

Report of the Technical Group on Statistics of International Trade in Services
Reserve Bank of India
Mumbai
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List of Abbreviations

ADs	Authorised Dealers
BoP	Balance of Payments
BPM5	IMF Balance of Payments Manual (Fifth Edition)
BTC	Bankers' Training College
CPC	Central Product Classification
DEAP	Department of Economic Analysis and Policy
DESACS	Department of Statistical Analysis and Computer Services
DIF	Division of International Finance
EBOPS	Extended Balance of Payments Services
EC	European Commission
ECD	Exchange Control Department
FATS	Foreign Affiliates' Trade in Services
FDI	Foreign Direct Investment
FET-ERS	Foreign Exchange Transactions Electronic Reporting System
FIEO	Federation of Indian Exporters Organisation
GATS	General Agreement on Trade in Services
IMF	International Monetary Fund
MSITS	Manual on Statistics of International Trade in Services
NASSCOM	National Association of Software and Service Companies
OECD	Organisation for Economic Cooperation and Development
RBI	Reserve Bank of India
SBI	State Bank of India

SBIICM	State Bank of Institute of Information and Communication Management
SDDS	Special Data Dissemination Standards
SNA	System of National Accounts
UN	United Nations
WTO	World Trade Organisation

Report of the Technical Group on Statistics of International Trade in Services

Chapter 1: Introduction

1.1 The Reserve Bank of India (RBI) has primary responsibility of compilation and dissemination of balance of payments (BoP) statistics. The foreign exchange transactions reported through R-returns by authorised dealers (ADs) essentially form the basis of compilation of BoP statistics which are disseminated on a quarterly basis with a lag of a quarter. The conceptual framework of compilation of the BoP is consistent with the standard set out in the 5th Edition of the International Monetary Fund (IMF) Balance of Payments Manual (BPM5). During the recent period, however, there has been pressing demand for disaggregated data on the services component of the BoP from international agencies as also from the standpoint of our trade negotiations with the World Trade Organisation (WTO).

1.2 The emerging requirement calls for finer disaggregation of various BoP components recommended under BPM5. For instance, travel needs to be further classified into business travel, medical travel, education related travel etc. while transportation is required to be broken into sea transport, air transport and other transport with further sub-classification into passenger, freight and others. The timely and disaggregated BoP data, in turn, are critical for appropriate policy response to various developments and have attained an added importance in view of the following three major recent developments:

- acceptance of obligations by India under the IMF's Special Data Dissemination Standards (SDDS).
- requirement of disaggregated data on services as per the Inter-Agency Task Force's Manual on Statistics of International Trade in Services (MSITS).
- the inclusion of services and the concomitant negotiations under the WTO jurisdiction.

1.3 In addition to disaggregated data, the details of the country of the source of funds are also required to analyse BoP developments with partner countries. This information forms an important input for bilateral discussions with the visiting delegations from other countries. Country-wise details are also needed for certain policy purposes like double taxation treaties.

1.4 Against this background, in one of the meeting of the Standing Committee on Balance of Payments it was suggested by the Chairman of the Committee (Dr. Y.V. Reddy, Deputy Governor, Reserve Bank of India) that a technical group may be set up with representation from the concerned agencies to examine the purpose of modifying the data reporting

mechanism for foreign exchange transactions by ADs to capture statistics on international trade in services in a more disaggregated form.

1.5 Accordingly, the RBI constituted this Technical Group on Statistics of International Trade in Services in November 2000 with the following members.

- | | | |
|----|---|------------------|
| 1. | Shri Deepak Mohanty
Director, Division of International Finance
Department of Economic Analysis and Policy
Reserve Bank of India | Convenor |
| 2. | Dr.H.A.C. Prasad
Economic Adviser
Ministry of Commerce | Member |
| 3. | Shri R.S. Ahlawat
Additional Economic Adviser
Department of Economic Affairs
Ministry of Finance | “ |
| 4. | Shri N. Chandrasekaran
General Manager
International Banking Division
State Bank of India | “ |
| 5. | Shri P.A. Sethi
General Manager
International Operations
Bank of Baroda | “ |
| 6. | Shri R.N. Deodhar,
General Manager,
Exchange Control Department,
Reserve Bank of India | “ |
| 7. | Dr. C.L. Agarwal,
Director,
Department of Statistical Analysis and Computer Services,
Reserve Bank of India | “ |
| 8. | Shri Ashok Sahoo,
Assistant Adviser,
Division of International Finance
Department of Economic Analysis and Policy
Reserve Bank of India | Member Secretary |

Terms of Reference

1.6 The Technical Group has the following terms of reference :

- (i) To examine the implications of the draft Manual on Statistics of International Trade in Services (MSITS) prepared by the Task Force drawn from European Commission (EC), International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), United Nations (UN) and World Trade Organisation (WTO) for India's Balance of Payments (BoP) statistics.
- (ii) To suggest appropriate modifications to 'purpose codes' for recording foreign exchange transactions reported through R-returns by the Authorised Dealers (ADs).
- (iii) To suggest relevant revisions to pre-printed A-2 form.
- (iv) To suggest revisions to Foreign Exchange Transactions Electronic Reporting System (FET-ERS) software package.
- (v) To suggest training programmes for officials of critical AD branches for smooth transition to the new reporting mechanism.
- (vi) Any other relevant issues.

Acknowledgements

1.7 The Group places on record its grateful thanks to Dr.Y.V. Reddy, Deputy Governor, RBI for providing encouragement and taking active interest in its proceedings. The Group had the benefit of the guidance of Shri M.R. Nair, Officer-in-Charge, DEAP, RBI in its deliberations. The Group wishes to record its high appreciation of technical help received from S/Shri Muneesh Kapur, Assistant Adviser, DIF, DEAP, RBI, Shri Brijesh P, Research Officer, DIF and Shri S.B. Gogate, Assistant Manager, DIF, DEAP, RBI. The Group expresses its thanks to Shri S.S. Jogale of RBI for his assistance.

Organisation of the Report

1.8 The remainder of the report has been organised in three chapters. Chapter 2 examines the implications of draft Manual on Statistics of International Trade in Services (MSITS) prepared by the Task Force drawn from international agencies for India's BoP statistics. Chapter 3 suggests necessary modifications to the reporting mechanism of foreign exchange transactions by the ADs and deals with the logistics for quick implementation of revised reporting framework. The last chapter contains the summary and recommendations.

Chapter 2: Implications of the Manual on Statistics of International Trade in Services

2.1 The format of presentation of the balance of payments (BoP) data in India broadly follows the recommendations of the 5th Edition of the IMF Balance of Payments Manual (BPM5). According to the BPM5, services cover items such as travel, transportation, communications, financial services, computer and information services, royalties, license fees and other business services given their importance in international transactions (Box 2.1)

Box 2.1 : An overview of the main BPM5 services components

1. Transportation
2. Travel
3. Communications services
4. Construction services
5. Insurance services
6. Financial services
7. Computer and information services
8. Royalties and licence fees
9. Other business services
10. Personal, cultural and recreational services
11. Government services n.i.e.

2.2 Recently, a Manual on Statistics of International Trade in Services (MSITS) has been prepared by the Task Force on Statistics of International Trade in Services drawing representation from European Commission, IMF, OECD, United Nations and WTO. The Extended Balance of Payments Services (EBOPS) classification of transactions between residents and non-residents recommended in MSITS is a further extension of the OECD-Eurostat classification and provides information required by the WTO in connection with the GATS agreement. The principal aim of the manual is to meet user needs and to facilitate evaluation of market access opportunities and the assessment of the extent of opening up achieved in specific services and markets.

