

RBI/2008-09/139

A. P. (DIR Series) Circular No. 11

A. P. (FL/RL Series) Circular No. 01

August 22, 2008

To,

All Authorized Dealer Category - I Banks

Madam / Sir,

Memorandum of Instructions for Opening and Maintenance of Rupee / Foreign Currency Vostro Accounts of Non-resident Exchange Houses

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to the Memorandum of Instructions for Opening and Maintenance of Rupee / foreign currency Vostro accounts of Non-resident Exchange Houses, issued vide A. P. (DIR Series) Circular No. 28 [A. P. (FL/RL Series) Circular No. 02] dated February 6, 2008.

2. In terms of Para A(4) (ix) of Annex-I to the said circular, the tie-up of an AD Category – I bank with an Exchange House is required to be approved by the Reserve Bank. A cap of 20 on the number of arrangements and 300 on the number of drawee branches has been prescribed by the Reserve Bank as a prudential measure, which may be relaxed by the Reserve Bank subject to the AD Category - I banks having sound risk management systems and on-line monitoring of funds position to avoid concealed overdrafts in the vostro accounts.

3. The instructions have since been reviewed and as a measure of further liberalization it has been decided to permit AD Category – I banks to designate drawee branches under Rupee Drawing Arrangements (RDA) beyond 300, provided such branches are under Core Banking Solution where on-line monitoring of funds position is ensured to avoid concealed overdrafts in vostro accounts, subject to the terms and conditions of Reserve Bank's approval for the tie-up with an Exchange House (EH) and the instructions pertaining to Rupee Drawing Arrangements issued by the Reserve Bank from time to time. The AD Category - I banks should obtain necessary Board approval before increasing the number of drawee branches beyond 300 and inform the Reserve Bank immediately. However, the extant instructions on obtaining prior permission from the Reserve Bank for tie-ups with EHs remain unchanged.

4. The other instructions issued vide the abovementioned circular shall remain unchanged.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents concerned.

6. 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 is without prejudice to permissions/ approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge