

**RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001**

A.P.(DIR Series) Circular No.43
A.P.(FL/RL Series) Circular No.1

November 12, 2002

To

All Authorised Persons in Foreign Exchange

Madam / Sirs,

Memorandum of Instructions to Authorised Money Changers (AMCs)

Attention of the Full Fledged Money Changers (FFMCs) and Restricted Money Changers (RMCs) is invited to the Memorandum FLM and Memorandum RLM containing the procedural instructions issued to FFMCs and RMCs respectively.

2. The Reserve Bank has now brought out the Memorandum of Instructions to Authorised Money Changers (AMCs) i.e. Full Fledged Money Changers and Restricted Money Changers, containing procedural instructions issued to authorised money changers, for adherence while undertaking money changing transactions. A copy of the Memorandum AMC is enclosed.
3. The directions contained in the Memorandum AMC, supercede the instructions contained in the existing Memorandum FLM/RLM issued in June 1999, as amended from time to time.
4. FFMCs/RMCs may, however, continue to maintain the same set of books/registers as hitherto. A revised FLM 8 designed to capture data relating to purchases from franchisees is at Annexure.
5. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.
6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager

ANNEXURE

[A.P.(DIR Series) Circular No.43
dated November 12, 2002]

FLM 8

**Summary statement of purchases and sale
of foreign currency notes during the month
of....., 200**

**Name and address
of money changer** **RBI Licence No.** _____

	US \$	£	EURO	JY etc.
A. Opening balance				
Purchase of foreign currency notes from				
(a) Public				
(b) RMCs/FFMCs/Ads including imports				
(c) Franchisees				
B. Total Purchases [(a) + (b) + (c)]				
Sales of foreign currency notes under				
(a) BTQ				
(b) Business Visits				
(c) Sales to other FFMCs/ADs including exports				
C. Total Sales [(a) + (b) + (c)]				
Closing balance (A + B – C)				

We hereby certify that the statement is a true account of all transactions undertaken during the month in accordance with the Exchange Control Regulations.

Place :

(Signature of Authorised Official)

Stamp

Date :

Name : _____

Designation ; _____

AMC

MEMORANDUM OF INSTRUCTIONS TO AUTHORISED MONEY-CHANGERS

General

1. Authorised Money Changers (AMCs) are entities licensed by the Reserve Bank under Section 10 of the Foreign Exchange Management Act, 1999. An AMC may either be a Full Fledged Money Changer (FFMC) or a Restricted Money Changer (RMC). FFMCs are authorised to purchase foreign exchange from residents and non-residents visiting India, and to sell foreign exchange for certain approved purposes. RMCs are authorised only to purchase foreign exchange from residents and non-residents. FFMCs may appoint franchisees to undertake purchase of foreign currency as per the Scheme announced by the Reserve Bank. A copy of the Scheme is given in the Annexure.

Note:- RMCs and franchisees of FFMCs functioning within 10 kms from the borders of Pakistan and Bangladesh may also sell the currency of the bordering country, with the prior approval of the Reserve Bank.

2. Scope of Memorandum

(i) This Memorandum contains directions which AMCs should strictly observe in their dealings. Amendments to the Memorandum will be circulated in the form of A.M.(F.L.Series) circulars.

(ii) Directions contained in this Memorandum have been issued under Section 11(1) of Foreign Exchange Management Act 1999(42of1999).

3. Bringing in and taking out of Foreign Exchange

(i) Foreign exchange in any form can be brought into India freely without limit provided it is declared on the Currency Declaration Form (CDF) on arrival to the Custom Authorities. When foreign exchange brought in the form of currency notes or travellers cheques does not exceed US\$ 10,000/- or its equivalent and/or the value of foreign currency notes does not exceed US\$ 5000/- or its equivalent, declaration thereof on CDF is not insisted upon.

(ii) Taking out foreign exchange in any form, other than foreign exchange obtained from an authorised dealer or a money changer is prohibited unless it is covered by a general or special permission of Reserve Bank. Non-residents, however have general permission to take out an amount not exceeding the amount originally brought in by them subject to compliance with the provisions of sub-para (i) above.

