

## Remittances [Money Transfer Service Scheme (MTSS) and Rupee Drawing Arrangement (RDA)]

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Remittances are an important source of family and national income and also are one of the largest sources of external financing. Beneficiaries in India can receive cross-border inward remittances through banking and postal channels. Banks have general permission to enter into a partnership with other banks for conducting remittance business. The International Financial System (IFS) platform of Universal Post Union (UPU) is generally used for the postal channel. Besides, there are two more channels for receiving inward remittances, viz. Rupee Drawing Arrangement (RDA) and Money Transfer Service Scheme (MTSS) which are the most common arrangements under which the remittances are received into the country.

These FAQs are mainly relating to the common queries relating to RDA and MTSS and may be referred to for general guidance. The Authorised Persons and their constituents may refer to respective circulars/ notifications for detailed information, if so needed.

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### Rupee Drawing Arrangement (RDA)

#### 1. What is Rupee Drawing Arrangement (RDA)?

Rupee Drawing Arrangement (RDA) is a channel to receive cross-border remittances from overseas jurisdictions. Under this arrangement, the Authorised Category I banks enter into tie-ups with the non-resident Exchange Houses in the FATF compliant countries to open and maintain their Vostro Account.

#### 2. Who are non-resident Exchange Houses?

These are companies and financial institutions which are licenced and regulated by the competent authority in the sending country for sourcing the funds from the remitters.

#### 3. What are the permissions needed for entering into such arrangements?

Only for the first arrangement which the AD Category-I bank enters into with the non-resident Exchange Houses for RDA requires RBI permission. Subsequently, AD Category-I banks may enter into RDAs, subject to the prescribed guidelines and inform the Reserve Bank (immediately).

#### 4. What are the types of remittances which can be sent under RDA?

The cross-border inward remittances into India under RDA is primarily on private account. The remitter and the beneficiary should be individuals barring a few exceptions. Remittances through Exchange Houses for financing of trade transactions are also permitted up to certain limit. This scheme is not used for cross-border outward remittances from India.

#### 5. Is there any limit on the amount of money which can be sent under RDA?

There is no limit on the remittance amount as well as on the number of remittances. However, there is an upper cap of Rs.15.00 lakh for trade related transactions.

#### 6. Can cash payment be made to the beneficiary under RDA?

No cash disbursement of remittances is allowed under RDA. The remittances have to be credited to the bank account of the beneficiary.

7. Can the remittance be credited to the bank account of the beneficiary even if the bank does not have any tie-up with a non-resident Exchange House?

Yes, foreign inward remittances received by the AD Category-I Bank having RDA with a Non Resident Exchange House may be credited directly to the account of the beneficiary held with a bank other than the AD Category-I Bank through electronic mode, such as, NEFT, IMPS, etc.

#### Money Transfer Service Scheme (MTSS)

8. What is Money Transfer Service Scheme (MTSS)?

Money Transfer Service Scheme (MTSS) is a 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. Under the scheme there is 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.

9. Who is an Overseas Principal?

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. 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.

10. Who is an Indian Agent?

To become an Indian Agent, the applicant should be an Authorised Dealer Category-I bank or an Authorised Dealer Category-II or a Full Fledged Money Changer (FFMC) or the Department of Posts. Further, the Indian agents can also appoint sub-agents which can be retail outlets, commercial entities having a place of business, and whose bonafides are acceptable to the Indian Agent.

11. What are the permissions needed for carrying out MTSS?

Indian Agents need permission from the Regional Office concerned of the Foreign Exchange Department, Reserve Bank of India to operate under the MTSS framework. Further, the Overseas Principal also need to 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.

12. What are the types of remittances which can be received under the MTSS?

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

13. Is there any limit on the amount of money which can be sent under MTSS?

A cap of USD 2,500 has been placed on individual remittances under the scheme. In addition, thirty remittances can be received by a single individual beneficiary under the scheme during a calendar year.

14. Can cash payment be made to the beneficiary under MTSS?

Amounts up to INR 50,000/- may be paid in cash to a beneficiary in India. These can also be loaded on to a pre-paid card issued by banks. 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. However, in exceptional circumstances, where the beneficiary is a foreign tourist, higher amounts may be disbursed in cash.