germany, France, Belgium, Luxembourg, Austria, Finland, Ireland, the Netherlands, Italy, Spain and Portugal. **European Central Bank (ECB)** - the Central Bank for the new European Monetary Union.

F Federal Deposit Insurance Corporation (FDIC) - The regulatory agency responsible for administering bank depository insurance in the US. **Federal Reserve System** - The central bank of the United States, with responsibility for implementing the country's monetary policy and regulating member banks of the System. The Fed was created in 1913 and is composed of 12 regional Federal Reserve Banks and a national Board of Governors

Fixed Exchange Rate- Official rate set by monetary authorities for one or more currencies

Floating Exchange Rates - Floating exchange rates refer to the value of a currency as decided by supply and demand

Flat/square - Dealer jargon used to describe a position that has been completely reversed, e.g. you bought $500,000 then sold $500,000, thereby creating a neutral (flat) position. **Foreign Exchange** - (Forex, FX) is the simultaneous buying of one currency while selling for another. This market of exchange has more buyers and sellers and daily volume than any other in the world. Taking place in the major financial institutions across the globe, the forex market is open 24-hours a day. **Forward** - The pre-specified exchange rate for a foreign exchange contract settling at some agreed future date, based upon the interest rate differential between the two currencies involved.

Forward Contract - A forward contract fixes the exchange rate for future delivery at a date to be agreed by both participants. A deposit (or a minimum margin) is usually required in forward transactions. For example, if I want to lock in today's rate to buy $10,000 USD at 1.5820 Canadian for the next 4 months, I will have the ability to purchase up to $10,000 USD at this rate.

Forward Rates (Swaps) - A Forward Rate refers to a cash price of 2 currencies interest difference for a fixed term. Forward rates can be calculated easily given the fixed term interest rates of each currency and the current spot rate

Forward Trading - Forward trading is making the opposite trade of a spot trade in a given period of time. Often investors will swap their trades forward for anywhere from a week or two up to several months depending on the time frame of the investment. Even though a forward trade is on a future date, the position can be closed out at any time. The closing part of the position is then swapped forward to the same future value date **Forward points** - The pips added to or subtracted from the current exchange rate to calculate a forward price. **Fundamental Analysis** - focuses on the economic forces of supply and demand that causes price movement. The Fundamentalist studies the causes of market movement, whereas the Technician studies the effects. **Futures Contract**- An obligation to exchange a good or instrument at a set price on a future date. The primary difference between a Future and a Forward is that Futures are typically traded over an exchange (Exchange- Traded Contacts – ETC), versus forwards, which are considered Over The Counter (OTC) contracts. An OTC is any contract NOT traded on an exchange.

G

Gearing - Also known as margin trading. A term used to in the relationship of actual equity versus controlling equity.

Group of Five (G5) - are five leading industrial nations (France, Japan, Germany, the UK and US), which meet from time-to-time to discuss common economic problems.

Group of Seven (7) are 7 leading non-communist industrial nations composed of G5 plus Canada and Italy. **Group of Ten (G10)** is also known as The Paris Club which includes Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, UK and US. These nations signed an accord in 1962 to increase the fund available to the IMF and aid member countries with balance-of-payments difficulties.

Goldilocks Economy was a term coined back in the mid-1902 to describe an economy that was not too hot and not too cold. This typically describes an economy that enjoyed steady growth with nominal rate of inflation.

Good 'til Cancelled (GTC) - An order to buy or sell at a specified price. This order remains open until filled or until the client cancels.

H Hedging - A hedging transaction is a purchase or sale of a financial product, having as its purpose the elimination of loss arising from price fluctuations. With regards to currency transactions it would protect one against fluctuations in the foreign exchange rate. (see Forward Contract)

I Inflation - An economic condition whereby prices for consumer goods rise, eroding purchasing power. **Initial margin** - The initial deposit of collateral required to enter into a position as a guarantee on future performance. **Interbank Rates** - The Foreign Exchange rates at which large international banks quote other large international banks.

L Leading Indicators - Statistics that are considered to predict future economic activity. **LIBOR** - The London Inter-Bank Offered Rate. Banks use LIBOR when borrowing from another bank. **Limit order** - An order with restrictions on the maximum price to be paid or the minimum price to be received. As an example, if the current price of USD/YEN is 102.00/05, then a limit order to buy USD would be at a price below 102. (ie 101.50)

Line Charts - The Line Chart connects single prices for a selected time period.

Liquidity - The ability of a market to accept large transaction with minimal to no impact on price stability. **Liquidation** - The closing of an existing position through the execution of an offsetting transaction. **Long position** - A position that appreciates in value if market prices increase. When one buys a currency, their position is long.

M Margin - The required equity that an investor must deposit to collateralize a position.