4. Purchases of Foreign Currency from Public

(i) AMCs/franchisees may freely purchase foreign currency notes, coins and travellers cheques from residents as well as non-residents. Production of passport need be insisted upon only while encashing travellers cheques tendered by non-residents. Where the foreign currency was brought in by declaring on form CDF, the tenderer should be asked to produce

the same. The production of the form may, however, be waived if for any reason, the tenderer is unable to produce it.

(ii) AMC's may sell Indian rupees to foreign tourists/visitors against International Credit Cards and take prompt steps to obtain reimbursement through normal banking channels.

5. Encashment Certificate

(a) AMC's may issue certificate of encashment when asked for in cases of purchases from the public. These certificates bearing authorised signatures should be issued on the letter head of the money-changer and proper record maintained.

(b) In cases where encashment certificate is not issued, attention of the customers should be drawn to the fact that unspent local currency held by non-residents will be allowed to be converted into foreign currency only against production of a valid encashment certificate.

6. Purchases from other FFMCs and Authorised Dealers

FFMCs may purchase from other FFMCs, RMCs and authorised dealers any foreign currency notes, coins and encash travellers cheques tendered in the normal course of business. Rupee equivalent of the amount of foreign exchange purchases should be paid only by way of crossed account payee cheque/Demand Draft.

7. Sale of foreign exchange

(I) Private Visits

FFMCs may sell exchange upto the prescribed ceiling in the form of foreign currency notes/coins and travellers cheques to eligible resident Indian citizens for undertaking one or more private visits to any country abroad (except Nepal and Bhutan). Exchange for such visits may be released on the basis of declaration given by the traveller regarding the amount of foreign exchange availed of during a calendar year. Foreign nationals permanently resident in India are also eligible to avail of this quota for private visits provided the applicant is not availing of facilities for remittance of his salary, savings etc. abroad in terms of the existing Exchange Control regulations.

(II) Business visits :

FFMCs may sell exchange in the form of foreign currency notes/coins and traveller cheques to eligible travellers for business travel or for attending conference or specialised training.

Quantum of Exchange :

Amount prescribed by Reserve Bank from time to time.

Conditions

- (i) The sale of foreign exchange should be made only on personal application and identification. While issuing travellers' cheques, the condition for issue stipulated by the issuing company should be scrupulously observed and acknowledgement for receipt of travellers cheques duly obtained.
- (ii) Payment in excess of Rs.50,000/- towards foreign exchange sold should be received only by account payee cheque/demand draft. For this purpose, sales in instalments, should be reckoned as a single drawal for the journey.
- (iii) The sale of foreign currency/notes and coins within the overall entitlement of foreign exchange, should be restricted to the limits prescribed by Reserve Bank from time to time.

8. Sales against Reconversion of Indian Currency

FFMCs may convert into foreign currency, unspent Indian currency held by non-residents at the time of their departure from India, provided a valid Encashment Certificate is produced. .

Note : FFMCs may convert at their discretion, unspent Indian currency up to Rs.10,000 in the possession of non-residents if, for bonafide reasons, the person is unable to produce an Encashment Certificate after ensuring that the departure is scheduled to take place within the following seven days..

9. Cash Memo

FFMCs may issue a cash memo ,if asked for, on official letterhead to travellers to whom foreign currency is sold by them. The cash memo may be required for production to emigration authorities while leaving the country.

10. Rates of Exchange

AMCs may put through transactions relating to foreign currency notes and travellers cheques at rates of exchange determined by market conditions.

11. Display of Exchange Rate Chart

AMCs should display at a prominent place in or near the public counter, a chart indicating the rates for purchase/sale of foreign currency notes and travellers cheques.

12. Foreign Currency Balances

- (i) FFMCs should keep balances in foreign currencies at reasonable level and avoid build up of idle balances with a view to speculating on currency movements.
- (ii) RMCs/franchisees should surrender collection of foreign currency notes, coins and travellers cheques to an authorised dealer or to a FFMC within seven working days.

- (iii) The transactions between authorised dealers, FFMCs and RMCs should, however, be settled by way of account payee crossed cheques/demand drafts. Under no circumstances should settlement be made in cash.

