

August 22, 2006

**All Scheduled Commercial Banks**

Dear Sir

**Internet Banking – Internet based platforms for dealing in Foreign Exchange**

Please refer to our circular DBOD. COMP. BC. No. 130/07.03.23/ 2000-01 dated June 14, 2001 that sets out the guidelines for banks on Internet Banking in India. In terms of paragraph III.3 of the circular, the Internet banking services allowed to be offered by banks to residents of India should only include local currency products. A number of banks have been requesting us for permission to offer Internet based foreign exchange services, in addition to local currency products, on Internet based platforms.

2. On a review it has been decided that banks may be permitted to offer Internet based foreign exchange services, for permitted underlying transactions, in addition to the local currency products already allowed to be offered on Internet based platforms, subject to the following terms and conditions:

- (i) Banks will remain responsible for secrecy, confidentiality and integrity of data.
- (ii) The data relating to Indian operations will be kept segregated.
- (iii) The data will be made available to RBI inspection / audit as and when called for.
- (iv) The services offered through Internet, for banks' customers on an Internet based platform for dealing in foreign exchange, should allow only reporting and initiation of foreign exchange related transactions, with the actual trade transactions being permitted only after verification of physical documents.
- (v) Banks should comply with FEMA regulations in respect of instructions involving cross-border transactions.

3. In all other matters relating to Internet banking services banks may continue to be guided by the instructions contained in our circular DBOD. COMP. BC. No. 130/07.03.23/ 2001-01 dated June 14, 2001 on Internet Banking.

Yours faithfully  
(Prashant Saran)  
Chief General Manager-in-Charge