



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/2011-12/5
Master Circular No.5/2011-12
(Updated as on January 31, 2012)

July 01, 2011

To,

All Authorised Dealer Category-I Banks

Madam / Sir,

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

This Master Circular consolidates the existing instructions on the subject of "Memorandum of Instructions for Opening and Maintenance of Rupee/ Foreign Currency Vostro Accounts of Non-resident Exchange Houses" at one place. The list of underlying circulars/ notifications is set out in the Appendix.

2. This Master Circular is issued with a sunset clause. This circular will stand withdrawn on July 01, 2012 and be replaced by an updated Master Circular on the subject.

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge

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PART-A

SECTION I

Operations of Rupee Vostro Accounts of Non-resident Exchange Houses

1. Introduction

Prior approval of the Reserve Bank is required to be obtained by Authorised Dealer Category-I (AD Category-I) banks for opening and maintaining Rupee/ foreign currency vostro accounts in India of non-resident Exchange Houses. The following are the detailed guidelines for opening and maintenance of Rupee/ foreign currency vostro accounts of non-resident Exchange Houses in India.

2. (a) Under the Rupee Drawing Arrangements (RDAs), cross-border inward remittances are received in India through Exchange Houses situated in Gulf countries, Hong Kong, Singapore and ¹Malaysia (for Malaysia only under Speed Remittance Procedure). Prior approval of the Reserve Bank is required for opening and maintaining Rupee vostro accounts of these non-resident Exchange Houses in India. AD Category-I banks should apply to the Reserve Bank in the form provided at **Annex-I** with necessary documents for opening and maintaining in India the Rupee vostro accounts of non – resident Exchange Houses from Gulf countries, Hong Kong, Singapore and Malaysia.

(b) This master circular contains the various provisions pertaining to the opening and maintenance of Rupee Vostro accounts in India of non-resident Exchange Houses.

3. General Instructions

(a) While considering the request of an Exchange House for opening an account in India, the AD Category-I banks concerned should make necessary enquiries about the financial standing of the Exchange House, in accordance with the normal banking practices and satisfy themselves fully in all respects. AD Category-I banks should also ensure that the Exchange Houses hold valid licences issued by the

¹ A.P. (DIR Series) Circular No. 09[A.P.(FL/ RL Series) Circular No. 01] dated August 29, 2011

Local Monetary/ Supervisory Authority concerned and have necessary authority / licence to transact currency exchange/ money transfer business.

(b) The requirement of registration of the Agreement between the AD Category-I banks and Exchange Houses under the Rupee Drawing Arrangement/ Foreign Currency Drawing Arrangement has been made optional. However, such arrangements should be subjected to comprehensive legal documentation and AD Category-I banks should take care of all necessary legal requirements in this regard. Further, it should be ensured that all the partners of the Exchange Houses are jointly and severally bound to honour the obligations devolving on the Exchange Houses under the agreement.

(c) The normal banking requirements of registration of Power of Attorney/ Specimen signatures of signing officials of the Exchange Houses should be observed.

4. Instructions regarding operations in the Rupee vostro accounts

(a) The accounts can be used for channeling cross- border inward remittances into India primarily on private account. The remitter and the beneficiary should be individuals barring a few exceptions. Remittances through Exchange Houses for financing of trade transactions are permitted up to Rs 2,00,000 (Rupees two lakh only) per transaction. ***The accounts should not be used for cross-border outward remittances from India.***

(b) The accounts should run on a credit basis. No overdraft should be granted to the account holders. However, in case of Designated Depository Agency (DDA) procedure, the funds lying in the DDA A/c may be taken into account, if need be. AD Category-I banks shall adopt value dating where on-line debit to Rupee Vostro Account is not possible on a real time basis when any payment is made at drawee branches, to check adequacy of funds and detect concealed overdrafts. However, in such cases, it may be ensured that the drawee branches are networked at the earliest.

(c) Separate Rupee Vostro account shall be maintained for each arrangement. The accounts should be funded by sale of permitted foreign currency to the AD

Category-I bank, which maintains the account. Rupee funds transferred from another AD Category-I bank or from another Vostro account will not be eligible for credit to the account.

(d) Debits of permitted types of inward remittances [vide item 4(a) above] may be allowed freely and given the same status as remittances made in foreign exchange in an approved manner to India. Thus, such payments will be eligible for credit to Non-Resident (External) Rupee Accounts maintained by Non-Resident Indians, or for acceptance under priority allotment, etc. schemes. In order to facilitate tourists (whether Indian or not), receiving remittances through such accounts to prove the external sources of the funds wherever required (such as for payment of passages in India or for re-conversion of unutilised balances), AD Category-I banks may issue certificates in the same form as obtaining for inward remittances received through Rupee accounts of overseas banks.

