



RESERVE BANK OF INDIA
Mumbai - 400 001

RBI/2016-17/93

A.P. (DIR Series) Circular No. 11 [(1)/14(R)]

October 20, 2016

To

All Category - I Authorised Dealer Banks

Madam/Sir,

**Foreign Exchange Management (Manner of receipt and payment)
Regulations, 2016**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to [A.D.\(M.A. Series\) Circular No. 11 dated May 16, 2000](#) in terms of which ADs were advised of various Rules, Regulations, Notifications/ Directions issued under the Foreign Exchange Management Act, 1999 (hereinafter referred to as the Act). In consultation with the Government of India, the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2000; Foreign Exchange Management (Receipt from, and payment to, a person resident outside India) Regulations, 2000 and Foreign Exchange Management Notification (Transactions in Indian rupees with residents of Nepal or Bhutan) Regulations 2000, as amended from time to time have been repealed and superseded by the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016 notified vide G.S.R. No.480 (E) dated May 03, 2016.

Further, attention of Authorised Dealers is invited to para A.3 of [Master Direction No 16/2015-16](#) on Export of Goods and Services and B.4 of [Master Direction No 17/2015-16](#) on Import of Goods and Services dated January 1, 2016 respectively, as amended from time to time.

The synopsis of the new Regulations notified is as under:

2. Manner of receipt in foreign Exchange :

(1) AD bank may receive foreign exchange by way of remittance or by way of reimbursement from his branch or correspondent outside India against payment for exports from India or against any other payment in following manner :

(A) Members of Asian Clearing Union (ACU)

- (i) Bangladesh, Myanmar, Pakistan, Sri Lanka and Republic of Maldives -
- a) Receipt for export of eligible goods and services, through ACU mechanism i.e. by debit to the ACU Dollar/Euro account in India of a bank of the member country in which the other party to the transaction is resident or by credit to the ACU Dollar/Euro account of the Authorised Dealer maintained with the correspondent bank in that member country,
 - b) In any freely convertible currency for cases other than export of eligible goods and services,
 - c) In respect of exports from India to Myanmar, payment may be received in any freely convertible currency or through the ACU mechanism from Myanmar.

(ii) Nepal and Bhutan-

- a) In Rupees
- b) In respect of exports from India to Nepal, may be received in any freely convertible currency also, provided the importer resident in Nepal has been permitted by the Nepal Rashtra Bank to make payment in free foreign exchange. However, such receipts shall not be routed through the ACU mechanism.

(iii) Islamic Republic of Iran –

In all cases including receipts for export of eligible goods and services, in any freely convertible currency and/or as prescribed by Reserve Bank of India from time to time.

(B) All countries other than those mentioned in (A) above:-

(i) Receipt in rupees from the account of a bank situated in any country other than an ACU member,

(ii) In any freely convertible currency.

(2) (i) In respect of export from India, receipt shall be made in a currency appropriate to the place of final destination as mentioned in the declaration form irrespective of the country of the residence of the buyer,

(ii) Any other mode of receipt of export proceeds as prescribed by the Reserve Bank of India from time to time.

(3) Payment for export of goods / software may be received from a Third Party (a party other than the buyer) as per specified conditions.

(4) Receipt for exports may also be made in following manner:

- (i) In the form of a bank draft, cheque, pay order, foreign currency notes/traveller's cheque from a buyer during his visit to India
- (ii) By debit to FCNR/NRE account in India;
- (iii) In rupees from the credit card servicing bank in India against the charge slip signed by the buyer;
- (iv) From a rupee account held in the name of an Exchange House with an Authorised Dealer if the amount does not exceed fifteen lakh rupees per export transaction;
- (v) In accordance with the directions issued by the Reserve Bank to Authorised Dealers, where the export is covered by the arrangement between the Central Government and the Government of a foreign country or by the credit arrangement entered into by the Exim Bank with a financial institution in a foreign state;
- (vi) In the form of precious metals i.e. gold / silver / platinum equivalent to value of jewellery exported by Gem & Jewellery units in Special Economic Zones and Export Oriented Units on the condition that the sale contract provides for the same and the value is declared in the relevant EDF;
- (vii) In addition to (i) and (iii) above, any person resident in India may also receive any payment other than for exports by means of postal order/postal money order issued by a post office outside India.

