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# REVIEW OF AUTHORISATION FRAMEWORK UNDER FEMA

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Draft for Public Comments



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## Table of Contents

Section I: Background .....	2
Section II: Focus areas .....	2
Section III: Review of the Regulatory Framework.....	2
Section IV: Forex Correspondent Scheme (FCS).....	3
1. Eligible entities (to function as FxC) and permitted activities.....	4
2. Engagement of FxCs by ADs.....	4
3. Obligations of the FxC.....	4
4. Obligations of the principal AD.....	4
Section V: Review of categorisation of Authorised persons .....	5
A. Authorised Dealer Category-I .....	5
B. Authorised Dealer Category-II .....	5
C. Authorised Dealer Category-III .....	6
Section VI: Eligibility norms.....	6
1. Governance requirements.....	7
2. Net worth requirements.....	7
3. Place of business and commencement of operations .....	8
4. Other relevant factors.....	8
Section VII: Authorisation Process and revocation.....	8
Section VIII: Cooling Period .....	9
Section IX: Transaction limits.....	9
Section X: Other Instructions .....	10
1. Display of information.....	10
2. Reporting of action initiated by DoE.....	11
3. Concurrent Audit .....	11
4. KYC/ AML/ CFT Guidelines and ensuring bona fide of the transactions .....	11
Annex .....	12

## Section I: Background

1. Section 3(a) of Foreign Exchange Management Act, 1999 (“FEMA”) stipulates:

*‘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 authorised person.’*

Further, section 10(1) of FEMA, 1999 stipulates:

*‘The Reserve Bank may, on an application made to it in this behalf, authorise any person to be known as authorised person to deal in foreign exchange or in foreign securities, as an authorised dealer, money changer or off-shore banking unit or in any other manner as it deems fit.’*

2. The Reserve Bank issues authorisation in the form of a licence to Authorised Persons (APs), which includes authorised dealers and Full-Fledged Money Changers (FFMCs). Authorisation is also granted to select institutions to carry out specific foreign exchange transactions related to their business activities.

**Table 1: Authorised Persons (APs) under FEMA**

Category of AP	AD Category-I	AD Category-II			AD Category-III	FFMC
		Bank AD Cat-II	NBFC-ICC AD Cat-II	Other AD Cat-II		
Numbers	101	33	2	40	13	1750

\*Source: RBI website, as on October 13, 2023

3. With the progressive liberalisation of the regulatory framework over the years, a major segment of forex transactions can now be undertaken through authorised persons, without approaching the Reserve Bank. The authorisation framework under FEMA was last reviewed in [March 2006](#). In view of the accelerated universal reach of financial services (*Annex*) due to various financial inclusion initiatives, increasing integration of the Indian economy with the global economy, digitisation of payment systems, evolving institutional structure, etc. over the last two decades, Reserve Bank has reviewed the extant authorisation framework under FEMA with an objective to further improve the ease with which foreign exchange transactions can be undertaken by users, and at the same time strengthen the regulatory oversight/framework governing APs.

## Section II: Focus areas

The focus areas of the review are:

- Rationalise the authorisation framework for money changers in view of the widespread availability of banking services to public and look at alternate models for facilitating foreign exchange related services.
- Improve the scope of services being offered by AD-Category II entities.
- Review the regulatory framework for APs.

## Section III: Review of the Regulatory Framework

### 1. Forex Correspondents

To enhance the ease of doing business, it is proposed to introduce a new category of money changers who may conduct money changing business through an agency model by becoming Forex Correspondents (FxCs) of Category-I and Category-II Authorised Dealers. Such entities shall not be required to seek authorisation from the Reserve Bank.

### 2. Perpetual authorisation

Presently, the authorisation to entities desirous of operating as AD Category-II is granted initially for a period of one year, which is subsequently renewed for a period between 1 to 5

years. However, to reduce the regulatory burden as also to enhance the ease of doing business, it is proposed to renew an existing authorisation as an AD Category-II on a perpetual basis, subject to meeting the revised eligibility criteria laid down in the new framework.

### 3. Transition

(1) An existing FFMC may approach the Reserve Bank for upgradation of authorisation as AD Category-II or an existing AD Category-II may approach the Reserve Bank for permanent authorisation two months prior to the date of expiry of the existing authorisation subject to its meeting the revised eligibility criteria. If the entity approaches the Reserve Bank for renewal of its existing authorisation, such renewal will be considered only up till a date not beyond two years from the date when the new framework comes into force.