(e) Funds in such accounts will not be convertible, nor will they be transferable to other AD Category-I banks or to other non-resident accounts maintained with the same AD Category-I bank.

(f) Balances in such accounts will not qualify for payment of interest.

(g) The branch of the AD Category-I bank maintaining the Rupee Vostro account of the Exchange House should not credit to the account, Rupees purchased by the latter unless confirmation is received to the effect that the Nostro account of the AD Category-I bank has been credited with the counter-value in foreign currency (cf. paragraph 3.3.1 of the Guidelines for Internal Control over Foreign Exchange Business, December, 1996).

(h) AD Category-I banks may like to obtain suitable and adequate collateral either in the form of a cash deposit in any convertible foreign currency or guarantee of a bank of international repute, depending on the type of arrangement to take care of the credit and operational risks.

(i) Each tie-up arrangement 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 such arrangements and 300 on the number of such drawee branches has been

prescribed by the Reserve Bank as a prudential measure. However, the restriction on the number of arrangements may be relaxed beyond 20 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. Similarly, AD Category-I banks may designate drawee branches beyond 300, provided such branches are under the 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 and the instructions pertaining to RDA 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 should inform the position to the Reserve Bank, immediately.

SECTION II

Permitted Transactions

Drawing Arrangements with Exchange Houses are primarily designed to channel cross-border inward personal remittances. ***Under no circumstances, donations / contributions to charitable institutions should be routed through the Exchange Houses.*** The following is the list of permissible transactions under Drawing Arrangements with Exchange Houses:

- (i) Credit to Non-resident (External) Rupee accounts maintained by Non-Resident Indians in Indian Rupees.
- (ii) Payments to families of Non-resident Indians.
- (iii) Payments in favour of Insurance companies, Mutual Funds and the Post Master for premia / investments.
- (iv) Payments in favour of bankers for investments in shares, debentures.
- (v) Payment to Co-operative Housing Societies, Government Housing Schemes or Estate Developers for acquisition of residential flats in India in individual names, subject to compliance of regulations applicable thereof, by the Non-resident Indians.
- (vi) Payments of tuition/ boarding, examination fee, etc., to schools, colleges and other educational institutions.
- (vii) Payments to medical institutions and hospitals for medical treatment of NRIs / their dependents and nationals of Gulf Countries in India.
- (viii) Payments to hotels by nationals of Gulf countries / NRIs for their stay.
- (ix) Payments to travel agents for booking of passages of NRIs and their families residing in India towards their travel in India by domestic airlines / rail, etc.
- (x) Trade transactions up to Rs.2,00,000.00 (Rupees Two lakhs only) per transaction.

Note : No cash disbursement of remittances received is allowed under Rupee / Foreign Currency Drawing Arrangements.

SECTION III

Rupee Drawing Arrangement Procedures and Collateral Cover

Rupee Drawing Arrangements can be conducted under the Designated Depository Agency (DDA), Non-Designated Depository Agency (Non-DDA) and Speed Remittance procedures.

1. Designated Depository Agency (DDA) Procedure

(a) The Exchange House will be required to open a bank account in a convertible foreign currency (known as DDA account) in the name of the drawee bank (a/c- Exchange House) with an international bank acceptable to the drawee bank at a centre mutually agreed upon or with the drawee bank itself at the branch where the corresponding Rupee Vostro account is maintained, with the prior approval of the Reserve Bank.

(b) The Exchange House will, at the end of each day, arrive at the total drawings in Indian Rupees for the day and will convert the same into foreign currency which shall be deposited into the account of the drawee bank (a/c-Exchange House) [known as DDA account, as described at 1(a) above] on the next working day before noon.

(c) The Exchange House will send to the drawee bank information about the total number and the aggregate value of drafts drawn and daily deposits in the DDA account. Transfer from the DDA account should be as frequently as possible and is subject to the stipulation as at 1(e) below.

(d) The funds will be held in the DDA account under lien to the drawee bank. The only debits allowed from the DDA account will be (i) on account of transfer to the Nostro account of the drawee bank where the DDA account is maintained with a bank other than the drawee bank, (ii) for crediting the Rupee vostro account of the Exchange House by selling permitted foreign currency to the drawee bank where the DDA account is maintained with the drawee bank.

(e) It will be the responsibility of the Exchange House to arrange for the transfer of the sum collected on any particular day to the DDA account. 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 **five days**.

(f) The interest earned on the amount deposited by the Exchange House with the DDA as provided for at 1 (b) above, up to the date of transfer to the Nostro account of the drawee bank will accrue to the Exchange House.