Margin Deposit - The margin deposit is not a down payment on a purchase of equity, as many perceive margins to be in the stock markets. Rather, the margin is a performance bond, or good faith deposit, to ensure against trading losses. The margin requirement allows traders to hold a position much larger than the account value, which allow for this high leverage. In the event that funds in the account fall below margin requirements, brokerage firms will automatically close all open positions. **Margin call** - A request from a broker or dealer for additional funds or other collateral to guarantee performance on a position that has moved against the client. If the equity balance in your account falls below the margin requirement, a margin call will be generated. In the event that an account exceeds its maximum allowable leverage, ALL open positions are liquidated immediately, regardless of the size or the nature of positions held within the account. **Market Maker** - A dealer who regularly quotes both bid and ask prices and is ready to make a two-sided market for any financial instrument. **Market Risk** - Exposure to changes in market prices. **Mark-to-Market** - Process of re-evaluating all open positions with the current market prices. These new values then determine margin requirements. **Maturity** - The date for settlement or expiry of a financial instrument.

N

Narrow Market - occurs when there is light trading and greater fluctuations in prices relative to volume. This is often interchanged for THIN MARKET.

O Offer - The rate at which a dealer is willing to sell a currency. **Offsetting transaction** - A trade with which serves to cancel or offset some or all of the market risk of an open position. **One Cancels the Other Order (OCO)** - A designation for two orders whereby one part of the two orders is executed the other is automatically cancelled. **Open order** – An order that will be executed when a market moves to its designated price. Normally associated with Good 'til Cancelled Orders. **Open position** - A deal not yet reversed or settled with a physical payment. **Over the Counter (OTC)** - Used to describe any transaction that is not conducted over an exchange. **Overnight** - A trade that remains open until the next business day.

P

Pips - Digits added to or subtracted from the fourth decimal place, i.e. 0.0001. Also called Points. **Political Risk** - Exposure to changes in governmental policy which will have an adverse effect on an investor's position.

Point & Figure charts - The Point & Figure Chart disregards Time and focuses entirely on price activity. **Position** - The netted total holdings of a given currency. **Premium** - In the currency markets, describes the amount by which the forward or futures price exceed the spot price. **Price Transparency** - Describes quotes to which every market participant has equal access.

Q Quote - An indicative market price, normally used for information purposes only.

R Rate - The price of one currency in terms of another, typically used for dealing purposes. **Resistance** - A term used in technical analysis indicating a specific price level at which analysis concludes people will sell. **Revaluation** - An increase in the exchange rate for a currency as a result of central bank intervention. Opposite of Devaluation. **Revaluation Rates -** The revaluation rates are the market rates used when a trader runs an end-of-day to establish profit and loss for the day. **Risk -** Exposure to uncertain change, the variability of returns significantly the likelihood of less-than-expected returns. **Risk Capital-** The amount of money that an individual can afford to invest, which, if lost would not affect their lifestyle. **Risk Management -** To hedge one's risk they will employ financial analysis and trading techniques **Roll-Over** - Process whereby the settlement of a deal is rolled forward to another value date. The cost of this process is based on the interest rate differential of the two currencies.

Rollover Rate -The daily rollover interest rate is the amount a trader either pays or earns, depending on the established margin and position in the market. To avoid rollovers simply make sure positions are closed at the established end of the market day.

S Settlement – The process by which a trade is entered into the books and records of the counterparts to a transaction. The settlement of currency trades may or may not involve the ctual physical exchange of one currency for another. **Short Position** - An investment position that benefits from a decline in market price. When one sells a currency their position is short.

Spot/Next - A currency deposit transaction or the simultaneous purchase and sale of currency, or vice versa by means of swap for spot value day against the next working day.

Spot Price – The current market price. Settlement of spot transactions usually occurs within two business days.

Spot (Rate) - In FX Markets, Spot refers to the cash price without interest factored in.

Spot Trade - When you trade foreign exchange you are always quoted a spot price 2 business days in advance. This is under normal conditions where there are no bank holidays in the traded currencies countries or is not over a weekend.

Spread - The difference between the bid (buy) and offer (ask, sell) prices; in other words the spread is the commission that the brokerage house makes on each trade. This can vary widely between currencies and between brokerage firms. For example, USD/JPY may bid at 131.40 and ask at 131.45, this five-pip spread defines the trader's cost, which can be recovered with a favorable currency move in the market. **Sterling** – slang for British Pound.

Stop Loss Order - Order type whereby an open position is automatically liquidated at a specific price. Often used to minimize exposure to losses if the market moves against an investor's position. As an example, if an investor is long USD at 156.27, they might wish to put in a stop loss order for 155.49, which would limit losses should the dollar depreciate, possibly below 155.49.