(2) The transition of the existing authorised entities shall be as under:

Sr. No	Extant Authorised Person	Transition	Period of transition
1.	FFMC having average annual forex turnover* for the last 2 financial years of ₹50 crore or more	Either upgrade its licence to AD Category-II subject to meeting revised eligibility norms or voluntarily convert to FxC in accordance with the Forex Correspondent Scheme after surrendering the existing licence.	By the date of the expiry of its existing authorisation or within a period of two years from the date when the new framework comes into force, whichever is later.
2.	Any FFMC other than at (1)	Convert to FxC in accordance with Forex Correspondent Scheme	-do-
3.	AD Category-II having average annual forex turnover* for the last 2 financial years of ₹50 crore or more	Either obtain a permanent authorisation as AD Category-II subject to meeting revised eligibility norms or voluntarily convert to FxC in accordance with Forex Correspondent Scheme after surrendering existing licence	-do-
4.	AD Category-II other than at (3)	Convert to FxC in accordance with Forex Correspondent Scheme	-do-

*\*Annual forex turnover for the above purpose shall mean the aggregate of foreign currency notes, coins and travellers' cheques purchased from or sold to public including those purchased from or sold to public by its agents/franchisees during the financial year. The value of remittances facilitated shall also be included for computation of forex turnover. The turnover figures of FY 20-21 and FY 21-22 may be excluded for the purpose of computing the average turnover.*

### 4. Expanded functions of AD Category-II

With a view to expand the scope of business, and to encourage innovation/competition leading to better consumer experience, it is proposed to allow AD Category-II entities to additionally facilitate trade-related transactions up to a value of ₹15 lakh (per transaction).

Note: All references to the term 'AD Category-II' in the above section (except III.4) includes only 'Other AD Cat-II' (refer Table 1).

### Section IV: Forex Correspondent Scheme (FCS)

With the objective of increasing the reach of foreign exchange services, it is proposed to introduce a scheme, i.e., FCS, which will be based on a principal-agency model where AD Category-I or AD Category-II will act as the principal for the FxCs. Accordingly, the FxCs would

enter into agency agreements with a AD Category-I or AD Category-II under the FCS. Under the scheme, the FxC, who will operate as an agent of the principal AD, shall not require an authorisation under section 10(1) of FEMA from the Reserve Bank. The transactions carried out by the FxCs on AD's behalf shall be reflected in the books of the principal AD. A general permission shall be available to the FxCs and to any customer dealing with FxCs to deal in foreign exchange as permitted under the FCS.

### **1. Eligible entities (to function as FxC) and permitted activities**

Subject to such criteria as may be laid down in the board approved policy of the principal AD, the following entities shall be eligible to function as an FxC:

- i. An existing FFMC or AD Category-II on surrender or after expiry of its authorisation.
- ii. An NBFC or a bank after obtaining necessary permission from Department of Regulation, RBI.
- iii. A company as defined under the Companies Act 2013.

#### **Permitted activities:**

- i. Purchase of foreign currency notes/travellers' cheques and sale of foreign currency notes/travellers' cheques for foreign private and business travel.
- ii. Distribution of forex prepaid cards in accordance with the terms and conditions stipulated by the principal AD.
- iii. The principal AD may also appoint its FxC as its MTSS Sub Agent under the Money Transfer Service Scheme (MTSS).

Note: The scope of activities, within the overall activities as permitted above, to be undertaken by the FxC may be decided mutually by the principal AD and the FxC.

### **2. Engagement of FxCs by ADs**

The Principal AD shall formulate a policy for engaging FxCs with the approval of its Board. Such policy shall *inter alia* provide for eligibility criteria, net worth requirements, due diligence<sup>1</sup> requirements, system requirements, reporting requirements and grievance redressal mechanism. Alternatively, FEDAI may bring out a standard eligibility criterion based on the above, which can be customised (improved upon) by ADs desirous of engaging FxCs. The Principal AD shall be responsible to ensure that the FxC adheres to rules and regulations governing forex transactions under FEMA.