(g) To ensure compliance of the above, the drawee bank in India will appoint a firm of practising Chartered Accountants/ Auditors, operating in the country concerned to examine the daily drawings and deposits in the accounts with the DDA as well as transfer to the Nostro account of the drawee bank. For this purpose, the Exchange House will undertake to allow the auditors to inspect the books, pay in vouchers, etc., of the Exchange House in so far as they pertain to Rupee drawing arrangement. Such inspections will be done at least once or twice every week by the auditors.

(h) As an alternative to the appointment of auditors as mentioned in paragraph 1(g) above, the AD Category-I bank may depute a suitable official as their representative to the Exchange House to take up such functions so as to safeguard the interests of the AD Category-I bank.

(i) The auditors / representative will promptly report the findings to the drawee bank. In case of default on the part of the Exchange House, the drawee bank will as per terms and conditions of agreement, terminate the agency arrangement under notice to the Exchange House. The termination will also be promptly reported to the Reserve Bank.

(j) So long as the Exchange House complies with the guidelines, the drawee bank will ensure that the drafts issued are honoured at the branches mutually agreed to.

(k) The remuneration payable to the auditors will be borne by the drawee banks.

(l) Drafts drawn by the Exchange House should have a validity of only **three months** from the date of issue thereof.

(m) AD Category-I banks should satisfy themselves that the books of accounts of Exchange Houses are regularly audited by auditors approved by the local supervisory authorities.

(n) AD Category-I banks should call for periodical credit reports, audited balance sheet and profit and loss account of the Exchange House and other relevant information so as to take a decision regarding continuance of accounts in their books.

(o) Valid copies of all licences should also be kept on record by the AD Category-I bank.

(p) Since the books of accounts of the Exchange House cannot be inspected, AD Category-I banks should periodically review the arrangement by paying visits to the Exchange Houses and / or by periodical review of opinion reports. The visits of officials from AD Category-I banks should be at a sufficiently senior level, who are fully conversant with the conduct of the Non-resident Rupee Accounts of the Exchange Houses.

(q) Collateral Cover for DDA : For Exchange Houses which have not completed three years of operation, collateral cover in cash deposit in any convertible foreign currency or guarantee from a bank of international repute equivalent to 7 days' projected drawings may be obtained. For Exchange Houses which have completed three years of successful operations, no collateral is prescribed. However, AD Category-I banks may secure their position by acquiring adequate collateral cover. Cash deposit in any convertible foreign currency or a guarantee from a bank of international repute equivalent to 15 days' estimated drawings may be obtained as collateral cover where it is not possible to appoint auditors as mentioned at 1(g) above. The deposit should be in the name of the AD Category-I bank with interest thereon at market related rates payable to the Exchange House placing the deposits. The amount of deposit and guarantee should be periodically reviewed and properly monitored by the AD Category-I banks to ensure that the collateral covers adequately the drawings.

2. Non- DDA procedure

(a) As an alternative to maintaining a DDA account and appointment of auditors as above, the AD Category-I banks may opt for the Non-DDA procedure.

(b) Under Non – DDA procedure, the Exchange House funds their vostro account with the AD Category-I banks by purchasing rupees from the AD Category-I banks against USD for the total of drafts issued by them at periodic intervals and sends weekly statements of drawing and funding to the AD Category-I banks.

(c) Collateral Cover for Non-DDA : For Exchange Houses which have not completed three years of operation, collateral cover in cash deposit in any convertible foreign currency or guarantee from a bank of international repute equivalent to 7 days' projected drawings may be obtained. For Exchange Houses which have completed three years of successful operations, no collateral is prescribed. Further, under Non-DDA arrangement, a collateral cover in cash deposit in any convertible foreign currency or guarantee from a bank of international repute equivalent to 10 days' projected drawings may be obtained from Exchange Houses. In addition to the above, if there is a restriction on the bank's right to depute its own staff for examination of books of the Exchange House, as was in case of Exchange Houses in Kuwait, additional cash deposit in any convertible foreign currency / guarantee from a bank of international repute equivalent to 15 days' estimated drawings may be obtained. The deposit should be in the name of the AD Category-I bank with interest thereon at market related rates payable to the Exchange House placing the deposits. The amount of deposit and guarantee should be periodically reviewed and properly monitored by the AD Category-I banks to ensure that the collateral adequately covers the drawings and account for the pipeline debits evaluated.

3. Speed Remittance Procedure

(a) AD Category-I banks are permitted to enter into RDA under speed remittance procedure wherein:

(i) The Exchange House sends payment instructions with complete details like name, address, etc., via SWIFT or internet.