Stochastics Oscillator - This technical analysis indicator is based on the premise that during an upward trading market, prices tend to close near their high, and during a downward trading market, prices tend to close near their low. **Support Levels -** A term used in technical analysis indicating a specific price level at which a currency will have the inability to cross below. Recurring failure for the price to move below that point produces a pattern that can usually be shaped by a straight line. It is the opposite of Resistance levels. **Swap** - A currency swap is the simultaneous sale and purchase of the same amount of a given currency at a forward exchange rate.

Swift - Society of Worldwide Interbank Financial Telecommunications. It is a dedicated computer network that is set up to support fund transfer messages between member banks worldwide.

T

Technical Analysis - An effort to forecast prices by analyzing market action through chart study, volume, trends, moving averages, patterns, formations and many other technical indicators.

Tick - Minimum price move. **Ticker -** Shows current and/or recent history of a currency either in the format of a graph or table. **Tomorrow Next (Tom/Next)** - Simultaneous buying and selling of a currency for delivery the following day.

Trading - Buying or selling of goods and services among countries called commerce. Forex Trading is the trading of Foreign Currencies. **Transaction Cost** – the cost of buying or selling a financial instrument. **Transaction Date** – The date on which a trade occurs.

Trend - simply the direction of the market, usually broken down to three categories….major, intermediate and short-term trends. Three directions are also associated

Trend Line - This is a Technical Analysis indicator also called or linear regression, which is a statistical tool used to uncover trends. It is calculated by using the "Least Squares" method. There are two ways to use the linear regression line: a. Trade in the direction of the Trend line. b. Construct a parallel trend channel above and below the Trend line to be used as support and resistance levels. **Turnover** - The total money value of all executed transactions in a given time period; volume. **Two-Way Price** - When both a bid and offer rate is quoted for a FX transaction.

U Uptick – a new price quote at a price higher than the preceding quote. **Uptick Rule** – In the U.S., a regulation whereby a security may not be sold short unless the last trade prior to the short sale was at a price lower than the price at which the short sale is executed. **US Prime Rate** - The interest rate at which US banks will lend to their prime corporate customers

V Value Date - The date on which counterparts to a financial transaction agree to settle their respective obligations, i.e., exchanging payments. For spot currency transactions, the value date is normally two business days forward. Also known as maturity date. **Variation Margin** - Funds a broker must request from the client to have the required margin deposited. The term usually refers to additional funds that must be deposited as a result of unfavorable price movements.

Volatility (Vol) - A measure of price fluctuations. The standard deviation of a price series is commonly used to measure price volatility.

Volume - represents the total amount of trading activity in a particular stock, commodity or index for that day. It is the total number of contracts traded during the day.

W

Weak Dollar/ Strong Dollar - dollar is said to be weak (relative to a previous time period) against another currency when more dollars are required to buy one unit of another currency. The dollar is strong or has gained in strength when fewer dollars are required to buy one unit of another currency. For example, if $1 buys 10 FF in 1989 but today $1 buys only 6 FF then the dollar has weakened against the franc.

Whipsaw – slang for a condition of a highly volatile market where a sharp price movement is quickly followed by a sharp reversal.

X

Y Yard – Slang for a billion.

YIELD - Return on capital investment.

Forex for individual RECOLLECTED

foreign exchange facilities for individual, 2Mark's Sebi route, converter debentures, sale of immovable property, FEMA violence, JV/WOS, ESOP With Ad NRO, FD I, Tire I Capital, NRI investment, 1 Mark's question Difference Between FCNR (B) and FCNR (A), death claim, LRS investment, Rout, FFMC, NRI/ PIO sale Property, FERA cancellation, ESOP/ FCNR, Director Investment, TT, FCA ODI, Premature withdrawal NRI deposit, 0.5 Mark's questions asked Telephone Cards, Emigration, RFC D, TC, MTTS, blank money, close relative NRI, EEFC crystalline etc

Question asked in foreign exchange facilities for individual, 2Mark's Sebi route, converter debentures, sale of immovable property, FEMA violence, JV/WOS, ESOP With Ad NRO, FD I, Tire I Capital, NRI investment, 1 Mark's question Difference Between FCNR (B) and FCNR (A), death claim, LRS investment, Rout, FFMC, NRI/ PIO sale Property, FERA cancellation, ESOP/ FCNR, Director Investment, TT, FCA ODI, Premature withdrawal NRI deposit, 0.5 Mark's questions asked Telephone Cards, Emigration, RFC D, TC, MTTS, blank money, close relative NRI, EEFC crystalline etc

Forex for individual Recollected on July 2018

LRS
CN BUYING NUMERICAL
TT BUY / SELLING DEF
INDO NEPAL REMITTANCE
CDF FORM
MTSS NO IN YR
NRE NOMINATION
NRO PERMIT DEBIT
RFC D ACCOUNT
EMIGRATION AMT LIMIT
LIBIYA 5000 USD
BILL BUYING NUMERIC
FEMA SCHED 3
KYC 4 SIMPLIFIED MEASURE