### **3. Obligations of the FxC**

The FxC shall have the following obligations:

- i. At any given instance, an entity shall not have forex correspondent relationship with more than one principal AD.
- ii. FxC shall deal in foreign exchange only with public or with its principal AD.

### **4. Obligations of the principal AD**

The principal AD shall have the following obligations:

- i. The principal AD shall issue necessary permission under the agreement to each outlet of the entity it engages as a FxC.
- ii. The forex correspondent agreement shall *inter alia* include the terms and conditions including the tenor of the arrangement, authorised places of business of the FxC, the permissible activities, the commission or fee for the exchange services, suitable limits on cash holding by FxC, and the duration for which the FxC shall maintain a record of its transactions.

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<sup>1</sup> All necessary aspects to be covered but not limited to a) reputation/market standing, b) financial soundness, c) management and corporate governance, d) cash handling ability; e) ability to implement technology solutions in rendering forex related financial services; f) 'No objection Certificate' from DoE in case the applicant is under investigation and g) satisfactory bankers' report

- iii. A principal AD, if it is a bank, shall follow the guidelines contained in the framework on “Managing risks and Code of Conduct in Outsourcing of Financial Services by banks”. Where a principal AD that is not a bank, it shall follow the guidelines on “Managing risks and Code of Conduct in Outsourcing of Financial Services by NBFCs” as has been issued by Department of Regulation (DoR), Reserve Bank of India and amended from time to time.
- iv. The principal AD shall be responsible to the customer for acts of omission and commission of its FxCs.
- v. The principal AD shall be responsible for reporting of the transactions undertaken by its FxCs including those under the Liberalised Remittance Scheme.
- vi. Information regarding FxCs shall be placed on the AD’s website and the AP Connect portal.
- vii. The principal AD, through the agency agreement, shall ensure the preservation, protection, security, and confidentiality of customer information in the custody or possession of its FxCs.

## Section V: Review of categorisation of Authorised persons

A. Authorised Dealer Category-I	
Eligible Entities	
Extant	Proposed
<ul style="list-style-type: none"> <li>• Commercial Banks</li> <li>• State Co-op Banks</li> <li>• Urban Co-op Banks</li> <li>• Small Finance Banks</li> </ul>	A bank including a foreign bank meeting the criteria laid down by the Department of Regulation, RBI.
Permitted Activities – <i>No change</i>	
All current and capital account transactions permissible under FEMA in accordance with the directions issued by the Reserve Bank.	
B. Authorised Dealer Category-II	
Eligible Entities	
Extant	Proposed
<ul style="list-style-type: none"> <li>• Small Finance Banks</li> <li>• Payments Banks</li> <li>• Urban Co-op Banks</li> <li>• Regional Rural Banks</li> <li>• Investment and Credit Companies (NDSI-NBFC-ICC)<sup>2</sup></li> <li>• Upgraded FFMCs</li> </ul>	<p>A bank including a foreign bank or NDSI-NBFC-ICC in India meeting the criteria laid down by Department of Regulation, RBI.</p> <p>An existing FFMC or an AD Category III or an FxC having a satisfactory track record and an average annual forex turnover for the last 2 financial years of at least ₹50 crore subject to meeting the revised eligibility criteria laid down in this framework.</p>
Permitted Activities	
<p>These entities may undertake</p> <p>a) Specified non-trade related current account transactions<sup>3</sup></p> <p>b) activities permitted to FFMCs and</p> <p>c) any other activity as decided by the Reserve Bank.</p> <p><i>(Remittance for gift and family maintenance not permitted)</i></p>	<p>Any current account transaction other than gift or maintenance of relatives where the bona fide of the transaction is clearly and distinctly verifiable through the underlying documents provided that in case of a trade-related transaction, the amount shall not exceed ₹15 lakh per transaction.</p> <p>Issue forex prepaid cards to residents undertaking foreign travel and settlement in respect of such cards shall be made through an AD Category-I bank.</p>