- (ii) The Exchange House funds the Rupee account through the Nostro account of the AD Category-I bank well in advance before issuing payment instructions.
 - (iii) On verification of data and availability of balances in the Vostro account of the exchange house the AD Category-I bank issues drafts in favour of the beneficiary or credits the account of the beneficiary.
 - (iv) The Exchange House shall address all payment instructions to the account holding branch of the AD Category-I bank irrespective of the beneficiaries' centre.
 - (v) The branch shall make no payment unless clear funds are available in the account.
 - (vi) The AD Category-I bank shall obtain date-wise information regarding number and aggregate value of such transfers from the Exchange House.
 - (vii) Where facility of speed remittance is extended to existing Rupee drawing arrangements, the Exchange House shall open a separate Rupee account with the prior approval of the Reserve Bank and no payment instructions shall be executed unless there are clear funds available in this account. However, where the operations in the existing Rupee drawing arrangements under DDA/ Non-DDA procedure are satisfactory, AD Category-I banks can extend the facility of speed remittance to the same Exchange House without prior approval of the Reserve Bank, subject to usual terms and conditions and after obtaining all the necessary documents from the Exchange House. However, the Reserve Bank should be informed in the matter immediately.
- (b) Collateral Cover for Speed Remittance Arrangement: For Exchange Houses, which have not completed three years of operation, collateral cover in cash deposit in any convertible foreign currency or guarantee from a bank of international repute equivalent to 7 days' projected drawings may be obtained. For Exchange Houses, which have completed three years of successful operations, no collateral is

prescribed. Further, the Exchange House shall keep with the AD Category-I bank an additional cash deposit in any convertible foreign currency or guarantee from a bank of international repute equivalent to 1 day's estimated drawings. The deposit should be in the name of the AD Category-I bank with interest thereon at market related rates payable to the Exchange House placing the deposits. The amount of deposit and guarantee should be periodically reviewed and properly monitored by the AD Category-I banks.

SECTION IV

Foreign Currency Drawing Arrangements

AD Category-I banks may enter into foreign currency drawing arrangements under DDA or Non-DDA procedure with those Exchange Houses with whom they have Rupee Drawing Arrangements (RDAs), with prior approval of the Reserve Bank, subject to the following conditions :-

- (a) Exchange Houses shall draw drafts in any convertible foreign currency on 'A' or 'B' category branches of AD Category-I bank. No 'C' category branch is allowed to participate in the arrangement.
- (b) The foreign currency drawing arrangement shall be kept distinct from the Rupee drawing arrangement.
- (c) A separate foreign currency vostro account of the Exchange House shall be opened with the account maintaining branch. Payment of such drafts shall be made by debit to this account maintained by the Exchange House and not to the Nostro Account of the AD Category-I bank.
- (d) The aggregate amount of drafts drawn in foreign currency by the Exchange House on any day should be credited to the Nostro Account of the drawee bank latest by close of business on the second working day.
- (e) The account maintaining branch of the drawee AD Category-I bank should credit foreign currency vostro account of the Exchange House on receipt of confirmation regarding credit to their nostro account.
- (f) AD Category-I banks should ensure that foreign currency accounts are funded at all times.
- (g) If the arrangement is under the Non-DDA procedure, the Exchange House should communicate to the account maintaining branch by any electronic mode, the number and aggregate value of drafts drawn in foreign currency before close of the following working day. Under DDA procedure, such information may be obtained frequently, at least on a bi-weekly basis.

(h) Collateral cover : Exchange Houses should keep a deposit of not less than USD 50,000 with the drawee AD Category-I bank. Adequacy of quantum of deposit kept with the bank should be reviewed every six months on the basis of operations under this arrangement and if necessary the Exchange House should increase the quantum of the deposit. AD Category-I banks should allow interest on this deposit at an appropriate rate.

(i) AD Category-I banks are allowed to keep the amount of deposit required to be kept under foreign currency draft drawing arrangements and Non-DDA procedure of Rupee Drawing Arrangement in India with the Account maintaining branch.

SECTION V

Miscellaneous Provisions

1. AD Category-I banks should adhere to the Know Your Customer (KYC)/ Anti Money Laundering (AML) / Combating the Financing of Terrorism (CFT) Guidelines issued by the Reserve Bank, while undertaking any transaction under Rupee/ Foreign Currency Drawing Arrangements, as applicable.
2. AD Category-I banks should include in their concurrent audit the Rupee/ Foreign Currency Drawing Arrangement to ensure that credit of funds to the vostro account of the Exchange House takes place before payments are made to the beneficiaries.
3. AD Category-I banks should undertake a 'due diligence' exercise in respect of remittances received through Rupee/ Foreign Currency Drawing Arrangements so that regulations relating to anti-money laundering standards are complied with scrupulously. AD Category-I banks should call for an annual compliance report from the Exchange Houses duly certified by their auditors that they are adhering to the home country KYC/ AML/ CFT regulations.
4. AD Category-I banks should keep the Reserve Bank informed of the unusual feature(s) in the operations of the Rupee/ Foreign Currency Drawing Arrangement by exercising constant vigil in the matter.
5. AD Category-I banks shall ensure that licences of the Exchange Houses, which have expired are renewed and copies of authenticated English versions placed with them for their record.
6. The Exchange Houses should not enter into any arrangement with service providers for their back office operations in India such as issuance of drawing advices and stop payment instructions on their behalf and AD Category-I banks should not act on the instructions of such service providers. However, Exchange Houses can establish liaison offices in India and back office operations in India and activities such as printing of drafts, issuance of drawing advices and stop payment instructions can be undertaken by the liaison offices in India with the prior approval of the Reserve Bank.

