

*Foreign Exchange Developments**

November 2010

Reporting Mechanism – Data of Authorised Dealer Category-I Branches

In terms of the extant guidelines, all AD Category - I banks are required to inform any changes in the categorisation of their branches dealing in foreign exchange to the Department of Statistics and Information Management.

The path to access the directory of the scheduled commercial banks given in Annex-I of the A.P. (DIR Series) Circular No. 54 dated May 08, 2007 is changed and therefore, the revised access path to generate the report on the Directory of AD Category branches is given in the Annex-II to the Circular. The path to access the Application Software package is given in Annex I. In case of any assistance/clarification, AD banks have been advised to communicate by e-mail.

[A.P. (DIR Series) Circular No. 16
dated November 16, 2010]

Processing and Settlement of Export-related receipts facilitated by Online Payment Gateways

Of late, Online Payment Gateways have emerged as a popular mode of facilitating e-commerce transactions. Some of these Online Payment Gateway Service Providers (OPGSPs) have also been facilitating cross-border transactions. We have recently reviewed the service model provided by these OPGSPs with reference to the provisions of the Foreign Exchange Management Act (FEMA), 1999. It was observed that a few OPGSPs have not only facilitated conclusion of the transactions

* Important policy measures taken during November 2010.

but also allowed exporters to retain the export proceeds abroad without repatriation resulting in violation of the provisions of FEMA, 1999. Acknowledging, however, the importance of the services provided by the OPGSPs to the exporters, particularly in facilitating small value export transactions, it was considered necessary to issue a set of guidelines to cover such e-commerce arrangements.

Accordingly, it was decided to allow the Authorised Dealer Category-I (AD Category-I) banks to offer the facility of repatriation of export related remittances (up to USD 500) by entering into standing arrangements with OPGSPs, subject to certain conditions.

[A.P. (DIR Series) Circular No. 17
dated November 16, 2010]

**Know Your Customer (KYC) norms/
Anti-Money Laundering (AML)
standards/Combating the Financing
of Terrorism (CFT)/Obligation of
Authorised Persons under
Prevention of Money Laundering
Act, (PMLA), 2002, as amended
by Prevention of Money Laundering
(Amendment) Act, 2009- Money
changing activities**

In terms of the A.P. (DIR Series) Circular No. 17 [A.P.(FL/ RL Series) Circular No. 04] dated November 27, 2009 on Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT)/Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by the Prevention of Money Laundering (Amendment) Act, 2009 were

issued in respect of money changing activities.

Some additional guidelines were issued to the Authorised Persons regarding customer due diligence in case of suspicion of money laundering/terrorist financing, filing of STR, Politically Exposed Persons and role and responsibilities of the Principal Officer.

These guidelines would also be applicable *mutatis mutandis* to all agents/franchisees of Authorised Persons and it will be the sole responsibility of the franchisers to ensure that their agents/franchisees also adhere to these guidelines.

[A.P. (DIR Series) Circular No. 18
dated November 25, 2010]

**Know Your Customer (KYC) norms/
Anti-Money Laundering (AML)
standards/Combating the Financing
of Terrorism (CFT)/Obligation of
Authorised Persons under
Prevention of Money Laundering
Act, (PMLA), 2002, as amended by
Prevention of Money Laundering
(Amendment) Act, 2009- Cross
Border Inward Remittance under
Money Transfer Service Scheme**

In terms of the A.P. (DIR Series) Circular No. 18 [A.P. (FL/ RL Series) Circular No. 05] dated November 27, 2009 on Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards/Combating the Financing of Terrorism (CFT)/Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by the Prevention of Money Laundering (Amendment) Act, 2009 were issued in respect of cross-border inward

remittances under the Money Transfer Service Scheme (MTSS).

Some additional guidelines were issued to the Authorised Persons regarding customer due diligence in case of suspicion of money laundering/terrorist financing, filing of STR, Politically Exposed Persons and role and responsibilities of the Principal Officer.

These guidelines would also be applicable *mutatis mutandis* to all Sub-agents of the Indian Agents under MTSS and it will be the sole responsibility of the APs (Indian Agents) to ensure that their Sub-agents also adhere to these guidelines.

[A.P. (DIR Series) Circular No. 19
dated November 25, 2010]