<sup>2</sup> DNBR (PD) CC.No.098/03.10.001/2018-19 dated April 16, 2019

<sup>3</sup> Para 3 of Annex-I of AP (DIR Series) No. 25 dated March 06, 2006

<b>C. Authorised Dealer Category-III</b>	
<b>Eligible Entities and permitted activities</b>	
<b>Extant</b>	<b>Proposed</b>
Select financial and other institutions permitted to undertake transactions incidental to the foreign exchange activities undertaken by these institutions. e.g., a) providing finance for overseas investment to Indian companies by Exim Bank; b) factoring services by NBFC-Factors; (c) forex activities by Standalone Primary Dealers (SPDs).	<p>A) Select institutions permitted to undertake forex transactions incidental to the activities undertaken by these institutions.</p> <p>B) An entity that facilitates a current account transaction permissible under FEMA only in tie up with an AD Category-I bank and which does not otherwise deal in foreign exchange. Such entity shall facilitate fund transfers only from one bank account to another bank account and shall include:</p> <p>1. A Remittance Service Provider (RSP)<sup>4</sup> duly licensed by a regulator of the destination jurisdictions to facilitate remittances to beneficiaries in such jurisdictions and presently operating in accordance with the provisions contained in para 10 of <a href="#">FED Master Direction No. 19/2015-16 – Miscellaneous</a>. Only outward remittances towards current account transactions other than trade, gift and maintenance of relatives abroad not exceeding ₹25 lakh per transaction where the bona fide of the transaction is clearly and distinctly verifiable through the underlying documents shall be permissible under this arrangement. (An existing RSP shall seek authorisation as above within a period of one year from the date when the revised framework comes into force.)</p> <p>2. An entity desirous of offering innovative products and services in areas relating to cross border trade and remittances.</p>

**Notes:**

1. All existing FFMCs shall either upgrade to AD Category-II or become an FxC in accordance with the Forex Correspondent Scheme within a period of two years from the date when the new framework comes into force or date of the expiry of its authorisation whichever is later. Till such time the directions as currently applicable to FFMCs shall continue to apply.
2. Presently, under the Money Transfer Service Scheme (MTSS), prior approval from the Reserve Bank is needed for every tie-up arrangement by an MTSS Indian Agent with an Overseas Principal. Under the revised framework, AD Category-I and AD Category-II may function as 'MTSS Indian Agent' and report the tie-up arrangement to FED, RBI within 30 days of entering the arrangement.
3. Online Payment Gateway Service Providers (OPGSPs) shall operate in accordance with the guidelines as issued separately in this regard.

**Section VI: Eligibility norms**

An applicant (other than a bank or NDSI-NBFC-ICC regulated by the Reserve Bank) seeking upgradation or renewal of an existing authorisation as AD Category-II, or an applicant (other than select institutions permitted to undertake forex transactions incidental to their activities) seeking fresh authorisation as AD Category III must fulfil the criteria set out below.

<sup>4</sup> As per the para 10 of [FED Master Direction No. 19/2015-16 – Miscellaneous](#), these entities are permitted to undertake outward remittances only through an AD Category-I bank towards specified non-trade related current account transactions not exceeding USD 10000 per transaction for overseas education and not exceeding USD 5000 per transaction for other transactions.

## 1. Governance requirements

(1) The applicant must be a 'company' as defined under the Companies Act 2013/ Registration of Companies (Sikkim) Act, 1961 and its Memorandum of Association (MoA) shall include the foreign exchange related activity for which the authorisation is being sought.

(2) Any takeover or acquisition of control<sup>5</sup> of an entity authorised under FEMA including by way of merger, amalgamation or otherwise shall require prior approval from the Reserve Bank.

(3) The applicant shall comply with the Fit and Proper Criteria as mentioned below and shall submit a 'Declaration and Undertaking' by every key managerial personnel (KMP) along with its application for authorisation in the prescribed format.

- i. The applicant shall undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a KMP in the company/Board, based upon qualification, sufficient experience in the financial services industry, track record and integrity<sup>6</sup>.
- ii. The Board of the entities shall constitute a Nomination Committee to scrutinise the declarations submitted by the KMP.
- iii. The applicant shall obtain annually as on 31st March a declaration that the information already provided has not undergone change and where there is any change, requisite details are furnished by the KMP forthwith and the applicant shall always ensure compliance with the fit and proper criteria.

(4) Any change of KMP during the year, along with a confirmation of compliance with fit and proper criteria shall be reported to the Regional Office concerned of the Reserve Bank of India, Foreign Exchange Department within a period of 30 days.

(5) In case an applicant or its parent entity is under investigation by Directorate of Enforcement (DoE), any application for grant of authorisation to the Reserve Bank shall be accompanied with a No Objection Certificate (NOC) obtained from DoE, which is dated not earlier than 30 days prior to the date of such application.