2.3 The conceptual framework of MSITS is so designed as to make it compatible with related international standards such as the BPM5, the System of National Accounts (SNA) 1993 and the Central Product Classification (CPC). The Manual builds on the strengths of these existing systems to develop an extended statistical framework for the compilation of statistics of international trade in services.

2.4 The BoP data components according to the EBOPS Classification, which involves disaggregating the BPM5 standard components for services into sub-components of major

economic importance are given in [Annexure 2.1](#). The Group examined all the components proposed under EBOPS for their relevance. The Group is of the view that while disaggregated information under most of the component would be useful, data on certain components such as space transport, rail transport and inland waterway transport may become relevant in the Indian context at a later date when negotiations on multi-modal transport take place. The Group, therefore, recommends that the EBOPS components may be adopted with suitable modifications to capture the important items in India's international transactions in services.

2.5 Furthermore, the manual distinguishes service transactions by four modes of supply such as: (i) cross-border supply, (ii) consumption abroad, (iii) commercial presence and (iv) presence of natural persons.

2.6 Apart from implementation of the BPM5 recommendations and compilation of disaggregated BoP data according to EBOPS classification, the full implementation of the provisions of MSITS involves collection of certain additional statistics such as (i) recording of certain basic Foreign Affiliates' Trade in Services (FATS) Statistics such as number of enterprises, value added, sales, exports, imports etc. (ii) collection of complete foreign direct investment (FDI) statistics, (iii) compilation of statistics on BoP transactions for trade in services by partner country for services exports and imports, (iv) compilation of additional FATS statistics. The broad mapping of the BoP standard components to the four modes of supply is given in Box 2.2.

Box 2.2 : Statistical Coverage of Modes of Supply

Mode	Statistical Coverage (BPM5 and FATS)
Mode 1 Cross border supply	BPM5 : Transportation, communications services, insurance services, financial services, royalties and licence fees Part of : Computer and information services, other business services, and personal, cultural and recreational services.
Mode 2 Consumption abroad	BPM5 : travel (excluding goods bought by travelers)
Mode 3 Commercial presence	FATS : FATS Statistics, each ICFA category (sales, value added, etc.) BPM5 : Construction services
Mode 4 Presence of natural persons	BPM5 : Part of : computer and information services, other business services and personal, cultural and recreational services FATS (supplementary information) : foreign employment in foreign affiliates BPM5 (supplementary information) : labour related flows

2.7 Analysis of the international best practices indicates that most of the countries rely upon well-designed and periodical surveys to garner information on trade in services. Therefore information at a disaggregated level can be obtained on the basis of periodic and well-designed surveys rather than relying on banks for regular information on all transactions.

2.8 In this regard, the Group recommends that identification of associations, bodies and forums of business, professional and technical services (such as legal, accounting, management, advertising, market research, architectural, engineering, mining, agricultural services etc.) for collecting information on the receipts on account of export of various items of services would be desirable to supplement the data obtained through banking source.

Extended Balance of Payments Services Classification – EBOPS

Component

- 1. Transportation**
 - 1.1 Sea transport**
 - 1.1.1 Passenger
 - 1.1.2 Freight
 - 1.1.3 Other
 - 1.2 Air transport**
 - 1.2.1 Passenger
 - 1.2.2 Freight
 - 1.2.3 Other
 - 1.2 Other transport**
 - 1.3.1 Passenger
 - 1.3.2 Freight
 - 1.3.3 Other

Extended Classification of other transport (1.3)

 - 1.4 Space transport**
 - 1.5 Rail transport**
 - 1.5.1 Passenger
 - 1.5.2 Freight
 - 1.5.3 Supporting, auxiliary, and other services
 - 1.6 Road transport**
 - 1.6.1 Passenger
 - 1.6.2 Freight
 - 1.6.3 Supporting, auxiliary, and other services
 - 1.7 Inland waterway transport**
 - 1.7.1 Passenger
 - 1.7.2 Freight
 - 1.7.3 Supporting, auxiliary, and other services
 - 1.8 Pipeline transport**
 - 1.9 Other supporting and auxiliary transport services**
- 2. Travel**
 - 2.1 Business**
 - 2.1.1 Expenditure by seasonal and border workers
 - 2.1.2 Other
 - 2.2 Personal**
 - 2.2.1 Health-related expenditure
 - 2.2.2 Education-related expenditure
 - 2.2.3 Other
- 3. Communications services**
 - 3.1 Postal and courier services**
 - 3.1.1 Postal services
 - 3.1.2 Courier services
 - 3.2 Telecommunication services**

- 4. Construction services**
 - 4.1 Construction abroad**
 - 4.2 Construction in the compiling economy**
 - 4.3 Construction services provided**
 - 4.4 Purchases by construction enterprises**

- 5. Insurance services**
 - 5.1 Life insurance and pension funding**
 - 5.2 Freight insurance**
 - 5.3 Other direct insurance**
 - 5.4 Reinsurance**
 - 5.5 Auxiliary services**

- 6. Financial services**
 - 6.1 Financial intermediation except investment banking**
 - 6.2 Investment banking and services related to investment banking**
 - 6.3 Services auxiliary to financial intermediation**

- 7. Computer and information services**
 - 7.1 Computer services**
 - 7.2 Information services**
 - 7.2.1 News agency services
 - 7.2.2 Other information provision services

- 8. Royalties and license fees**
 - 8.1 Franchises and similar rights**
 - 8.2 Other royalties and license fees**

- 9. Other business Services**
 - 9.1 Merchanting and other trade-related services**
 - 9.1.1 Merchanting
 - 9.1.2 Other
 - 9.2 Operational leasing services**
 - 9.3 Miscellaneous business, professional, and technical services**
 - 9.3.1 Legal, accounting, management consulting, and public relations
 - 9.3.1.1 Legal services
 - 9.3.1.2 Accounting, auditing, book-keeping and tax consulting services
 - 9.3.1.3 Business and management consultancy and public relations services
 - 9.3.2 Advertising, market research, and public opinion polling**
 - 9.3.3 Research and development**
 - 9.3.4 Architectural, engineering, and other technical**
 - 9.3.5 Agricultural, mining, and on-sight processing**
 - 9.3.5.1 Waste treatment and depollution**
 - 9.3.5.2 Agricultural, mining and other processing services**
 - 9.3.6 Other**
 - 9.3.7 Services between related enterprises, n.i.e.**

- 10. Personal, cultural, and recreational services**
 - 10. Audio-visual and related services**

10. Other personal, cultural, and recreational services

2

10.2.1 Educational services

10.2.2 Health services

10.2.3 Other

11. Government services, n.i.e.

Chapter 3 : Data Collection Procedure

3.1 The Group reviewed the extant compilation procedure of BoP statistics in India with an emphasis on disaggregated data on international trade in services. The classification of India's BoP statistics into various accounts and components is done with the help of purpose-wise disaggregated data reported by the critical Authorised Dealers (ADs), essentially banks, through floppy media following the recommendations of the Sub-Group on Reporting of Foreign Exchange Transactions by Authorised Dealers (Chairman : Shri S.P. Paniyadi). The Sub-Group had identified 417 AD branches out of 2500 AD branches which accounted for 80 per cent of total foreign exchange transaction in 1997 as critical AD branches for the collection of data through floppy media. On the basis of the recommendations of the Paniyadi Sub-Group, the list of purpose codes was thoroughly revised in April 1997. Currently data are collected by the RBI from the ADs for 7 groups comprising of around 60-65 purpose codes.

