

## Money Changing Activities

(Updated as on September 29, 2017)

1.	<a href="#">Who are Authorised Money Changers?</a>
2.	<a href="#">The objective behind allowing Authorised Money Changers to do business?</a>
3.	<a href="#">What are the different types of AMCs?</a>
4.	<a href="#">Whether licence is mandatory for AMCs?</a>
5.	<a href="#">Who can apply for FFMC licence?</a>
6.	<a href="#">Where can one submit the application (fresh/renewal) for FFMC licence?</a>
7.	<a href="#">How to calculate Net Owned Funds?</a>
8.	<a href="#">Is NOF to be maintained on an ongoing basis?</a>
9.	<a href="#">Under what circumstances can Reserve Bank revoke the FFMC licence?</a>
10.	<a href="#">During what time frame a new FFMC should commence operations?</a>
11.	<a href="#">What are the Money Changing facilities presently available in India?</a>
12.	<a href="#">What is the objective of the Scheme for appointing Franchisees by AD Category Banks, ADs Category-II and FFMCs for undertaking Restricted Money Changing Activities?</a>
13.	<a href="#">What are the salient features of Franchisee Agreement?</a>
14.	<a href="#">What is the procedure for submission of application by AD Category – I bank/ AD Category - II/ FFMC to the Reserve Bank for appointment of franchisees?</a>
15.	<a href="#">What are the checks to be ensured by AD Category-I banks/ADs Category-II/FFMCs while conducting due diligence of Franchisees before appointing them?</a>
16.	<a href="#">What are the criteria for selection of centres?</a>
17.	<a href="#">What are the guidelines on provision for training of franchisees?</a>
18.	<a href="#">What are the guidelines in respect of Reporting, Audit and Inspection of franchisees?</a>
19.	<a href="#">Does a franchisee need to adhere to KYC/AML/CFT Guidelines?</a>
20.	<a href="#">Can AMCs issue Forex prepaid cards?</a>
21.	<a href="#">Whether Forex Prepaid Cards can be used at Duty Free Shops located at International Airports in India?</a>
22.	<a href="#">What is the position of Papua New Guinea Paper Banknotes?</a>

#### **1. Who are Authorised Money Changers?**

Authorised Money Changers (AMCs) are entities, authorised by the Reserve Bank under Section 10 of the Foreign Exchange Management Act, 1999. An AMC is a Full Fledged Money Changer (FFMC) authorised by the Reserve Bank to deal in foreign exchange for specified purposes.

#### **2. The objective behind allowing Authorised Money Changers to do business?**

To widen the access of foreign exchange facilities to residents and tourists while ensuring efficient customer service through competition.

#### **3. What are the different types of AMCs?**

The different types of AMCs are Authorised Dealer Category -I Banks (AD Category-I Banks), Authorised Dealers Category - II (ADs Category-II) and Full Fledged Money Changers (FFMCs).

#### **4. Whether licence is mandatory for AMCs?**

Yes. No person shall carry on or advertise that he carries on money changing business unless he is in possession of a valid money changer's licence issued by the Reserve Bank. Any person found undertaking money changing business without a valid licence is liable to be penalised.

#### **5. Who can apply for FFMC licence?**

The applicant has to be a company registered under the Companies Act, 1956. The minimum Net Owned Funds (NOF) required for consideration as FFMC is Rs.25 lakh for Single branch FFMC and Rs.50 lakh for Multiple branch FFMC.

#### **6. Where can one submit the application (fresh/renewal) for FFMC licence?**

[Application in the prescribed form](#), along with the required documents should be submitted to the respective Regional Office of the Foreign Exchange Department of the Reserve Bank under whose jurisdiction the registered office of the applicant falls

#### **7. How to calculate Net Owned Funds?**

The Net Owned Funds of applicants, other than banks, should be calculated as per the following:

**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)**

**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.**

#### **8. Is NOF to be maintained on an ongoing basis?**

AMCs are expected to maintain the minimum NOF on an ongoing basis.

#### **9. Under what circumstances can Reserve Bank revoke the FFMC licence?**

The Reserve Bank reserves the right to revoke the licence granted to an AMC at any time if the Reserve Bank is satisfied that:

it is in public interest to do so or

the AMC has failed to comply with any condition subject to which the authorisation is granted or has contravened any of the provisions of the Foreign Exchange Management Act, 1999 or any rule, regulation, notification, direction or order made there-under.

Reserve Bank also reserves the right to revoke the authorization of any of the offices for infringement of any statutory or regulatory provision. The Reserve Bank may at any time vary or revoke any of the existing conditions of a money changer's licence or impose new conditions.