**Explanation:** The expression 'key managerial personnel' shall have the same meaning as assigned to it under section 2(51) of the Companies Act, 2013.

## 2. Net worth requirements

- i. The applicant, at the time of submitting the application shall have a minimum positive net worth as mentioned below based upon its latest audited balance sheet and a certificate from its Statutory Auditors in the format as prescribed shall be submitted along with the application.

**Table 2 – Net worth requirement**

Type of authorisation	Net worth* requirement
AD Category-II	₹10 crores
AD Category-III	₹2 crores

\*Net Worth shall have the same meaning as assigned to it under section 2(57) of the Companies Act, 2013

- ii. The minimum net worth shall be maintained at all times.

<sup>5</sup> For the purpose of this clause, "Control" shall have the meaning assigned to it under section 2(27) of the Companies Act 2013.

<sup>6</sup> For assessing integrity and suitability, the applicant may consider factors like criminal record, 'No Objection Certificate (NOC)' from DoE in case KMP is under investigation, financial position, civil action initiated against such person to recover personal debts, refusal of admission to or expulsion from professional bodies, sanctions imposed by regulators or similar bodies, convicted by a court for any economic offence, disqualifications under section 164 of the Companies Act, 2013 or any other questionable conduct.



- iii. After grant of authorisation, if the net-worth falls below the required minimum, the authorised person shall immediately bring it to the notice of the Regional Office concerned of the Reserve Bank along with a detailed time-bound plan for restoring it to the required minimum.
- iv. Failure to restore net-worth to the required minimum within a period of one year, or such additional time that RBI may grant on request, shall result in revocation of authorisation.

### 3. Place of business and commencement of operations

(1) The applicant, after grant of authorisation by the Reserve Bank, must conduct business only from such place as approved by the Reserve Bank. An entity authorised as above which intends to conduct business at any place other than an approved place of business shall seek prior approval from the Reserve Bank.

(2) The applicant shall commence operations within a period of six months from the date of issuance of authorisation or approval for a place of business, as the case may be, and inform the Regional Office concerned of the Reserve Bank along with a copy of the registration under Shops & Establishment Act. In case of failure to commence operations within six months, the entity can seek extension in advance for a maximum period of another six months after which the authorisation shall lapse. The Reserve Bank reserves the right to decline such a request for extension.

### 4. Other relevant factors

Reserve Bank shall consider each application on its own merits and may also take into account other relevant factors based on the facts and circumstances involved in each case. The criteria and considerations listed are indicative and Reserve Bank may impose additional conditions or requirements to address the specific risks posed by an applicant. While considering the application seeking authorisation, Reserve Bank may *inter alia* take into consideration factors such as:

- i. track record and financial condition of the applicant, its holding company or related corporations, where applicable
- ii. business plan and model, including AML/CFT policies, customer service and procedures, and
- iii. whether the public interest will be served by granting an authorisation.

## Section VII: Authorisation Process and revocation

Eligible entities shall apply for authorisation, including renewal/upgradation of existing authorisation, in the prescribed form along with the documents as listed therein.

(1) **Initial screening:** The application shall be screened by Reserve Bank to ascertain the eligibility and the application of entities not meeting the eligibility criteria, or those that are incomplete/not in the prescribed form shall be returned.

(2) **Assessment of application:** The application for authorisation would be considered based on the recommendation by an internal Empowered Committee (EC) set up for the purpose. The decision of the Reserve Bank in the matter of granting authorisation or otherwise shall be final and binding.

(3) **Temporary authorisation:** In case of an application for a fresh authorisation, the Reserve Bank shall issue a temporary authorisation under section 10(1) of FEMA for an initial period of 2 years subject to the following conditions:

- i. The applicant meets the eligibility criteria.

- ii. The temporary authorisation shall lapse after a period of 2 years unless a fresh authorisation on perpetual basis is granted by the Reserve Bank.
- iii. Authorisation under section 10(1) of FEMA shall be granted by the Reserve Bank on a perpetual basis subject to the applicant making an application at least three months before the expiry of the temporary authorisation and after satisfying the eligibility criteria.