3.2 Inward/outward remittances, other than merchandise trade, can be analytically classified in to the following broad groups:

- **services** (travel, transportation, insurance, financial services, software services, royalties, management fees, other services, etc.),
- **income** (interest, dividends and compensation of employees),
- **transfers** (worker remittances, gifts/donations and official transfers) and
- **capital flows** (FDI flows, portfolio flows, flows on account of external commercial borrowings , external assistance, NRI deposits etc.)

3.3 The purpose codes prescribed by the Paniyadi Sub-Group covered disaggregated data on most of the above items. The Group noted that the floppy based data reporting mechanism has worked satisfactorily and has resulted in considerable reduction in time lag in reporting of BoP data. The Group, therefore, proposes that the floppy based reporting mechanism may be continued with revision of purpose codes to capture disaggregated items of data required for EBOPS.

3.4 The data base for the floppy based reporting system at the level of ADs emanates from the existing exchange control requirements, which requires customers of all individual inward remittances, routed through the banking system, above the cut-off limit (presently US \$ 10,000, say Rs 5,00,000) to indicate the purpose of the transaction and the country of the source of funds to the bank. This requirement is not imposed on transactions below the cut-off limit which are known as "unclassified receipts". A sampling procedure has, however, been adopted under which the selected branches of banks are required to collect purpose-wise/country-wise details of unclassified receipts only for two days in the reporting fortnight.

The proportions emerging from the sample results are then applied to the aggregate of “unclassified receipts”.

3.5 The international practices with regard to recording BoP data indicate that most of the countries use a combination of the foreign exchange transactions reported through banking channel and surveys/census to gather the necessary details. While the banking data evolved as by-products of foreign exchange control systems in a number of countries, the relaxation of exchange control over a period of time and the need to collect an extended break-down of various categories has necessitated more frequent use of surveys. The IMF's *Balance of Payments Compilation Guide* has recommended the use of either of the approaches or a combination of the two approaches for data compilation. The Group feels that as exchange regulations are relaxed over time, it would be increasingly difficult to obtain various disaggregated information from banking channel. Hence, greater reliance would have to be placed on surveys for obtaining various details.

3.6 As such in the Indian context, a combination of banking data and surveys design is employed to gather details. For receipts above a certain cut-off limit, all details are collected by reporting banks. The details of transactions below the cut-off limit are collected through surveys. The information is supplemented by various focused surveys like surveys on freight and insurance, the NASSCOM survey of software companies, etc. The Group recommends that while the present practice of reliance on bank data and surveys may continue, it would be desirable to strengthen both the channels.

3.7 Table 3.1 lists out the frequency distribution of receipts by size for the recent period. The column "number of transactions" in the Table provides the frequency distribution of the number of transactions under various categories ranging from amount up to Rs. 1 lakh to amount above Rs.50 lakh, while the column "value of transactions" provides a frequency distribution of total value of foreign exchange receipts.

Table 3.1 : Frequency Distribution of Foreign Exchange Receipts for other than Merchandise Exports

Period	1997-98 (April-March)		1998-99 (April-March)		1999-2000(April-March)	
	Number of Transactions (lakh)	Value of Transactions (Rs. crore)	Number of Transaction (lakh)	Value of Transactions (Rs. crore)	Number of Transactions (lakh)	Value of Transactions (Rs. crore)
Total number/ Value	243.2	1,26,709	307.6	1,36,362	425.7	1,91,966

Frequency Distribution (%)						
Amount (in Rs.)						
Up to one lakh	98.95	36.1	98.24	36.3	97.92	22.1
1-5 lakh	0.69	2.9	1.37	6.4	1.61	6.9
5-10 lakh	0.13	1.8	0.17	2.7	0.19	2.5
10-15 lakh	0.05	1.2	0.06	1.7	0.07	1.6
15-20 lakh	0.03	1.1	0.03	1.1	0.03	1.1
20-25 lakh	0.02	0.8	0.02	1.1	0.03	1.1
25-50 lakh	0.05	3.3	0.05	3.7	0.05	3.6
Above 50 lakh	0.07	52.7	0.06	47.0	0.08	61.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

3.8 It could be seen from Table 3.1 that total *number of transactions* increased sharply from 243.2 lakh during 1997-98 to 307.6 lakh during 1998-99. The number of transactions during 1999-2000 stood at 425.7 lakh. Frequency distribution indicates that while the number of transactions with individual receipts in the range of Rs.1-5 lakh constituted around 97.9 – 98.9 per cent of total transaction, their value in total transactions fell sharply from 36 per cent in 1997-98 to 22 per cent in 1999-2000. The Group noted that the quality of reporting suffers because of large number of small transactions as evident from the past experience. The Group, therefore, is of the view that there is a need for periodic review of the cut-off limit. While this process would reduce the reporting burden on the banks, it would enhance the quality of reporting.

3.9 The Group noted that the cut-off limit has already been raised to US \$ 10,000 (about Rs. 4.9 lakh at current exchange rates) effective January 2001. The cut-off limit is reviewed on an ongoing basis. The cut-off limit was Rs. 10,000 till March 1992 and then raised to US \$ 50,000. The cut-off limit translated to around Rs.15,00,000 at the exchange rate prevailing in April 1992 and around Rs. 18,00,000 by March 1997 reflecting the nominal depreciation of the rupee. However, as a significant amount - around two-thirds in value terms - of transactions exceeded the cut-off limit and which coupled with poor response to surveys had a bearing on the quality of data, the limit was revised down to Rs. 1,00,000 in April 1997. In dollar terms, the limit was around US \$ 2,750 in April 1997 or around US \$ 2,100 at current rates.

3.10 The Group is of the view that since the ADs would have to report the value of transactions in Rupees, the prescription of a cut-off limit in US dollar terms may give rise to ambiguities in terms of cross-currency transaction of value. The Group, therefore, recommends that for the purpose of data reporting the cut-off limit may be placed at Rs.5,00,000 which is slightly higher than US\$ 10,000 at the current exchange rate. The ADs should be required to report disaggregated data for receipts over Rs.5,00,000 and the information for receipts up to Rs.5,00,000 may be collected through surveys.

3.11 The survey on unclassified receipts collects purpose-wise information for receipts up to Rs.1,00,000 (up to Rs. 5,00,000 since January 2001). The Group recommends that the RBI should change the survey design to capture purpose/country-wise information for receipts up to Rs.5,00,000 from a representative sample of critical AD branches based on their performance in recent period.

3.12 The Group feels that the need for having disaggregated information has to be weighed against the additional burden it would entail on the AD branches to furnish this information. Since the thresh-hold limit for reporting of individual inward remittance has already been raised from Rs. 1,00,000 to US \$ 10,000 effective January 2001 (Rs.5,00,000 proposed by the Group), this would significantly reduce the reporting burden on the commercial banks. In this direction, the 'purpose list' could be expanded to a manageable level by choosing important items. As ADs would be required henceforth to report detailed information for a less number of transactions, the Group is of the view that it should be feasible to capture more disaggregated statistics with revision of purpose codes.

