

Remittance towards Schemes involving money circulation
A.P. (DIR Series) Circular No.22 (December 7, 2000)

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI-400 001

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December 7, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

Remittance towards Schemes
involving money circulation

References have been received in Reserve Bank in the recent past from individuals/authorised dealers seeking approvals/clarifications for effecting remittances in foreign currency towards purchase of websites. Many such schemes offer earnings in US Dollars and/or in other foreign currency, on incremental basis, depending on the number of new clients/customers added to the chain, thereby making the operation of such schemes akin to money circulation. It is clarified that authorised dealers should not allow remittances to operators of such schemes and/or to any other overseas company carrying on such types of activities.

2. Authorised dealers may, however, allow remittance if they are satisfied that the website is being sold unconditionally and the remitter is purchasing it for developing it for his present/future business and not for the purpose of adding further members to the chain. For this purpose authorised dealers should satisfy themselves about the bonafides of the overseas company and/or the operators and the scheme, through proper documents.

3. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance of these directions is subject to the penalties prescribed under the said Act.

Yours faithfully,

P.K. BISWAS

Chief General Manager