

Permitted Currencies and Methods of Payment

Permitted Currencies

- RBI regulations govern permitted currencies and methods of payment to be used for settlement of financial transactions between residents and non-residents through authorised dealers.
- The expression 'permitted currency' is used in the Foreign Exchange Manual to indicate a foreign currency which is freely convertible i.e. a currency which is permitted by the rules and regulations of the country concerned to be converted into major reserve currencies like U.S. Dollar, Pound Sterling and for which a fairly active market exists for dealings against the major currencies. Accordingly, authorised dealers may maintain balances and positions in any permitted currency. Authorised dealers may also maintain positions in Euro of the European Currency Area.

Other Currencies

- Authorised dealers should exercise care and circumspection while accepting payments offered by exporters and others in currencies not generally known as freely convertible currencies and ensure by proper enquiry with their overseas branches / correspondents that the currency qualifies to be treated as a permitted currency in order that the foreign exchange so acquired does not become immobilised or is otherwise not subject to restrictions imposed in the foreign country on its use for international payments

Authorised Dealers' Foreign Currency Accounts

- Authorised dealers may freely open and maintain accounts in any permitted currency with their branches and correspondents abroad. A report should be sent to the office of Reserve Bank to whom R Returns are submitted by authorised dealers as soon as a new account is opened abroad giving the name and address of the foreign branch or correspondent with whom the account has been opened.

Authorised Money Changers (AMCs)

- Authorised Money Changers (AMCs) are entities, authorised by the Reserve Bank under Section 10 of the Foreign Exchange Management Act, 1999. An AMC is a Full Fledged Money Changer (FFMC).
- In addition to Authorised Dealer Category -I Banks (AD Category-I Banks) and Authorised Dealers Category - II (ADs Category-II), Full Fledged Money Changers (FFMCs) are authorised by the Reserve Bank to deal in foreign exchange for specified purposes, to widen the access of foreign exchange facilities to residents and tourists while ensuring efficient customer service through competition.
- FFMCs are authorised to purchase foreign exchange from residents and non-residents visiting India and to sell foreign exchange for certain approved purposes. AD Category -I Banks / ADs Category - II / FFMCs may appoint franchisees to undertake purchase of foreign currency.
- No person shall carry on or advertise that he carries on money changing business unless he is in possession of a valid money changer's licence issued by the Reserve Bank. Any person found undertaking money changing business without a valid licence is liable to be penalised under the Act *ibid*.

Entry Norms for AMCs

- (i) The applicant has to be a company registered under the Companies Act, 1956.
- (ii) The minimum Net Owned Funds (NOF) required for consideration as FFMC are as follows:
 - Single branch FFMC Rs.25 lakh
 - Multiple branch FFMC Rs.50 lakh

Based on Lecture Notes of Prof Abhijit Roy to RBI Officers during September October 2012.