13. Replenishment of Foreign currency Balances

(i) FFMCs may obtain their normal business requirements of foreign currency notes from other AMC's (including RMCs)/authorised dealers in foreign exchange in India, against payment in rupees made by way of account payee crossed cheque/Demand Draft.

(ii) Where FFMCs are unable to replenish their stock in this manner, they may make an application to the Central Office, Reserve Bank through an authorised dealer for permission to import foreign currency into India. The import should take place through the designated authorised dealer through whom the application is made.

14. Export/Disposal of surplus Foreign Currency Notes/Travellers Cheques

FFMCs may export surplus foreign currency notes/encashed travellers cheques to an overseas bank through the medium of designated authorised dealer in foreign exchange for realisation of the value through the latter. FFMCs may also export surplus foreign currency to private money changers abroad subject to the condition that either the realisable value is credited in advance to the A.D.'s nostro account or a bank guarantee is issued by an international bank of repute covering the full amount of the foreign currency notes/coins to be exported.

15. Write-off of fake foreign currency notes

In the event of foreign currency notes purchased being found fake/forged subsequently, AMC's may write-off upto USD 2000 per year after approval of their Top Management after exhausting all available options for recovery of the amount. Any write-off in excess of the above amount, would require the approval of the concerned Regional Office of the Reserve Bank.

16. Registers and Books of Accounts of Money-changing Business

- (i) AMC's shall maintain such registers and books of account as prescribed by the Reserve Bank from time to time
- (ii) All registers and books should be kept up-to-date, cross-checked and balances verified daily.
- (iii) Transactions not pertaining to money-changing business of the AMC should not be mixed up with money-changing transactions. In other words, the registers and books of accounts should show clearly the trail of transactions pertaining to money-changing business.
- (iv) Separate registers should be maintained for each establishment, if the AMC maintains more than one place of business.

17. Submission of Statement to Reserve Bank

- (i) FFMCs should submit to the office of Reserve Bank which has issued the licence/unified licence, a monthly consolidated statement for all its offices in form FLM 8 so as to reach Reserve Bank not later than the 10th of the succeeding month.
- (ii) Similarly RMCs should submit to the office of Reserve Bank under whose jurisdiction they are functioning, a quarterly statement in form RLM 3. The statement duly certified by the Authorised Dealer/FFMC should reach Reserve Bank not later than the 10th day of the month following the quarter. In case the collections of foreign currencies are surrendered to different authorised dealers/FFMCs, separate quarterly statements should be prepared to facilitate independent certification by each such authorised dealer/FFMC.
- (iii) AMCs should submit to the Reserve Bank a monthly statement indicating details of receipt/purchase of US \$ 10,000/ its equivalent and above per transactions within 10 days of the close of the month. FFMCs should include transactions of their franchisees in their statement..

18. Inspection of Transactions of AMCs

Section 12(1) of Foreign Exchange Management Act 1999, empowers any officer of Reserve Bank specially authorised in this behalf to inspect the books and accounts and other documents of AMCs. AMCs should provide all assistance and co-operation to Inspecting Officers in carrying out their inspection. Failure to produce any books of account or other document or to furnish any statement or information or to answer any question relating to the money-changing transactions to the Inspecting Officers, shall be deemed to be a contravention of the provisions of the Act.

19. Concurrent Audit

- (i) FFMCs should put in place a system of Concurrent Audit of the transactions undertaken by them.
- (ii) All single branch FFMCs having a turnover of more than USD 100,000 or equivalent per month and all multiple branch FFMCs should institute a system of monthly audit. Single branch FFMCs having turnover of less than USD 100,000 or its equivalent may institute a system of quarterly audit.
- (iii) Appointment/selection of auditors is left to the discretion of the FFMCs. The auditors should check all the transactions of the FFMCs. The Statutory Auditors would be required to certify that the Concurrent Audit and the internal control systems are working satisfactorily.

20. Renewal of Licence

AMCs should apply for renewal of licence at least 3 months in advance of the expiry of the current licence to the Regional Office of Reserve Bank in whose jurisdiction their Head Office is situated.

21. Temporary Money-changing Facilities

AMCs are authorised to transact money-changing business only at the location or locations specifically indicated in the licence. If it is intended to provide money-changing facilities on a temporary basis on certain special occasions, a separate application should be made for the purpose to the concerned Regional Office of Reserve Bank giving full details such as period for which the exchange counter will be operated, volume of business expected, manner of accounting of the transactions, letter from organisers making available venue for the money changing facilities, etc.