(4) **Revocation:** The Reserve Bank may revoke the authorisation granted to an Authorised Person at any time, in accordance with section 10(3) of FEMA, 1999. The Reserve Bank may at any time vary or revoke any of the existing conditions of an authorisation or impose new conditions.

### Section VIII: Cooling Period

(1) To enforce regulatory discipline, the application from the entities mentioned below will not be considered by the Reserve Bank during the Cooling Period, which shall be three years from the date of revocation or voluntary surrender or rejection of application, as the case may be:

- i. An entity whose authorisation is revoked for any reason other than the inability to meet the net worth or turnover criteria; or
- ii. An entity which has voluntarily surrendered its authorisation for any reason; or
- iii. An entity whose application for authorisation under section 10(1) of FEMA has been rejected by the Reserve Bank for any reason other than the inability to meet the net worth or turnover criteria.
- iv. Any entity where, one or more of the promoters<sup>7</sup> having significant influence<sup>8</sup> in any of the entities listed above.

(2) The above cooling period shall not apply in case of an application for authorisation returned for any reason but not rejected by the Reserve Bank.

### Section IX: Transaction limits

Transaction limits for money changing business i.e., purchase and sale of foreign currency notes, coins and travellers' cheques by AP/FxC from/to public shall be as under:

Extant limit	Proposed limit
<b>A) Purchase of foreign currency by AP/FxC</b>	
<p><b><u>Against payment in INR cash</u></b>                      Up to USD 1,000 or its equivalent per transaction for residents.                      Up to USD 3,000 or its equivalent per transaction for foreign visitors/NRIs</p> <p><b><u>Against payment in INR through banking channel/cards</u></b>                       No limit                      Where the foreign currency was brought in by declaring on form CDF, the production of declaration in CDF should invariably be insisted upon;</p>	<p>For foreign currency encashment, INR payment up to ₹50,000 per person may be made in the form of cash by an AP/FxC. Beyond this limit, payment shall have to be made through banking channel/prepaid instruments.</p> <p>A copy of the declaration in Currency Declaration Form (CDF) shall be obtained from the customer where such declaration is required to be made on arrival in India in accordance with the FEMA provisions.</p>

<sup>7</sup> The expression "promoter" shall have the meaning as defined in section 2(69) of the Companies Act, 2013.

<sup>8</sup> "Significant influence" means control of at least 20% of total voting power, or control of or participation in business decisions under an agreement.

<b>B) Sale of foreign currency by AP/ FxC against receipt of INR</b>	
<p>Foreign exchange in the form of foreign currency notes and coins may be sold up to the limit indicated below:</p> <p>i) Travellers proceeding to countries other than Iraq, Libya, Islamic Republic of Iran, Russian Federation, and other Republics of Commonwealth of Independent States - not exceeding USD 3000 per visit or its equivalent.</p> <p>ii) Travellers proceeding to Iraq or Libya - not exceeding USD 5000 per visit or its equivalent.</p> <p>iii) Travellers proceeding to Islamic Republic of Iran, Russian Federation, and other Republics of Commonwealth of Independent States - full exchange may be released.</p> <p>iv) Travellers proceeding for Hajj/Umrah pilgrimage- full amount of entitlement in cash or up to the cash limit as specified by the Hajj Committee of India, may be released.</p> <p>Authorised Persons may accept payment in cash below Rs.50,000/- against sale of foreign exchange.</p> <p>Authorised Persons may convert into foreign currency, unspent Indian currency held by non-residents at the time of their departure from India, provided a valid Encashment Certificate is produced.</p> <p>Note (1): Authorised Persons may convert at their discretion, unspent Indian currency up to Rs.10,000 in the possession of non-residents if, for bona fide reasons, the person is unable to produce an Encashment Certificate after ensuring that the departure is scheduled to take place within the following 7 days.</p> <p>Note (2): Authorised Persons may provide facility for reconversion of Indian Rupees to the extent of Rs.50,000/- to foreign tourists (not NRIs) against ATM Receipts based on the following documents.</p> <ul style="list-style-type: none"> <li>• Valid Passport and VISA</li> <li>• Ticket confirmed for departure within 7 days.</li> <li>• Original ATM slip (to be verified with the original debit/ credit card).</li> </ul>	<p>(1) Sale of foreign exchange in the form of foreign currency notes and coins to a traveller shall not exceed the equivalent of ₹4 lakhs per foreign trip irrespective of the country of visit. Beyond this limit, foreign exchange shall be sold only in non-cash forms such as travellers' cheques, forex cards, debit cards, credit cards etc.</p> <p>(2) For sale of any foreign currency in connection with travel to a foreign country, receipt of an amount exceeding ₹50,000 per foreign trip shall necessarily be through banking channel/ prepaid instruments, and not cash.</p> <p>Provided that a non-resident/foreign visitor may, subject to submission of necessary evidence/encashment certificate/ATM receipts to be verified with the original card, reconvert unutilised INR cash to foreign currency.</p>