3. Manner of payment in foreign exchange:

(1) AD bank may make payment in foreign exchange by way of remittance from India or by way of reimbursement to his branch or correspondent outside India against payment for import into India, or against any other payment in the following manner:

(A) Members of Asian Clearing Union:

(i) Bangladesh, Myanmar, Pakistan, Sri Lanka and Republic of Maldives -

- a) Payment for import of eligible goods and services by credit to the ACU Dollar/Euro account in India of a bank of the member country in which the

other party to the transaction is resident or by debit to the ACU Dollar/Euro account of the Authorised Dealer maintained with the correspondent bank in that member country,

- b) In any freely convertible currency for cases other than import of eligible goods and services
- c) In respect of imports to India from Myanmar, payment may be made in any freely convertible currency or through the ACU mechanism from Myanmar.

(ii) Nepal and Bhutan- Payment may be made in Rupees,

(iii) Islamic Republic of Iran –

In all cases including payments for import of eligible goods and services, in any freely convertible currency and/or as prescribed by Reserve Bank of India to ADs from time to time,

(B) All countries other than those mentioned in (A) above:

(i) Payment in rupees from the account of a bank situated in any country other than an ACU member,

(ii) In any freely convertible currency.

(2) In respect of imports into India;

(i) where the goods are shipped from ACU member, but the supplier is resident of a country other than member of ACU (other than Nepal and Bhutan), payment may be made in rupees to the account of a bank situated in any country other than an ACU member or in any freely convertible currency,

(ii) In all other cases, payment shall be made in a currency appropriate to the country of shipment of goods.

(iii) Any other mode of payment as may be prescribed by the Reserve Bank of India from time to time.

(3) Payments for import of goods / software may be made to a Third Party (a party other than the supplier) as per specified conditions.

(4) Manner of Payment in certain cases:

(A) Payments for import of goods may be made in foreign exchange through an international card held by him / in rupees from international credit card / debit card through the credit / debit card servicing bank in India against the charge slip signed by the importer / as prescribed by Reserve Bank from time to time, provided that the transaction is in conformity with the extant provisions including the Foreign Trade Policy in force.

(B) Any person resident in India may also make payment as under:

- (i) in rupees towards meeting expenses on account of boarding, lodging and services related thereto or travel to and from and within India of a person resident outside India who is on a visit to India;
- (ii) by means of a crossed cheque or a draft as consideration for purchase of gold or silver in any form imported by such person in accordance with the terms and conditions imposed under any order issued by the Central Government under the Foreign Trade (Development and Regulations) Act, 1992 or under any other law, rules or regulations for the time being in force;
- (iii) a company or resident in India may make payment in rupees to its non-whole time director who is resident outside India and is on a visit to India for the company's work and is entitled to payment of sitting fees or commission or remuneration, and travel expenses to and from and within India, in accordance with the provisions contained in the company's Memorandum of Association or Articles of Association or in any agreement entered into by it or in any resolution passed by the company in general meeting or by its Board of Directors, provided the requirements of any law, rules, regulations, directions applicable for making such payments are duly complied with.

4. Consequent to provisions of para 3.(4) of this circular, para B.4 (iii) of [Master Direction No. 17/2015-16 dated January 1, 2016](#) on Imports of goods and services has been amended and para B.4(iv) inserted. The amendments have already been suitably incorporated in [Master Direction No. 16/2015-16 dated January 1, 2016](#) on Exports of goods and services.

5. The new regulations have been notified vide [Notification No. FEMA 14 \(R\)/2016-RB dated May 02, 2016](#) c.f. G.S.R. No.480 (E) dated May 03, 2016 and shall come into force with effect from May 02, 2016.

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

7. The directions contained in this circular have been issued under Section 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Yours faithfully,

(Shekhar Bhatnagar)
Chief General Manager-in-Charge