3.13 The Group feels that keeping in view the dynamic nature of trade in services, the coding system should have the desired flexibility to easily accommodate changes from time to time in the 'purpose' list. In the extant reporting mechanism through floppy media, all transactions are broadly classified as sales (outward remittances) and purchases (inward remittances) with a prefix 'S' and 'P', respectively. The Group, therefore, recommends a four-digit coding system with the first two digits representing the main components and the last two digits indicating further disaggregation of the main components. Keeping in view the requirements of EBOPS and the format of the extant reporting mechanism, the Group recommends that disaggregated data may be collected under 15 major purpose groups (Box 3.1). The main services group numbers '02' to '12' exactly conform to the EBOPS classification. Since , the ADs are required to report all foreign exchange transactions, other

main group codes for capital account (00), exports/imports of goods (01), transfers (13), income (14) and others (15) have been rearranged.

<u>Box 3.1 : List of Major Purpose Groups</u>	
<u>Group Numbers</u>	<u>Main Group Names</u>
00	Capital Account
01	Exports/Imports of Goods
02	Transportation
03	Travel
04	Communication Service
05	Construction Service
06	Insurance Service
07	Financial Services
08	Computer Information Services
09	Royalties / License Fees
10	Other Business Services
11	Personal, Cultural and Recreational Services
12	Government not included elsewhere (G.n.i.e.)
13	Transfers
14	Income
15	Others

3.14 The Group proposes introduction of additional codes for reporting of inter-bank transaction and ADs' transactions with the RBI (to be entered as a single-entry in a fortnight) to facilitate periodic validation of the data.

3.15 At the disaggregated level, the Group proposes increase in the number of purpose codes for purchases from 58 to 86 and for sale from 64 to 98. The revised purpose codes are given in [Annexures 3.1](#) and [3.2](#). While the number of codes would increase by 62, the Group feels that the reporting burden on the ADs would not increase as the ADs would be required to provide regular disaggregated data for less number of transactions with the increase in the cut-off limit to Rs.5,00,000. The Group recommends that the software package circulated by the RBI to the ADs for the purpose of reporting BoP data may be modified to provide drop-down menus under various groups, so that it should be convenient for the ADs to feed relevant information.

3.16 The Group recommends that for the purpose of the survey of 'unclassified receipts', the selection of critical branches may be based on reporting of non-export receipts of at least

Rs.5 crores in a year. Sample of branches may be drawn separately for “Foreign Currency Receipts” and “Rupee Receipts” as the coverage of purposes under these two categories could be significantly different. These selected AD branches may report purpose-wise details of receipts under Rs.5,00,000 for two days in a fortnight instead of four days as is the current practice for the extant survey. In this process, the Group feels that while the sample size could be enlarged, reporting burden could be reduced without loss of details.

3.17 For payment other than imports and remittances covering intermediary trade, the purchasers of foreign exchange are required to fill in [form A2](#) with ADs. The purpose code enlisted in [form A2](#) forms the basis of recording R-return data by the ADs. In view of the revision of the purpose code, the Group also undertook the exercise of revising the [form A2](#). Notwithstanding the proposed increase in the number of codes from 64 to 98 ([Annexure 3.2](#)) at the disaggregated level, the Group is of the view that that the contents of the form A2 should be confined to a single sheet for the convenience of the recording of the information. The revised form A2 is given in [Annexure 3.3](#). While one side of the single sheet form provides the space for the required particulars of the remittances, the other side of the form gives a complete list of the purpose of remittances for easy identification. The Group recommends that the existing form A2 may be, replaced by the revised form A2 to reflect changes in the purpose codes at the disaggregated level.

3.18 The Group is of the opinion that the new reporting mechanism could be facilitated by giving wider publicity so as to sensitise the officials in AD branches working at the operational level. It is also essential that the bank customers appreciate the need for proper reporting of their foreign exchange transactions which is critical for improving BoP data. The Group, therefore, feels that the report of the Group should be published and placed on the RBI website. The Group recommends that copies of the published report should be provided to ADs; concerned ministries, such as Ministry of Commerce, Ministry of Tourism, Ministry of Labour etc.; and also to trade organizations, such as NASSCOM and FIEO.

3.19 The Group is of the view that apart from the wide publicity given to the need for detailed statistics on trade in services, the quality of reporting of data would depend significantly on structured training given to the concerned officials of the ADs, who would be operating the software at the branch level or would be training such officials in their respective banks. For the purpose of training, the Group identified 500 critical AD branches on the basis of volume of transactions as at the end of March 2000. The region-wise and bank-wise list of the critical AD branches is given in [Annexure 3.4](#). It could be seen that out

of the identified 500 critical branches, major number of branches are in Mumbai region (179), followed by New Delhi (81), Chennai (59) and Calcutta (41). The Group is of the view that while the RBI should take an initiative for the training programme, there is a need for support from the commercial banks in terms of making available their training infrastructure to conduct the required training. For this purpose the RBI may design an appropriate training programme which could be of duration of two days. The Group recommends that the training programme should be a hands-on computer based training to familiarise bank personnel with the practical aspects of the new data reporting mechanism.

3.20 Keeping in view the regional distribution of critical AD branches and the available training infrastructure of the RBI and commercial banks, the Group has drawn an indicative training programme which is given in Table 3.2. It is suggested that training of AD officials in batches of 20 participants may be conducted in major centres. The Group recommends that in order to enhance the effectiveness of the training programme the RBI should circulate in advance the revised computer software programme and copies of the Technical Group Report to enable the ADs to familiarise themselves with the requirements before hand.

Table 3.2 : Indicative Programme of Training of AD Official

Centre	Likely Venue	Remarks	No.AD branches
Hyderabad #	SBIICM, Hyderabad & SBI Training Centre at Hyderabad (for last module)	Two batches (of two days) for SBI.# One batch for other ADs & SBI branches in Hyderabad	72
Bangalore	RBI office or Canara Bank/SBI Training Centre	One batch	25
Kochi	Federal Bank's training centre at Alwaye	One batch	18
Chennai	Staff College	Two batches	48
Calcutta	ZTC Calcutta Zonal Training Centre (ZTC)	Two batches (including ECD representatives from Bhubaneswar, Patna & Guwahati)	34
New Delhi	ZTC, New Delhi	Four batches (including ADs from Kanpur & Chandigarh)	25
Mumbai	Bankers' Training College (BTC)	Nine batches (including ADs from Jaipur, Panaji & Bhopal)	172

Total No. of training batches : 23

May be split in (a) one batch for training faculty from SBI's training centers and some important branches, and (b) One batch for 20-25 major branches of SBI (from a total of 79 branches)

3.21 The Group recommends that while the present floppy based reporting mechanism may continue, the critical ADs should be encouraged to report data through e-mail to the RBI to further reduce the time lag of reporting. The Group feels that the AD branches which have become 'non-critical' should be encouraged to continue the reporting of foreign exchange transactions through floppy media. The Group also recommends that the RBI should consider extending the floppy based reporting system to non-critical AD branches.