## Section X: Other Instructions

### 1. Display of information

The original authorisation/licence issued by the Reserve Bank to an AP, or the permit issued by the principal AD to a FxC (as the case may be), shall be kept at the Head Office and a copy shall be displayed conspicuously at every place of business. The following shall also be displayed at each place of business of the AP/forex correspondent:

- a) name and contact number of designated grievance redressal officer

- b) exchange rate and the fees for various forex services available

## **2. Reporting of action initiated by DoE**

An authorised person (AP) shall report to the Reserve Bank, regarding any action initiated by Directorate of Enforcement (DoE) against the said AP or against any of its KMP within 30 days of such action.

## **3. Concurrent Audit**

(1) An entity authorised in terms of the provisions contained in section VI of this framework shall ensure independent and periodic audit to regularly assess the adequacy and effectiveness of its procedures, controls, and its compliance with regulatory requirements. It shall put in place a system of full-scope Concurrent Audit of the transactions undertaken by them which is commensurate with the scale, nature and complexity of its operations and shall be at least on monthly basis by a person duly qualified under any law for the time being in force to be an auditor of a company.

(2) The concurrent auditors should check all the transactions and ensure that the same are undertaken as per the instructions issued by the Reserve Bank from time to time.

(3) The scope of concurrent audit should be laid down in the Board approved policy which shall inter alia, include: KYC/AML/CFT related areas, timely submission of statements, verification that prescribed registers are being maintained, verification that all money changing transactions have been recorded in the respective books and registers, verification that the transaction limits have been duly adhered to, verification that payments received in non-cash mode from customers are reflected in the bank account statements, violations, if any, of the instructions issued by the Reserve Bank.

(4) The Statutory Auditors are required to certify that the Concurrent Audit and the internal control systems are working satisfactorily.

## **4. KYC/ AML/ CFT Guidelines and ensuring bona fide of the transactions**

(1) The provisions contained in '[Master Direction – Know Your Customer \(KYC\) Direction, 2016](#)' and other instructions issued in this regard by Department of Regulation, Reserve Bank of India shall mutatis mutandis apply to the Authorised Persons (APs) and their forex correspondents.

(2) The Reserve Bank will not generally, prescribe the documents that should be verified by the Authorised Persons including for forex correspondents and they shall be guided by the provisions contained in sub-section (5) of Section 10 of FEMA, 1999.

(3) The Reserve Bank reserves the right to conduct inspection in terms of the provisions contained in section 12 of FEMA, 1999 or require a special audit of the Authorised Persons (APs) or their forex correspondents, covering their forex business, by an auditor as may be approved by the Reserve Bank.

\*\*\*\*\*End of Report\*\*\*\*\*

## Annex

### Improvement in access to banking services

As key drivers of sustained and balanced economic growth, financial inclusion initiatives have come a long way in facilitating and improving access to banking services. Implementation of last-mile delivery of banking services through innovative banking channels like the Business Correspondent (BC) model has improved the reach of the banking system across the country. The spread and reach of banking services have been exponential in recent years as is evident from the data furnished below.

Number of Bank Branches/Outlets	March 2006	March 2022
Public Sector Banks	48,183	84,251
Private Sector Banks	6,550	37,872
Foreign Banks	251	861
Regional Rural Banks	14,354	21,903
Local Area Banks	41	79
Small Finance Banks	0	5,664
Payments Banks	0	701
<b>Total</b>	<b>69,379</b>	<b>1,51,331</b>

Source: Database on Indian Economy (DBIE)

Banking Outlets through BCs	Dec 2010	Dec 2021
In Villages	34,174	18,44,732
In Urban Locations	447	14,12,529

Source: As published in the Annual Report 2021-2022 of Reserve Bank of India