7. AD Category-I banks should obtain approval of the Reserve Bank for maintaining accounts of Exchange Houses whose name and constitution, etc., undergo changes.

SECTION VI

Internal Control and Monitoring of Accounts

1. AD Category-I banks should put in place adequate internal controls and a system of monitoring of accounts as per the extant instructions. Dealings with Exchange Houses should be strictly on credit basis at all times and no overdraft should be granted to the account holders.

2. **Self-inspection of the vostro accounts of Exchange Houses** : AD Category-I banks are required to cause inspection of the vostro accounts of Exchange Houses on a half-yearly basis through experienced officers. The inspection reports should be carefully gone through by the competent authorities in AD Category-I banks so that prompt corrective action is initiated. Observations thereon shall be included in the annual review of the accounts submitted to the Board.

PART-B

Reports / Statements

1. **Statement A** : This statement (**as at Annex-II**) is designed to elicit details of operations in Rupee/ foreign currency vostro accounts of Exchange Houses and has to be prepared every month Exchange House-wise. This statement should be critically examined to ascertain whether funds held in the account are adequate to cover estimated pipeline debits. The Top Managements of the ADs Category-I may work out the pipeline data and set their own limits. The adherence to the limits set should be informed to the Top Management on a quarterly basis.

2. **Statement B** : This is a consolidated half-yearly statement (**as at Annex-III**) showing position of Rupee/ foreign currency vostro accounts of Exchange Houses which are to be closed/ are in the process of closure.

3. **Statement C** : This is a monthly statement (**as at Annex- IV**) giving information regarding Exchange House's account held at overseas branches of Indian banks under DDA/ Non-DDA procedures for holding collection proceeds and additional collaterals.

4. **Statement D** : This monthly statement (**as at Annex- V**) provides information about operations in the foreign currency vostro account of the Exchange House.

Note - While statements A to D are not required to be submitted to the Reserve Bank, ADs Category-I should prepare these statements and cause inspections at the prescribed periodicities. The relative statements/ reports should invariably be submitted to their respective Top Managements with suitable explanatory notes indicating corrective measures taken/ being initiated wherever necessary.

5. **Statement E** : This statement (**as at Annex- VI**) is designed to collect statistical information on total remittances received every quarter and the growth of business. This quarterly statement is required to be submitted to the Chief General Manager in-charge, Reserve Bank of India, Foreign Exchange Department, Central

Office, Forex Markets Division, Mumbai- 400001 before 15th of the succeeding month to which the quarter relates.

6. **Annual Review** : AD Category-I banks should submit to the Chief General Manager-in-Charge, Reserve Bank of India, Foreign Exchange Department, Central Office, Forex Markets Division, Mumbai- 400001 by 30th June every year an annual review note covering the period January 1 to December 31 of the previous year, on the vostro accounts of the Exchange Houses maintained by them under the Rupee/ Foreign Currency Drawing Arrangements (RDAs/ FcyDAs) duly approved by their Board. The Review Note should cover various aspects like (a) credit-worthiness of the Exchange House (based on financial statements and market reports), (b) validity of licences of Exchange Houses and compliance of home country KYC/ AML /CFT Guidelines by Exchange Houses (c) financial losses suffered if any by the AD category –I bank on account of transactions, events, disputes, etc., (d) business turnover separately under each arrangement, (e) funding arrangements in respect of vostro accounts, (f) half-yearly inspection of the account of the Exchange House, (g) supervision (system in vogue to monitor operations in the account), (h) internal control and risk management system, (i) overdrafts and interest collected. An extract of directions, if any issued by the Board should be forwarded to the Reserve Bank along with the Annual Review note. While submitting the annual review note, the particulars such as (a) complete particulars of Drawing Arrangements (DDA/ Non-DDA / Speed Remittance) that the AD Category-I banks have with Exchange Houses with the date of approval by RBI and opening of the vostro accounts (b) dates of termination of Drawing Arrangements, if any (including Drawing Arrangements which could not be concluded), and (c) number of drawee branches under each arrangement should be included.