NEW PURPOSE CODES FOR REPORTING FOREX TRANSACTIONS
RECEIPT PURPOSES

Group No.	Purpose Group Name	Purpose Code	Description
00	Capital Account	P0001	Repatriation of Indian investment abroad in equity capital (shares)
		P0002	Repatriation of Indian investment abroad in debt securities.
		P0003	Repatriation of Indian investment abroad in branches
		P0004	Repatriation of Indian investment abroad in subsidiaries and associates
		P0005	Repatriation of Indian investment abroad in real estate
		P0006	Foreign direct investment in India in equity
		P0007	Foreign direct investment in India in debt securities
		P0008	Foreign direct investment in India in real estate
		P0009	Foreign portfolio investment in India in equity shares
		P0010	Foreign portfolio investment in India in debt securities including debt funds
		P0011	Repayment of loans extended to Non-Residents
		P0012	Loans from Non-Residents to India
		P0014	Receipts o/a Non-Resident deposits (FCNRB/NRERA etc.) ADs should report these even if funds are not “swapped” into Rupees.
		P0015	Loans & overdrafts taken by ADs on their own account. (Any amount of loan credited to the NOSTRO account which may not be swapped into Rupees should also be reported)
		P0016	Purchase of a foreign currency against another currency.
		P0017	Sale of intangible assets like patents, copyrights, trade marks etc. by Indian companies
		P0018	Other capital receipts not included elsewhere
01	Exports (of Goods)	P0101	Value of export bills negotiated / purchased/discounted etc. (covered under GR/PP/SOFTEX/EC copy of shipping bills etc.)
		P0102	Realisation of export bills (in respect of goods) sent on collection (full invoice

Group No.	Purpose Group Name	Purpose Code	Description
			value)
		P0103	Advance receipts against export contracts (export of goods only)
		P0104	Receipts against export of goods not covered by the GR/PP/SOFTEX/EC copy of shipping bill etc.
		P0105	Export bills (in respect of goods) sent on collection.
		P0106	Conversion of overdue export bills from NPD to collection mode
		P0107	Realisation of NPD export bills (full value of bill to be reported)
02	Transportation	P0201	Receipts of surplus freight/passenger fare by Indian shipping companies operating abroad
		P0202	Purchases on account of operating expenses of Foreign shipping companies operating in India
		P0205	Purchases on account of operational leasing (with crew) – Shipping companies
		P0207	Receipts of surplus freight/passenger fare by Indian Airlines companies operating abroad.
		P0208	Receipt on account of operating expenses of Foreign Airlines companies operating in India
		P0211	Purchases on account of operational leasing (with crew) – Airlines companies
		P0213	Receipts on account of other transportation services (stevedoring, demurrage, port handling charges etc.).
03	Travel	P0301	Purchases towards travel (Includes purchases of foreign TCs, currency notes etc over the counter , by hotels, hospitals, Emporiums, Educational institutions etc. as well as amount received by TT/SWIFT transfers or debit to Non-Resident account).
		P0308	FC surrendered by returning Indian tourists.
04	Communication Service	P0401	Postal services
		P0402	Courier services
		P0403	Telecommunication services
		P0404	Satellite services
05	Construction Service	P0501	Receipts for cost of construction of services projects in India
06	Insurance Service	P0601	Receipts of life insurance premium
		P0602	Receipts of freight insurance – relating to import & export of goods

Group No.	Purpose Group Name	Purpose Code	Description
		P0603	Receipts on account of other general insurance premium
		P0604	Receipts of Reinsurance premium
		P0605	Receipts on account of Auxiliary services (commission on insurance)
		P0606	Receipts on account of settlement of claims
07	Financial Services	P0701	Financial intermediation except investment banking – Bank charges, collection charges, LC charges, cancellation of forward contracts, commission on financial leasing etc.
		P0702	Investment banking – brokerage, under writing commission etc.
		P0703	Auxiliary services – charges on operation & regulatory fees, custodial services, depository services etc.
08	Computer & Information Services	P0801	Hardware consultancy
		P0802	Software implementation (other than those covered in SOFTEX form)
		P0803	Data base, data processing charges
		P0804	Repair and maintenance of computer and software
		P0805	News agency services
		P0806	Other information services- Subscription to newspapers, periodicals, etc.
09	Royalties & License Fees	P0901	Franchises services – patents,copy rights, trade marks, industrial processes, franchises etc.
		P0902	Receipts for use, through licensing arrangements, of produced originals or prototypes (such as manuscripts and films)
10	Other Business Services	P1001	Merchanting Services – net receipt (from sale and purchase of goods without crossing the border).
		P1002	Trade related services – Commission on exports/imports.
		P1003	Operational leasing services (other than financial leasing and without operating crew) including charter hire
		P1004	Legal services
		P1005	Accounting, auditing, book keeping and tax consulting services
		P1006	Business and management consultancy and public relations services
		P1007	Advertising, trade fair, market research

Group No.	Purpose Group Name	Purpose Code	Description
			and public opinion polling services
		P1008	Research & Development services
		P1009	Architectural, engineering and other technical services
		P1010	Agricultural, mining and on –site processing services – protection against insects & disease, increasing of harvest yields, forestry services, mining services like analysis of ores etc.
		P1011	Inward remittance for maintenance of offices in India
		P1012	Other services not included elsewhere
11	Personal, Cultural & Recreational services	P1101	Audio-visual and related services – services and associated fees related to production of motion pictures, rentals, fees received by actors, directors, producers and fees for distribution rights.
		P1102	Personal, cultural services such as those related to museums, libraries, archives and sporting activities and fees for correspondence courses of Indian Universities/Institutes
12	Government, not included elsewhere (G.n.i.e.)	P1201	Maintenance of foreign embassies in India
		P1203	Maintenance of international institutions such as offices of IMF mission, World Bank, UNICEF etc. in India.
13	Transfers	P1301	Inward remittance from Indian non-residents towards family maintenance and savings
		P1302	Personal gifts and donations
		P1303	Donations to religious and charitable institutions in India
		P1304	Grants and donations to governments and charitable institutions established by the governments
		P1306	Receipts / Refund of taxes
14	Income	P1401	Compensation of employees
		P1403	Inward remittance towards interest on loans extended to non-residents (ST/MT/LT loans)
		P1404	Inward remittance of interest on debt securities –debentures / bonds /FRNs etc.
		P1405	Inward remittance towards interest receipts of ADs on their own account (on investments.)

Group No.	Purpose Group Name	Purpose Code	Description
		P1406	Repatriation of profits to India
		P1407	Receipt of dividends by Indians
15	Others	P1501	Refunds / rebates on account of imports
		P1502	Reversal of wrong entries, refunds of amount remitted for non-imports
		P1503	Remittances (receipts) by residents under international bidding process.
		P1590	Receipts below \$10,000 (say Rs 5,00,000)

NEW PURPOSE CODES FOR REPORTING FOREX TRANSACTIONS
PAYMENT PURPOSES

Group No.	Purpose Group Name	Purpose Code	Description
00	Capital Account	S0001	Indian investment abroad -in equity capital (shares)
		S0002	Indian investment abroad -in debt securities
		S0003	Indian investment abroad -in branches
		S0004	Indian investment abroad -in subsidiaries and associates
		S0005	Indian investment abroad -in real estate
		S0006	Repatriation of Foreign Direct Investment in India- in equity shares
		S0007	Repatriation of Foreign Direct Investment in India- in debt securities
		S0008	Repatriation of Foreign Direct Investment in India- in real estate
		S0009	Repatriation of Foreign Portfolio Investment in India- in equity shares
		S0010	Repatriation of Foreign Portfolio Investment in India- in debt securities
		S0011	Loans extended to Non-Residents
		S0012	Repayment of loans received from Non-Residents (Long & medium term loans)
		S0013	Repayment of short term loans received from Non-Residents
		S0014	Repatriation of Non-Resident Deposits (FCNRB/NRERA etc)
		S0015	Repayment of loans & overdrafts taken by ADs on their own account.
		S0016	Sale of a foreign currency against another foreign currency
		S0017	Purchase of intangible assets like patents, copyrights, trade marks etc.
		S0018	Other capital payments not included elsewhere
01	<i>Imports</i>	S0101	Advance payment against imports
		S0102	Payment towards imports- settlement of invoice
		S0103	Imports by diplomatic missions
		S0104	Intermediary trade
		S0190	Imports below Rs. 500,000- (For use by ECD offices)
02	Transportation	S0201	Payments for surplus freight/passenger fare by foreign shipping companies operating in India.