#### **10. During what time frame a new FFMC should commence operations?**

The FFMC should commence operations within a period of **six months from the date of issuance of licence. A copy of the registration under Shops & Establishment Act or any other documentary evidence such as rent receipt, copy of lease agreement, etc. should be submitted to the Reserve Bank before commencement of business.**

#### **11. What are the Money Changing facilities presently available in India?**

At present, the conversion of currency notes, coins or travellers' cheques designated in foreign currency into Indian Rupees and vice versa is possible through AD Category-I banks, ADs Category-II and Full Fledged Money Changers (FFMCs). Further, AD Category –I banks, ADs Category – II and FFMCs may appoint franchisees (also known as Agents) to undertake purchase of foreign currency.

#### **12. What is the objective of the Scheme for appointing Franchisees by AD Category Banks, ADs Category-II and FFMCs for undertaking Restricted Money Changing Activities?**

The objective of the Scheme is to provide easier foreign exchange conversion facilities for travellers and tourists, including Non Resident Indians (NRIs), by enlarging the network of money changing facilities in the country. It is expected that the facility of Franchisee arrangement will enable AD Category-I banks, ADs Category-II and FFMCs to provide such facilities at all tourist centers and major cities during extended hours and on holidays.

#### **13. What are the salient features of Franchisee Agreement?**

Under the Scheme, the Reserve Bank permits AD Category – I banks, ADs Category – II and FFMCs to enter into franchisee agreements at their option for the purpose of carrying on Restricted Money Changing business, i.e. conversion of foreign currency notes, coins or travelers' cheques into Rupees by the franchisees.

A franchisee can be any entity which has a place of business and a minimum Net Owned Funds of Rs. 10 lakhs. Franchisees can undertake only restricted money changing business.

AD Category – I banks, ADs Category – II and FFMCs as the Franchisers are free to decide on the tenor of the arrangement as also the commission or fee through mutual agreement with the franchisee. The Franchisee agreement to be entered into should include the following conditions:

(a) The franchisees should display the names of their franchisers, exchange rates and that they are authorized only to purchase foreign currency prominently in their offices. Exchange Rate for conversion of foreign

currency into Rupees should be the same or close to the daily exchange rate charged by the AD Category – I Bank / AD Category - II / FPMC at its branches.

(b) The foreign currency purchased by the franchisee should be surrendered only to its franchiser within 7 working days from the date of purchase.

(c) The franchisee should maintain proper records of transactions.

(d) The on-site inspection of the franchisee by the franchiser should be conducted at least once a year.

**14. What is the procedure for submission of application by AD Category – I bank/ AD Category - II/ FPMC to the Reserve Bank for appointment of franchisees?**

An AD Category – I bank/ AD Category - II/ FPMC should apply to the respective Regional Office of the Reserve Bank, in [Form RMC-F \(Annex-IV of the A.P. \(DIR Series\) Circular No. 57 \[A.P. \(FL/RL Series\) Circular No. 04\] dated March 9, 2009\)](#) for appointment of franchisees under this Scheme. The application should be accompanied by a declaration that while selecting the franchisees, adequate due diligence has been carried out and that such entities have undertaken to comply with all the provisions of the franchising agreement and prevailing Reserve Bank regulations regarding money changing. Approval would be granted by the Reserve Bank for the first franchisee arrangement. Thereafter, as and when new franchisee agreements are entered into, these would have to be reported to the Reserve Bank in Form RMC-F (Annex-IV of the [A.P. \(DIR Series\) Circular No. 57 \[A.P. \(FL/RL Series\) Circular No. 04\] dated March 9, 2009](#)) on a post-facto basis, along with similar declaration as indicated above.

**15. What are the checks to be ensured by AD Category-I banks/ADs Category-II/FFMCs while conducting due diligence of Franchisees before appointing them?**

The AD Category – I banks / ADs Category – II / FFMCs should undertake the following minimum checks while conducting the due diligence of the franchisees:

existing business activities of the franchisee and its position in the area.

minimum Net Owned Funds of the franchisee.

Shop & Establishment / other applicable municipal certification in favour of the franchisee.

verification of physical existence of location of the franchisee, where restricted money changing activities will be conducted.

conduct certificate of the franchisee from the local police authorities (certified copy of Memorandum and Articles of Association and Certificate of Incorporation in lieu of conduct certificate in respect of franchisees which are incorporated entities. Accordingly, Item No. 6 of the Form RMC-F in Annex-IV of the [A.P. \(DIR Series\) Circular No. 57 \[A.P. \(FL/RL Series\) Circular No. 04\] dated March 9, 2009](#) may suitably be modified for corporate franchisees.) **[Note: - Obtaining of Conduct Certificate of the franchisee from the local police authorities is optional for the franchisers. However, the franchisers may take due care to avoid appointing individuals/ entities as franchisees who have cases / proceedings initiated / pending against them by any law enforcing agencies.]**

declaration regarding past criminal cases, if any, and cases initiated / pending against the franchisee or its directors / partners by any law enforcing agency, if any.