Annex- I
[See SECTION I , Paragraph 2(a)]

Application for obtaining permission to enter into Rupee / Foreign Currency Drawing Arrangements with Exchange Houses

(a) The application for obtaining permission to enter into Rupee / Foreign Currency Drawing Arrangements with Exchange Houses should be completed and submitted in the prescribed format (given below), to the Chief General Manager-In-Charge, Foreign Exchange Department, Forex Markets Division, Reserve Bank of India, Central Office, Mumbai- 400001. The application should be signed by the General Manager (or an officer of equivalent rank), International Banking Division/ Foreign Department of the applicant AD Category-I bank.

(b) Documentation :

AD Category-I banks should submit the following documents along with the application:

- (i) Certified copy of the licence (English version) issued by the Central Bank/ any other Supervisory Authority of the country where the Exchange House is situated.
- (ii) Certified copy/ ies of licence(s) issued by Municipal Authorities and / or any other Government regulatory/ controlling authority in the country of the Exchange House. (applicable to the Exchange Houses in U.A.E.)
- (iii) A Certificate from a Chartered Accountant, regarding compliance with Know Your Customer/Anti Money Laundering/Combating the Financing of Terrorism norms in the home country by the Exchange House.
- (iv) Certified copies of confidential opinion/ report recorded by (a) Embassy of India in the country concerned and (b) two bankers of the Exchange House.
- (v) Audited Balance Sheets and Profit and Loss Account Statements of the Exchange House for the previous three years.
- (vi) Copy of the Board Resolution of the AD Category-I bank for entering into the arrangement.
- (vii) Copy of letter from the Exchange House regarding the proposal to enter into the Rupee/ Foreign Currency Drawing Arrangement along with the provision of collateral, wherever necessary.

Part I- Particulars of the applicant bank and its existing arrangement(s), if any

1.	Name of the applicant bank	
2.	Existing arrangements(s) (i) Name of Exchange House (EH) (ii) Since (iii) No. of drawee branches (iv) Business turnover for the previous three calendar years	
3(a)	Details of branches having multiple EH drawing arrangements	
3(b)	Furnish comments with regard to adequacy of internal control systems put in place at those branches. (Attach a sheet if necessary)	
4.	Financial losses sustained if any during last five years (April-March) (i) Year (ii) Name of the EH (iii) Amount of loss (iv) Particulars of loss (v) Ref. Nos. and dates lodged with RBI and RBI's permission to write off	
5.	Financial disputes if any with EH(s) pending settlement (i) Name of EH (ii) Expected amount of loss (iii) Particulars of loss (iv) Ref. No. & dated of report lodged with RBI	
6.	Furnish an EH-wise summary of the major irregularities observed in the existing drawing arrangements during inspections by Internal Auditors, RBI Inspectors as also Overseas Auditors indicating the corrective measures initiated by the bank.	

Part II- Particulars of the Exchange House for the proposed drawing arrangement

1(a)	Name and address of the Exchange House with which the bank proposes to enter into RDA	
(b)	Date of establishment of the EH	
(c)	Furnish details of other Group companies of EH viz. name, management control, financial means and standing, etc.	
2(a)	Whether the EH has operative RDA with any other bank in India?	
(b)	If yes, state the name/s of the bank/s	
3.	<p>Furnish details of the management structure of the EH:</p> <p>(a) Status of EH (company, firm, joint-ventures, etc.)</p> <p>(b) With whom the management vests</p> <p>(c) Name, nationality and line of business of the promoters of the EH</p> <p>(d) Capital holding pattern</p> <p>(e) Whether the applicant bank will have any investment in EH? Furnish complete details</p> <p>(f) Whether the applicant bank will have any role in management of EH.? Furnish details</p>	
4.	Profit earned/loss sustained by the EH during the previous three calendar years	
5.	<p>Particulars of licence issued by the Central Bank/ Supervisory Authority of the country concerned :</p> <p>a) Licence No</p> <p>b) Date of issue</p> <p>c) Validity period</p> <p>d) Special conditions, if any</p>	
6.	Particulars of licences issued by Municipal Authorities	

	and/or any other Government regulatory/ controlling authority (Applicable to EHs in UAE) a) Licence No b) Date of issue c) Validity period d) Special conditions if any	
7.	Confidential opinion in brief recorded by a) Embassy of India in the country b) Bankers of the EH i) ----- Name of the banker ii) ----- Name of the banker	
8.	Is the applicant bank fully satisfied about a) the competence of the company/firm/people managing the EH b) the financial strength of the shareholders of the EH c) the financial strength of the EH d) the internal control systems operating in EH with regard to issue of drafts?	
9.	Furnish details of collateral arrangements negotiated with the EH (viz.. amount of deposit, bank guarantee, etc.) and the justification thereof	

Part III- Details of the proposed arrangement

1.	Details/description of proposed arrangement	
2(a)	Reasons for entering into RDA	
(b)	Projections of business turnover (quantify monthly projections)	
3.	The procedure under which the proposed RDA will be conducted (DDA/Non-DDA/Speed)	
4.	Name and address of the account maintaining Branch	
5.	No of drawee branches to be included in the proposed RDA	

6.	Whether EH is prepared to provide additional collateral cover equivalent to 7 days' projected drawings? (Applicable to EHs which have not completed three years of its operations)	
7.	Any other information which the bank wishes to furnish in support of this application	

We hereby certify that –

i) the proposed arrangement with..... has been considered by us carefully taking into account the means and standing of the aforesaid EH and we are fully satisfied about the credentials and competence of the persons / firms / companies associated with the EH.