Group No.	Purpose Group Name	Purpose Code	Description
		S0202	Payment for operating expenses of Indian shipping companies operating abroad.
		S0203	Freight on imports – Shipping companies
		S0204	Freight on exports – Shipping companies
		S0205	Operational leasing (with crew) – Shipping companies
		S0206	Booking of passages abroad – Shipping companies
		S0207	Payments for surplus freight/passenger fare by foreign Airlines companies operating in India.
		S0208	Operating expenses of Indian Airlines companies operating abroad
		S0209	Freight on imports – Airlines companies
		S0210	Freight on exports – Airlines companies
		S0211	Operational leasing (with crew) – Airlines companies
		S0212	Booking of passages abroad – Airlines companies
		S0213	Payments on account of stevedoring, demurrage, port handling charges etc.
03	Travel	S0301	Remittance towards Business travel.
		S0302	Travel under basic travel quota (BTQ)
		S0303	Travel for pilgrimage
		S0304	Travel for medical treatment
		S0305	Travel for education (including fees, hostel expenses etc.)
		S0306	Other travel (international credit cards)
04	Communication Service	S0401	Postal services
		S0402	Courier services
		S0403	Telecommunication services
		S0404	Satellite services
05	Construction Service	S0501	Construction of projects abroad by Indian companies including import of goods at project site
		S0502	Payments for cost of construction etc. of projects executed by foreign companies in India.
06	Insurance Service	S0601	Payments for Life insurance premium
		S0602	Freight insurance – relating to import & export of goods
		S0603	Other general insurance premium
		S0604	Reinsurance premium
		S0605	Auxiliary services (commission on insurance)
		S0606	Settlement of claims
07	Financial	S0701	Financial intermediation except investment

Group No.	Purpose Group Name	Purpose Code	Description
	Services		banking – Bank charges, collection charges, LC charges, cancellation of forward contracts, commission on financial leasing etc.
		S0702	Investment banking – brokerage, under writing commission etc.
		S0703	Auxiliary services – charges on operation & regulatory fees, custodial services, depository services etc.
08	Computer & Information Services	S0801	Hardware consultancy
		S0802	Software implementation (other than those covered in SOFTEX form)
		S0803	Data base, data processing charges
		S0804	Repair and maintenance of computer and software
		S0805	News agency services
		S0806	Other information services- Subscription to newspapers, periodicals
09	Royalties & License Fees	S0901	Franchises services – patents, copyrights, trade marks, industrial processes, franchises etc.
		S0902	Payment for use, through licensing arrangements, of produced originals or prototypes (such as manuscripts and films)
10	Other Business Services	S1001	Merchanting services – net payments (from Sale & purchase of goods without crossing the border)
		S1002	Trade related services – commission on exports / imports
		S1003	Operational leasing services (other than financial leasing) without operating crew, including charter hire
		S1004	Legal services
		S1005	Accounting, auditing, book keeping and tax consulting services
		S1006	Business and management consultancy and public relations services
		S1007	Advertising, trade fair, market research and public opinion polling service
		S1008	Research & Development services
		S1009	Architectural, engineering and other technical services
		S1010	Agricultural, mining and on–site processing services – protection against insects & disease, increasing of harvest yields, forestry services, mining services like analysis of ores etc.

Group No.	Purpose Group Name	Purpose Code	Description
		S1011	Payments for maintenance of offices abroad
		S1012	Other services not included elsewhere
11	Personal, Cultural & Recreational services	S1101	Audio-visual and related services – services and associated fees related to production of motion pictures, rentals, fees received by actors, directors, producers and fees for distribution rights.
		S1102	Personal, cultural services such as those related to museums, libraries, archives and sporting activities; fees for correspondence courses abroad.
12	Government not included elsewhere (G.n.i.e.)	S1201	Maintenance of Indian embassies abroad
		S1202	Remittances by foreign embassies in India
13	Transfers	S1301	Remittance by non-residents towards family maintenance and savings
		S1302	Remittance towards personal gifts and donations
		S1303	Remittance towards donations to religious and charitable institutions abroad
		S1304	Remittance towards grants and donations to other governments and charitable institutions established by the governments.
		S1305	Contributions/donations by the Government to international institutions
		S1306	Remittance towards payment / refund of taxes.
14	Income	S1401	Compensation of employees
		S1402	Remittance towards interest on Non-Resident deposits (FCNRB/NRERA/NRNRD /NRSR etc.)
		S1403	Remittance towards interest on loans from Non-Residents (ST/MT/LT loans)
		S1404	Remittance of interest on debt securities – debentures / bonds /FRNs etc.
		S1405	Remittance towards interest payment by ADs on their own account (to VOSTRO a/c holders or the OD on NOSTRO a/c.)
		S1406	Repatriation of profits
		S1407	Payment / repatriation of dividends
15	Others	S1501	Refunds / rebates / reduction in invoice value on account of exports
		S1502	Reversal of wrong entries, refunds of amount remitted for non-exports

Group No.	Purpose Group Name	Purpose Code	Description
		S1503	Payments by residents for international bidding
		S1590	Outward remittances below Rs500,000- (for use by ECD regional offices)