22. Revocation of Licence

Reserve Bank may revoke the licence granted to an AMC at any time for reasons of public interest or if the AMC has not complied with any of the conditions of the money-changing licence issued by Reserve Bank or has made any false declaration or has not conducted the business in accordance with the provisions of this Memorandum read with the amendments issued from time to time or has contravened any of the Exchange Control regulations.

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Annexure

SCHEME FOR AUTHORISED DEALERS AND FULL FLEDGED MONEY CHANGERS APPOINTING AGENTS/FRANCHISEES FOR UNDERTAKING RESTRICTED MONEY CHANGING

Objective

The objective of the Scheme is to provide easier conversion facilities for travellers and tourists, including NRIs, by enlarging the network of money changing facilities in the country. It is expected that the new facility given below, will enable banks and full fledged money changers to provide such facilities at all tourist centres and major cities for extended hours and on holidays.

Proposed Scheme

Under the proposed Scheme, in addition to the existing facilities, RBI would freely permit Banks i.e. ADs and FFMCs to enter into agency/franchising agreements at their option with entities for the purpose of carrying on Restricted Money Changing business i.e. conversion of foreign currency notes, coins or travellers cheques into rupees.

Franchisee

A franchisee can be any entity who has a place of business and whose bonafides are acceptable to the AD/FFMC. These franchisees would undertake only restricted money changing business.

Existing RMCs

Existing RMCs who are licensed by the Reserve Bank are free to undertake money changing under this scheme as a franchisee of the AD/FFMC on surrendering the existing RBI licence. Those who do not opt for operation under this Scheme may continue to undertake existing money changing business until further notice.

Procedure for application

The Franchiser i.e. an AD or an FFMC would need to apply to the Reserve Bank in Form RMC-F for putting in place arrangements under this Scheme. The application should be accompanied by a declaration that while selecting the franchisees adequate due diligence has been carried out and that such entities have undertaken to comply with all the provisions of the franchising agreement/prevailing RBI regulations regarding money changing. Approvals would be issued by the Reserve Bank on a one time basis. Thereafter, as and when new agency/franchise agreements are entered into, these would have to be reported to the Reserve Bank on a post-facto basis along with similar declaration as indicated above.

Agency/Franchise Agreement

Franchisers are free to decide on the tenor of the arrangement as also the commission or fee through mutual agreement with the franchisee.

The Agency/Franchise agreement to be entered into by an AD/FFMC should, however, include the following salient features :

- (a) The display of exchange rates by the franchisee. Exchange Rate of foreign currency into rupees should be the same or close to the daily exchange rate charged by the ADs/FFMC at its branches.
- b) The surrender of collections by the franchisee to the franchiser or other authorised persons, as may be agreed upon, within 7 days.
- c) The maintenance of proper record of transactions by the franchisee.
- d) The on-site inspection of premises and records of the franchisee by the franchiser at least once a year.

Reporting and Inspection

The franchisers i.e. ADs/FFMCs would be expected to put in place adequate arrangements for reporting of transactions by the franchisees to ADs/FFMCs in a simple format to be prescribed by them on a regular basis, say at monthly intervals.

Form RMC - F

1. Name of the AD/FFMC
2. Name and address of the franchisees Details of locations
 - i)
 - ii)
 - iii)

etc.
3. Arrangements in place to surrender the foreign exchange
4. Reporting and Inspection arrangements.

Authorised Signatory

Date:

MEMORANDUM AMC

MEMORANDUM OF INSTRUCTIONS TO AUTHORISED MONEY CHANGERS

RESERVE BANK OF INDIA

NOVEMBER 2002

Preface

This Memorandum (AMC) contains procedural instructions issued to authorised money changers for adherence while undertaking money changing transactions. The directions contained herein have been issued under Section 10(4) and Section 11(1) of Foreign Exchange Management Act, 1999 (42 of 1999).

Grace Koshie

Chief General Manager

Reserve Bank of India
Exchange Control Department
Central Office
Mumbai-400 001.

12th November 2002