(ii) our branches already having DD drawing arrangements with other EH(s) and which are now proposed to be covered under the proposed arrangement with the above EH viz..... have sufficient expertise to handle business emanating from one more EH.

iii) We have put in place adequate internal control and risk management system which are working satisfactorily.

iv) The particulars given above are true and correct to the best of our knowledge and belief.

()
General Manager
Address

Place

Date

Annex-II

[See PART B , Paragraph 1]

Statement A

Name of the Authorised Dealer Category-I :

Full address :

Name of the Exchange House:

Particulars of operations in the account in the month of

1. Opening balance in the account (Cr/Dr) at the start of _____:_____

2. Total credits during the month :_____

3. Total debits during the month :_____

4. Closing balance (Cr/Dr) as on _____ :_____

5. Estimated value of pipeline debits :_____

(average 15 days drawings determined by progressive annual debit summations or by item No.3 above, whichever estimate is higher)

5 a. The amount of actual payments made by the principal encashing branches/offices during the last one week (for adding to estimated pipeline) :_____

6. Funds held abroad as collateral by the bank or under DDA procedure. :_____

7. Surplus /deficit in balances/collaterals in the account to cover item No.5 :_____

8. State amount of counter-value foreign currency recovered from the Exchange House against each specific foreign credit afforded to the account during the month corresponding to the sale of Rupees made by the bank to the Exchange House	: Date	Amount of foreign currency recovered
--	--------	--------------------------------------

A) All payment advices received during the month from our paying branches have been taken into account for raising debits in the Rupee accounts of the Exchange House.

B) We have received confirmation from our Nostro account maintaining banks abroad for having credited counter value (foreign currency) funds to our Nostro account before crediting Rupee funds to the account of the Exchange House.

C) We confirm that the Rupee accounts of the Exchange Houses are conducted strictly in accordance with the guidelines issued by RBI and in terms of the relative agreements with the Exchange Houses concerned.

D) Copy of the statement has been sent to the General Manager-in-charge, Foreign correspondent relationship and department / Officer in Charge, Nostro Account of our bank.

E) We confirm that we have not received any adverse report / warning signals from the General Manager of our International Department whose accounts are maintained by us at the time of submitting the statement.

Statement countersigned by certifying that it has been internally reviewed in the bank and the conduct of the account is considered satisfactory.

Chief Manager of the Account
Maintaining Branch

Signature of the General Manager-in-Charge of
International Division /International Operations
in the bank.

Annex- III

[See PART B , Paragraph 2]

Statement B

Consolidated statement of position of Exchange Houses' accounts to be closed/ under closure (to be submitted by the Account maintaining office through the International Division)

Sr. No.	Name of the Exchange House	Centre/ Country	Opening balance in the account	Credits if any, during the month	Debits if any, during the month	Closing balance	Any collateral	Any other liability detected	When the account is likely to be closed	Remarks (i.e. brief resume of correspondence to effect closure of the account and item in Col. 8)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.

(a) Notice has been issued to all Exchange Houses regarding closure of the account.

(b) There are no pipeline debits or items of recovery in respect of the above accounts save for what is stated in the Column No. 9.

(c) The transactions in the accounts which are still operated are explained separately in the annexure under title name of each Exchange House (An explanatory remark sheet may be attached for the purpose).

(d) The following accounts reflected above were closed during the month under review.

Chief Manager of
Account Maintaining
Branch

Statement countersigned certifying that all the accounts reported above are under the concerned Exchange Houses have been duly suspended and closure of the accounts is being followed up.