FORM A2		AD Code No _____
Application for Remittance Abroad (for payments other than imports and remittances covering intermediary trade)		Form No. _____
		Currency _____ Amount _____
		Equivalent to Rs _____
		(All to be filled in by Authorised Dealer)
		Serial No. _____ (For use of Reserve Bank of India)
We wish to purchase/transfer _____ (Name of currency and amount in words)		
through _____ (Name and address of Authorised Dealer)		
to _____ (Name and address of the beneficiary)		
by remitting the amount / by credit to the account of _____ (Full title of the account & country of non-resident bank and name of the AD with whom account is maintained)		
for the purpose indicated below: Remitter should put a tick (<input checked="" type="checkbox"/>) against an appropriate purpose code. In case of doubt/difficulty, consult AD		
Code	Purpose	Financial services
Capital account transactions		S0701 Financial intermediation except investment banking – Bank charges, collection charges, LC charges, cancellation of forward contracts, commission on financial leasing etc.
S0001	Indian investment abroad -in equity capital	S0702 Investment banking –brokerage, under writing commission etc.
S0002	Indian investment abroad -in debt securities	S0703 Auxiliary services – charges on operation & regulatory fees, custodial services, depository services etc.
S0003	Indian investment abroad -in branches	Computer and information services
S0004	Indian investment abroad -in subsidiaries and associates	S0801 Hardware consultancy
S0005	Indian investment abroad -in real estate	S0802 Software implementation (other than those covered in SOFTEX form)
S0006	Repatriation of Foreign Direct Investment in India- in equity shares	S0803 Data base, data processing charges
S0007	Repatriation of Foreign Direct Investment in India- in debt securities	S0804 Repair and maintenance of computer and software
S0008	Repatriation of Foreign Direct Investment in India- in real estate	S0805 News agency services
S0009	Repatriation of Foreign Portfolio Investment in India- in equity shares	S0806 Other information services- Subscription to newspapers, periodicals
S0010	Repatriation of Foreign Portfolio Investment in India- in debt securities	Royalties and license fees
S0011	Loans extended to Non-Residents	S0901 Franchise services – Patents, copyrights, trade marks, industrial processes, franchises, etc.
S0012	Repayment of loans received from Non-Residents (Long & medium term loans)	S0902 Payment for use, through licensing arrangements, of produced originals or prototypes (such as manuscripts, films, etc.)
S0013	Repayment of short term loans received from Non-Residents	Other business services
S0014	Repatriation of Non-Resident Deposits (FCNR/BNRE/ERA etc)	S1001 Merchanting services – Sale & purchase of goods without crossing the border
S0015	Repayment of loans & overdrafts taken by ADs on their own account.	S1002 Trade related services - commission on exports/imports
S0016	Sale of a foreign currency against another foreign currency	S1003 Operational leasing services (other than financial leasing) without operating crew, including charter hire
S0017	Purchase of intangible assets like patents, copyrights, trade marks etc.	S1004 Legal services
S0018	Other capital payments not included elsewhere.	S1005 Accounting, auditing, book keeping and tax consulting services
Transportation		S1006 Business and management consultancy and public relations services
S0201	Payments for surplus freight/passenger fare by foreign shipping companies operating in India.	S1007 Advertising, trade fair, market research and public opinion polling service
S0202	Payment for operating expenses of Indian shipping companies operating abroad.	S1008 Research and development services
S0203	Freight on imports – Shipping companies	S1009 Architectural, engineering and other technical services
S0204	Freight on exports – Shipping companies	S1010 Agricultural, mining and on-site processing services
S0205	Operational leasing (with crew) – Shipping companies	S1011 Payments for maintenance of offices abroad
S0206	Booking of passages abroad – Shipping companies	S1012 Other services not included elsewhere
S0207	Payments for surplus freight/passenger fare by foreign Airlines companies operating in India.	Personal, cultural and recreational services
S0208	Operating expenses of Indian Airlines companies operating abroad.	S1101 Services related to production of motion pictures, rentals, of actors, directors, producers and fees for distribution rights
S0209	Freight on imports – Airlines companies	S1102 Services related to museums, libraries, sporting activities & fees for correspondence courses.
S0210	Freight on exports – Airlines companies	Government not included elsewhere (g.n.i.e.)
S0211	Operational leasing (with crew) – Airlines companies	S1201 Maintenance of Indian embassies abroad
S0212	Booking of passages abroad – Airlines companies	S1202 Remittances by foreign embassies in India
S0213	Stevedoring, demurrage, port handling charges etc.	Transfers
Travel		S1301 Remittance by non-residents towards family maintenance and savings
S0301	Remittance towards Business travel.	S1302 Remittance towards personal gifts and donations
S0302	Travel under basic travel quota (BTQ)	S1303 Remittance towards donations to religious and charitable institutions abroad
S0303	Travel for pilgrimage	S1304 Remittance towards grants and donations to other governments and charitable institutions established by the governments
S0304	Travel for medical treatment	S1305 Contributions/donations by Govt. to Int'l. Institutions
S0305	Travel for education (including fees, hostel expenses etc.)	S1306 Payment/refund of taxes
S0306	Other travel (including international credit cards)	Income
Communication services		S1401 Compensation of employees
S0401	Postal services	S1402 Interest on non-resident deposits
S0402	Courier services	S1403 Interest on (ST/M/T/L) loans from Non-Residents
S0403	Telecommunication services	S1404 Interest on debt securities – debentures, bonds, FRNs
S0404	Satellite services	S1405 Interest payment by ADs on their own account
Construction services		S1406 Repatriation of profits
S0501	Construction of projects abroad by Indian companies (including import of goods at project site)	S1407 Payment/Repatriation of dividends
S0502	Projects executed by foreign companies in India.	Others
Insurance services		S1501 Refunds/Rebates/Reduction in invoice value-exports
S0601	Payments for Life insurance premium	S1502 Reversal of wrong entries, refund non-exp. Receipts
S0602	Freight insurance – relating to import & export of goods	S1503 Payment by residents under international bidding
S0603	Other general insurance premium	S1590 Outward remittances below Rs.500,000- (for use by ECD regional offices)
S0604	Reinsurance premium	
S0605	Auxiliary services (commission on insurance)	
S0606	Settlement of claims	

I / We hereby declare that the statements made by me / us on this form are true and that I / we have not applied for an authorisation through other bank.

I / We declare and understand that the foreign exchange to be acquired / payment to be made by me / us pursuant to this application shall be made by me / us only for the purpose for which it is acquired / to be made and that the conditions subject to which the exchange/permisic granted will be complied with.

I/We desire to travel to _____ via _____ for the purpose of _____

Passage has been booked through _____

(Name of airline/shipping co. or passage agent)

_____ The date of departure is _____ The exchange is required in the form of _____

	Currency	Amount
Notes & Coins	_____	_____
TCs	_____	_____
Draft	_____	_____
Letter of Credit	_____	_____
Total	_____	_____

Name of Applicant (s) _____ Nationality of Applicant (s) _____

Address of Applicant (s) _____

Date _____

Signature of Applicant(s)/Authorised Official _____

(Space for comments of the Authorised Dealers)

While forwarding the application to Reserve Bank of India for approval, reference to ECM paragraph / AD circular in terms of which the reference is made should invariably be cited.)

Approval for similar remittances was obtained from the Reserve Bank of India vide permit No. _____ dated _____

(Stamp and Signature of Authorised Official)

Name & Designation

Name & Address of Authorised Dealer

Date _____

Certificate to be furnished by Authorised Dealers (Applicant's Banker)

We hereby certify that

- A. the remittance has been made in terms of authority delegated to authorised dealers vide paragraph _____ of the Exchange Control Manual and / or AD Circular No. _____ dated _____
- or
- B. in terms of Reserve Bank Permit No. _____ dated _____ all the Exchange Control regulations applicable to the remittance have been complied with.
- C. documentary evidence in support of the payment has been verified.
- D. payment to the beneficiary has been/will be made through _____

(Name and address of the designated bank in ACU member country)

(Stamp and Signature of Authorised Official)

Name & Designation

Name & Address of Authorised Dealer

Date: _____

Summary Distribution of New critical AD Branches - 2000

ECD RO	Mumbai	Calcutta	New Delhi	Kanpur	Chennai	Ahmedabad	Bangalore	Kochi	Hyderabad	Jaipur	Chandigarh	Panaji	Patna	Bhopal	Total
1 State Bank of india	13	7	6	3	11	8	8	2	6		3	1	1	4	73
2 State Bank Subsidiaries	12		10		5	4	2	3	4	1	1			1	43
3 Bank of India	11	2	1		2	2	1				2				21
4 Bank of Baroda	12	1	1		2	5	1	1	1						24
5 Canara Bank	8	3	10	1	7	1	5	1	2		1	1			40
6 Syndicate Bank	3		3				1								7
7 Union Bank	15	1	2		1		1	2	1						23
8 Central Bank of India	6	1	1		2	1		1	1						13
9 Punjab National Bank	7	3	6	1	2					1	3				23
10 Punjab & Sind Bank	2		1												3
11 Dena Bank	4					3									7
12 Bank of Maharashtra	2		1												3
13 Allahabad Bank	3	2	1	1	1	2					1				11
14 Corporation Bank	3	1	2		2	1	3		1						13
15 Indian Bank	3				4		1	2	1						11

