

RBI/2008-09/304
A. P. (DIR Series) Circular No. 37
A. P. (FL/RL Series) Circular No. 02

December 02, 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. The existing instructions have been reviewed and modified as under :

(a) In terms of para C 1 (v) of Annex - I to the abovementioned circular, the Exchange House has the responsibility of arranging for the transfer of the sum collected on any particular day to the DDA account. Further, the float period for the funds with DDA account will be decided by the drawee bank in consultation with the Exchange House subject to a maximum of three days.

With a view to give more flexibility to Exchange Houses, the maximum float period has been enhanced from three days to five days.

(b) In terms of para C 2 of Annex - I to the abovementioned circular, under Non-DDA procedure, the Exchange House shall keep a cash deposit of USD equivalent to 15 days drawings on moving average basis in India or abroad. The Exchange House shall also furnish bank guarantee from an international bank of repute for an equivalent amount.

In view of the reduction in time lag between issuance of drafts and payment to the beneficiaries, the period for the collateral requirement has been reduced from 30 days (viz. cash deposit and bank guarantee each for an amount equivalent to 15 days drawings on moving average basis in India or abroad) to 10 days, which can be kept either in the form of cash deposit or a bank guarantee from an international bank of repute.

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

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

5. 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