General Manager-in-Charge of International Division/
International Operations in the AD Category-I

Annex- V

[See PART B , Paragraph 4]

Statement D

Name of the AD Category-I : _____ No. of drawee branches : ____

Full Address : _____ Type of Account : _____
RBI Approval No. and date : _____

Name of the Exchange House : _____

Particulars of operations in the Account during the month of _____

Sr. No.	Particulars	(Amount in USD)	(Amount in GBP)
1.	Opening balance in the account (Cr/ Dr) at the start of the month to which the statement relates		
2.	Total credits during the month		
3.	Total debits during the month		
4.	Closing balance (Cr/ Dr) as on-----		
5.	Estimated value of pipeline debits (Average 15 days drawings determined by progressing annual debit summations or by item 3 above, whichever estimate is higher)		
5 (a)	The amount of actual payments made by the principal encashing branches/ offices during the last one week (for adding to estimated pipeline)		
6.	Funds held abroad either as collateral by the bank or under procedure		
7.	Surplus/ deficit in balance (s)/ collaterals in the account to cover item 5		

8(a) All payment advices received during the month from our paying branches have been taken into account for raising debits in the USD/ GBP accounts of Exchange House.

(b) We confirm that the USD/ GBP accounts of Exchange Houses are conducted strictly in accordance with the guidelines issued by RBI and in terms of the relative agreements with the Exchange Houses concerned.

(c) Copy of the statement has been sent to the General Manager-in-Charge foreign correspondent relationship and Department/ Office-in-Charge- Nostro account of our bank.

(d) We confirm that we have not received any adverse report/ warning signals from the General Manager of our International Department about the Exchange House whose accounts are maintained by us at the time of filing the statement to RBI.

Chief Manager of
Account Maintaining
Branch

Statement countersigned certifying that
it has been internally reviewed in the
bank and that the conduct is considered
satisfactory.

Signature of the General Manager-in-Charge of
International Division/ International Operations of the AD Category-I

Annex- VI
[See PART B , Paragraph 5]

Statement E

Statement showing inflows of foreign currency through Exchange Houses during the quarter ended _____

(Amount in US Dollars)

Sl. No.	Name of Exchange House and country	No. of branches covered	Foreign currency received during last year ended December	Inflows of foreign currency during current year				Growth(+)/ deceleration (-) between last quarter and the quarter under report (%)	Out flow foreign currency (amount)
				Jan-Mar	April-June	Jul-Sept.	Oct-Dec		
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.

Notes:(a) In columns (5) to (8) inflows during the relevant quarter may be shown for the period beginning from the month of January each year. Just below these figures, please furnish in brackets data for the corresponding period of the previous year. The data in respect of Drawing Arrangements should cover inflow of funds both through RDA and Foreign Currency Drawing Arrangement.

(b) Foreign currency should be shown in US dollars only.

(c) Furnish amount (+) or (-) accompanied by an expression in percentage terms in column (9).

(d) This statement should be signed by Chief of International Banking Department / Division of the Bank at Head Office, but not less than the grade of a DGM.

(e) Please attach separate sheets furnishing details of deviations from the requirements as per declaration at Sr.no. (c), (f), (g), (h), (i) and (j) of Para 1 of SECTION III wherever necessary.

Please also indicate the corrective action taken and the current status.

We hereby certify that

i) The above information has been compiled with reference to actuals and excludes the transactions in the pipeline.

ii) The number of branches covered has increased from _____ to _____ since the submission of the last statement in view of the following reasons:

iii) The growth/deceleration in the inflows of foreign currency is due to the following reasons:

iv) The outflows reported above are on account of _____ and have the approval of RBI vide its letter No. _____ dated _____.

v) The above accounts had all through in credit balances during the quarter under report.

vi) Funds in the accounts were sufficient to cover estimated pipeline transactions.

vii) Our overseas branches have not extended any line of credit / advances to above/ any of the above exchange houses

viii) We are regularly submitting the statements 'A', 'B', 'C', and 'D', as at Annex- II, Annex-III, Annex-IV and Annex-V, respectively to the top management.

ix) We have not come across any adverse features about operations in the account of the above / any of the above exchange houses and / or the Rupee and/ or Foreign Currency Drawing arrangement with these Exchange Houses:

x) We are keeping a close watch on the means and financial standing of the above exchange houses(s) and as on the date of this report we have no adverse observations on record with us to report to the Reserve Bank.

Name of the bank

Address

Date

Signature

Name

Designation

Appendix

List of A.P.(DIR Series) Circulars which have been consolidated in the Master Circular on Memorandum of Instructions governing money changing activities

Sl. No.	Notification/ Circular	Date
1.	A.P. (DIR Series) Circular No. 28 [A.P.(FL/ RL Series) Circular No. 02]	February 6, 2008
2.	A.P. (DIR Series) Circular No.11 [A.P.(FL/ RL Series) Circular No. 01]	August 22, 2008
3.	A.P. (DIR Series) Circular No.37 [A.P.(FL/ RL Series) Circular No. 02]	December 2, 2008
4.	A.P. (DIR Series) Circular No. 16 [A.P.(FL/ RL Series) Circular No. 3]	November 27, 2009
5.	A.P. (DIR Series) Circular No. 09 [A.P.(FL/ RL Series) Circular No. 01]	August 29, 2011