16 Indian Overseas Bank	4	2	4	1	6	1	1		2						21
17 Oriental Bk of Commerce	2	1	3			1					2				9
18 Vijaya Bank	2	1	1				1								5
19 Vysya Bank	3	1	1				1	1							7
20 Federal Bank	1	1						2							4
21 UCO Bank	1	1	1		1					1					5
22 Foreign Banks	33	10	16		8	2	4	1	1						75
23 Other Banks	29	3	10		5	2	3	4	1	2					59
Total	179	41	81	7	59	33	33	20	22	4	13	2	1	5	500
Total excluding SBI	166	34	75	4	48	25	25	18	16	4	10	1	0	1	427

Chapter 4 : Summary and Recommendations

4.1 The Reserve Bank of India (RBI) has primary responsibility of compilation and dissemination of balance of payments (BoP) statistics. The foreign exchange transactions reported through R-returns by authorised dealers (ADs) essentially form the basis of compilation of BoP statistics which are disseminated on a quarterly basis with a lag of a quarter. The conceptual framework of compilation of the BoP is consistent with the standard set out in the 5th Edition of the International Monetary Fund (IMF) Balance of Payments Manual (BPM5). During the recent period, however, there has been pressing demand for disaggregated data on the services component of the BoP from international agencies as also from the standpoint of our trade negotiations with the World Trade Organisation (WTO). (Para 1.1)

4.2 Recently, a Manual on Statistics of International Trade in Services (MSITS) has been prepared by the Task Force on Statistics of International Trade in Services. The Extended Balance of Payments Services (EBOPS) classification of transactions between residents and non-residents recommended in MSITS provides information required by the WTO in connection with the GATS agreement. The principal aim of the manual is to meet user needs and to facilitate evaluation of market access opportunities and the assessment of the extent of opening up achieved in specific services and markets. (Para 2.2)

4.3 The Group examined all the components proposed under EBOPS for their relevance. The Group is of the view that while disaggregated information under most of the component would be useful, data on certain components such as space transport, rail transport and inland waterway transport may become relevant in the Indian context at a later date when negotiations on multi-modal transport take place. **The Group, therefore, recommends that the EBOPS components may be adopted with suitable modifications to capture the important items in India's international transactions in services.** (Para 2.4)

4.4 Analysis of the international best practices indicates that most of the countries rely upon well-designed and periodical surveys to garner information on trade in services. **In this regard, the Group recommends that identification of associations, bodies and forums of business, professional and technical services (such as legal, accounting, management, advertising, market research, architectural, engineering, mining, agricultural services**

etc.) for collecting information on the receipts on account of export of various items of services would be desirable to supplement the data obtained through banking source. (Paras 2.7 & 2.8)

4.5 The Group reviewed the extant compilation procedure of BoP statistics in India with an emphasis on disaggregated data on international trade in services. The classification of India's BoP statistics into various accounts and components is done with the help of purpose-wise disaggregated data reported by the critical Authorised Dealers (ADs), essentially banks, through floppy media. (Para 3.1)

4.6 The Group noted that the floppy based data reporting mechanism has worked satisfactorily and has resulted in considerable reduction in time lag in reporting of BoP data. **The Group, therefore, proposes that the floppy based reporting mechanism may be continued with revision of purpose codes to capture disaggregated items of data required for EBOPS.** (Para 3.3)

4.7 The international practices with regard to recording BoP data indicate that most of the countries use a combination of the foreign exchange transactions reported through banking channel and surveys/census to gather the necessary details. The Group feels that as exchange regulations are relaxed over time, it would be increasingly difficult to obtain various disaggregated information from banking channel. Hence, greater reliance would have to be placed on surveys for obtaining various details. **The Group recommends that while the present practice of reliance on bank data and surveys may continue, it would be desirable to strengthen both the channels.** (Paras 3.5 & 3.6)

4.8 The Group noted that the quality of reporting suffers because of large number of small transactions as evident from the past experience. **The Group, therefore, is of the view that there is a need for periodic review of the cut-off limit.** While this process would reduce the reporting burden on the banks, it would enhance the quality of reporting. (Para 3.8)

4.9 The Group noted that the cut-off limit has already been raised to US \$ 10,000 (about Rs. 4.9 lakh at current exchange rates) effective January 2001. The Group is of the view that since the ADs would have to report the value of transactions in Rupees, the prescription

of a cut-off limit in US dollar terms may give rise to ambiguities in terms of cross-currency transaction of value. **The Group, therefore, recommends that for the purpose of data reporting the cut-off limit may be placed at Rs.5,00,000 which is slightly higher than US\$ 10,000 at the current exchange rate. The Group recommends that the RBI should change the survey design to capture purpose/country-wise information for receipts up to Rs.5,00,000 from a representative sample of critical AD branches.** (Para 3.9 & 3.10)

4.10 The Group feels that keeping in view the dynamic nature of trade in services, the coding system should have the desired flexibility to easily accommodate changes from time to time in the ‘purpose’ list. **The Group, therefore, recommends a four-digit coding system with the first two digits representing the main components and the last two digits indicating further disaggregation of the main components. Keeping in view the requirements of EBOPS and the format of the extant reporting mechanism, the Group recommends that disaggregated data may be collected under 15 major purpose groups.** The Group proposes introduction of additional codes for reporting of inter-bank transaction and ADs’ transactions with the RBI (to be entered as a single-entry in a fortnight) to facilitate periodic validation of the data. (Paras 3.13 & 3.14)

4.11 **At the disaggregated level, the Group proposes increase in the number of purpose codes for purchases from 58 to 86 and for sale from 64 to 98.** While the number of codes would increase by 62, the Group feels that the reporting burden on the ADs would not increase as the ADs would be required to provide regular disaggregated data for less number of transactions with the increase in the cut-off limit to Rs.5,00,000. (Para 3.15)

4.13 **The Group recommends that for the purpose of the survey of ‘unclassified receipts’, the selection of critical branches may be based on reporting of non-export receipts of at least Rs.5 crores in a year.** Sample of branches may be drawn separately for “Foreign Currency Receipts” and “Rupee Receipts” as the coverage of purposes under these two categories could be significantly different. These selected AD branches may report purpose-wise details of receipts under Rs.5,00,000 for two days in a fortnight instead of four days as is the current practice for the extant survey. (Para 3.16)

4.14 In view of the revision of the purpose code, the Group also undertook the exercise of revising the [form A2](#). **Notwithstanding the proposed increase in the number of codes**

from 64 to 98, the Group is of the view that the contents of the form A2 should be confined to a single sheet for the convenience of the recording of the information. (Para 3.17)

4.15 The Group is of the opinion that the new reporting mechanism could be facilitated by giving wider publicity so as to sensitise the officials in AD branches working at the operational level. **The Group, therefore, feels that the report of the Group should be published and placed on the RBI website. (Para 3.18)**

4.16 **The Group is of the view that apart from the wide publicity given to the need for detailed statistics on trade in services, the quality of reporting of data would depend significantly on structured training given to the concerned officials of the ADs, who would be operating the software at the branch level or would be training such officials in their respective banks.** For the purpose of training, the Group identified 500 critical AD branches on the basis of volume of transactions as at the end of March 2000. For this purpose the RBI may design an appropriate training programme which could be of duration of two days. (Para 3.19)

4.17 The Group recommends that while the present floppy based reporting mechanism may continue, the critical ADs should be encouraged to report data through e-mail to the RBI to further reduce the time lag of reporting. The Group feels that the AD branches which have become 'non-critical' should be encouraged to continue the reporting of foreign exchange transactions through floppy media. The Group also recommends that the RBI should consider extending the floppy based reporting system to non-critical AD branches. (Para 3.21)