

Operational Instructions for Authorised Dealer Banks

**Master Circular on Miscellaneous Remittances from
India – Facilities for Residents**

1. General

Authorised dealers may carefully study the provisions of the Act / Regulations / Notifications issued under Foreign Exchange Management Act, 1999.

Reserve Bank will not prescribe the documents which should be verified by the authorised dealers while permitting remittances for various transactions, particularly of current account.

In terms of the provisions contained in sub-section 5 of section 10 of the Act, before undertaking any transaction in foreign exchange on behalf of any person, Authorised Dealer is required to obtain a declaration and such other information from the person (applicant) on whose behalf the transaction is being undertaken that will reasonably satisfy him that the transaction is not designed to contravene or evade the provisions of the Act or any of the Rules or Regulations made or Notifications or directions or orders issued under the Act. Authorised dealers should preserve the information / documents obtained by them from the applicant before undertaking the transactions for verification by the Reserve Bank.

In case the person on whose behalf the transaction is being undertaken refuses or does not give satisfactory compliance of the requirements of an authorised person, he shall refuse in writing to undertake the transactions. Where an authorised person has reasons to believe that

a contravention or evasion of the Act or the Rules or Regulations made or Notifications issued thereunder was contemplated in the transaction that he has refused to undertake, he shall report the matter to the Reserve Bank.

With a view to maintaining uniform practices, authorised 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.

In terms of the Rule 3 of the Foreign Exchange Management (Current Account Transactions) Rules, 2000, drawal of foreign exchange for the transactions included in Schedule I thereto is prohibited.

Authorised dealers may release foreign exchange for transactions included in Schedule II to the Rules, provided the applicant has secured the approval from the Ministry/Department of Government of India indicated against the transaction.

In respect of transactions included in Schedule III, where the remittance applied for exceeds the limit, if any, indicated in the schedule or other transactions included in the Schedule III for which no limit have been stipulated would require prior approval of Reserve Bank. However, resident individual has the option to avail the Liberalised Remittance Scheme for Resident Individuals for making additional amount of remittance, subject to compliance with the terms and conditions of the Scheme.

Remittances for all other current transactions which are not specifically prohibited under the Rules or which are not included in Schedule II or III may be permitted by the authorised dealers with out any monetary/percentage ceilings subject to compliance with the provisions of sub-section (5) of Section 10 of the Act. Remittances for transactions included in Schedule III may be permitted by authorised dealers up to the ceiling prescribed thereto.

Remittances to non-residents are allowed to be made by the authorised dealers on production of an undertaking by the remitter and a Certificate from a Chartered Accountant in the formats prescribed by the Central Board of Direct Taxes, Ministry of Finance, Government of India in their Circular No.10/2002 dated October 9, 2002. [cf. Our A.P. (DIR Series) Circular No.56 dated November 26, 2002].

2. Release of foreign exchange on self declaration basis.

Authorised dealers may allow remittances upto USD 100,000 each towards (i) employment abroad (ii) emigration (iii) maintenance of close relatives abroad (iv) education abroad and (v) medical treatment abroad without insisting on any supporting documents but on the basis of self declaration incorporating the basic details of the transaction and submission of Application in Form A2. Authorised dealers should also ensure that payment for purchase of foreign exchange is made by the applicant by means of cheque or demand draft or by debit to his/her account. In addition, the existing facility of release of exchange by Authorised Persons up to USD 10,000 or its equivalent in one financial year for one or more private visits to any country (except Nepal

and Bhutan) will continue to be available on a self-declaration basis.

3. Small Value Remittances

Authorized dealers may release foreign exchange not exceeding USD 5,000 or its equivalent, for all permissible current account transactions, Authorised Dealers may obtain **simplified Application-cum-Declaration** form (Form A2) as shown at **Annex - 2**.

4.Liberalized Remittance Scheme for Resident Individuals

The remittance under the Scheme is available to the resident individuals for any permitted current or capital account transactions or a combination of both.

The facility under the Scheme is in addition to those already included in Schedule III of Foreign Exchange Management (Current Account Transactions) Rules, 2000. Remittances towards gift and donations have been subsumed under the Scheme.

Under the Scheme, resident individuals can acquire and hold immovable property or shares (listed or other-wise) or debt instruments or any other assets outside India, without prior approval of the Reserve Bank. They can also open, maintain and hold foreign currency accounts with banks outside India. However, remittance from India for margins or margin calls to overseas exchanges / overseas counterparty are not allowed under the Scheme.

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

While allowing the facility to resident individuals, Authorised Dealers are required to ensure that the "**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.

The applicants should have maintained the bank account with the bank for a minimum period of one year prior to the remittance. If the applicant seeking to make the remittance 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 AD 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.

The AD should ensure that the payment is received out of funds belonging to the person seeking to make the remittance, by a cheque drawn on the applicant's bank account or by debit to his account or by Demand Draft / Pay Order. It is further clarified that banks should not extend any kind of credit facilities to resident individuals to facilitate remittances under the Scheme.

The remittances made under this Scheme will be reported in the R-Return in the normal course. The ADs may also prepare and keep on record dummy Form A2, in respect of remittances exceeding USD 5000. In addition, ADs would also furnish information on the number of applicants and total amount remitted under the Scheme, on a **monthly basis**, to Reserve Bank of India, Foreign Exchange Department (EPD), Central Office, Mumbai.