NOTE CARRYING PERMISSION TO BHUTAN
IMMOVABLE PROERTY CANNOT BE BUY BY WHOM
AGENT PAYMENT TO REAL ESTATE COMMISSION MAXIM
HOW NEPALI CAN INVEST IN INDIAN SHARE
FCRA PURPOSE

FCNR TO NRE NUMERIC
INT PAYMENT IN PREMATURE FCNR WITHDRAWAL
NOMINATION IN NRE
DIPLOMAT RESIDENT IN INDIA SINCE 3 YR WHICH ACCOUNT TO OPEN
EEFC FOR STARTUP
P and I club permission
CULUTURAL GROUP PERMISSION FROM WHICH MIISTRY
FORM A 2 PURPOSE
LOAN CONDITION TO NRI FROM CLOSE RELATIVE
WHO ARE CLOSE RELATIVE

FOREX WHEN TO BUY BEFORE TRAVELLING
SURRENDER TIME OF FOREX
HONARAIUM RCVED CAN BE DEPOSIT IN WHICH AC

Foreign exhange facilities for individuals

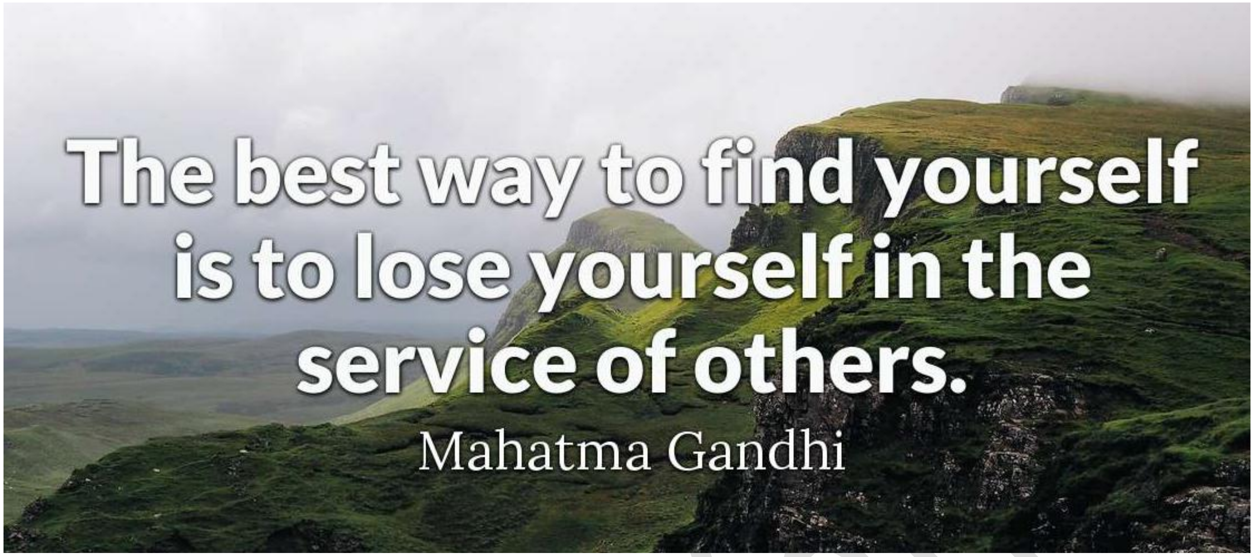
1. 7 exchange rate calculation numericals of 2 marks each.. mostly tt selling and buying rate for DD issue, nostro settelment, nre to fcnr b conversion
2. Approx 12 questions on nre, nro and EEFC account.. through knowledge is required.
3. Ad1 and ad2 category dealers
4.resident joint savings account with nri will be treated as ? And mode of operation will be ?

5. Transfer limit of funds in foreign currency for accompanying relative facing medical emergency per fy
6. Capital account and current account transactions
7. How much money can given to a consultant as commission for sale of property in india by an nri and outside india by a resident
8. Can nro/nre funds be used to purchase property in India ?
9.if nri/PIO s close relative dies in India then how much funds can he transfer from proceeds if sale of assets in India

10. When NRI becomes Indian resident what happens to his nro account ?

11. If an employee gets shares under ESOP outside India then after selling shares should he immediately transfer funds to india or not.

12. Is interest given for sat n sunday if renewal of fcnr deposit lies on sat/sun - 3 questions with variations if savings interest will be given or no interest will be given or full interest on maturity amount from date of maturity/renewal to be given.


The best way to find yourself
is to lose yourself in the
service of others.
Mahatma Gandhi