PAN Card of the franchisee and its directors / partners.

photographs of the directors / partners and the key persons of franchisee.

The above checks should be done on a regular basis, at least once in a year. The AD Category – I banks / ADs Category – II / FFMCs should obtain from the franchisees proper documentary evidence confirming the location of the franchisees in addition to personal visits to the site. The AD Category – I Banks/ ADs Category – II / FFMCs should also obtain a Chartered Accountant's certificate confirming the maintenance of the Net Owned Funds of the franchisees, i.e. Rs. 10 lakh on an ongoing basis.

**16. What are the criteria for selection of centres?**

The AD Category – I banks / AD Category – II / FFMCs may appoint franchisees within a distance of 100 kms. from their controlling branches concerned.

However, this distance criterion is exempted in case of a recognised group/ chain of hotels appointed as franchisees, provided the headquarters of the group/ chain of hotels falls within a distance of 100 kms. of the controlling branch of the AD Category – I banks / ADs Category – II / FFMCs(franchiser) concerned.

Further, in case of areas declared as hilly areas (as defined by the respective State Governments/Union Territories) and the North-Eastern States, the distance restriction given in point (i) above is not applicable.

#### **17. What are the guidelines on provision for training of franchisees?**

Franchisers are expected to impart training to the franchisees as regards operations and maintenance of records.

#### **18. What are the guidelines in respect of Reporting, Audit and Inspection of franchisees?**

The franchisers i.e. the AD Category – I banks / ADs Category – II / FFMCs are expected to ensure that franchisees put in place adequate arrangements for reporting of transactions by the franchisees to the franchisers on a regular basis (at least monthly). Regular spot audits of all locations of franchisees, at least once in six months, should be conducted by AD Category – I Banks / ADs Category – II / FFMCs. 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 processes perform as they should) concept should be used to test the compliance level of the franchisees. A system of annual inspection of the books of the franchisees should also be put in place. The purpose of such inspection is to ensure that the money changing business is being carried out by the franchisees in conformity with the terms of the agreement and prevailing Reserve Bank guidelines and that necessary records are being maintained by the franchisees.**

#### **19. Does a franchisee need to adhere to KYC/AML/CFT Guidelines?**

Franchisees are required to strictly adhere to the KYC/AML/CFT guidelines, as applicable to ADs Category – I / ADs Category – II / FFMCs.

**Note:- No licence for appointment of franchisees will be issued to any FFMC / non-bank AD Category - II, against whom any major Directorate of Enforcement (DoE) / Directorate of Revenue Intelligence (DRI) / Central Bureau of Investigation (CBI) / Police case is pending. In case where any FFMC / non-bank AD Category - II has received one-time approval for appointing franchisees and subsequent to the date of approval, any DoE / DRI / CBI / Police case is filed, the FFMC / non-bank AD Category - II should not appoint any further franchisees and bring the matter to the notice of the Reserve Bank immediately. A decision will be taken by the Reserve Bank regarding allowing the FFMC / non-bank AD Category – II to appoint franchisees.**

#### **20. Can AMCs issue Forex prepaid cards?**

Authorised Dealers Category-II can issue forex pre-paid cards to residents travelling on private/business visit abroad, subject to KYC/AML/CFT requirements. However, the settlement in respect of forex pre-paid cards has to be effected through AD Category-I banks.

#### **21. Whether Forex Prepaid Cards can be used at Duty Free Shops located at International Airports in India?**

Yes. Forex Prepaid Cards can be used in the same manner as foreign currency notes / travellers' cheques.

#### **22. What is the position of Papua New Guinea Paper Banknotes?**

As per the Public Notice ([https://www.bankpng.gov.pg/wp-content/uploads/2014/08/Full-page\\_-\\_potrait\\_Paper-Bank-Notes2.pdf](https://www.bankpng.gov.pg/wp-content/uploads/2014/08/Full-page_-_potrait_Paper-Bank-Notes2.pdf)) issued by Bank of Papua New Guinea on their website [www.bankpng.gov.pg](http://www.bankpng.gov.pg) Papua New Guinea paper banknotes ceased to be legal tender on June 30, 2012 and only polymer banknotes are legal tender in Papua New Guinea. Further, Bank of Papua New Guinea has also shared the following range of serial numbers of banknotes which were never issued (and were sold to a recycler in Europe) and are therefore, not legal tender in Papua New Guinea:

Denomination	Prefix	Serial Number	
		Low	High
K2	ABJ - AJS	000001	003000
K10	AC - AY	030000	031000
	NBP- NES	160000	173000
K20	BPNG	0000001	3000000
K50	HTT - HUU	080000	090000
K100	BPNG	0000001	6000000



