



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2009-10/234

A. P. (DIR Series) Circular No. 16
A. P. (FL/RL Series) Circular No. 3

November 27, 2009

To

All Authorised Dealer Category - I Banks

Madam / Sir,

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

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to the Memorandum of Instructions for Opening and Maintenance of Rupee / Foreign Currency Vostro Accounts of Non-resident Exchange Houses, issued vide [A.P.\(DIR Series\) Circular No. 28 \[A.P. \(FL/RL Series\) Circular No. 02\]](#) dated February 6, 2008 and [A.P.\(DIR Series\) Circular No. 11 \[A.P. \(FL/RL Series\) Circular No. 01\]](#) dated August 22, 2008. In view of the difficulties expressed by AD Category-I banks having Rupee Drawing Arrangements in adhering to some of the extant guidelines, it has been decided to revise certain instructions contained in the Memorandum. The revised instructions are given in the Annex.

2. All the other instructions shall remain unchanged.
3. AD Category-I banks may bring the contents of this circular to the notice of their constituents concerned.
4. 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) and without prejudice to permissions/ approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

Annex

[Annex to A. P. (DIR Series) Circular No.16 dated November 27, 2009]

Paragraph No. [cf. A.P.(DIR Series) Circular No. 28 [A.P. (FL/RL Series) Circular No. 02] dated February 6, 2008	Existing Instructions	Revised Instructions
(A). 3. ii.	The arrangement which an AD Category - I bank enters into with an Exchange House should be subject to comprehensive legal documentation and duly registered. 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.	The requirement of registration of the Agreement between AD Category-I banks and Exchange Houses under Rupee Drawing Arrangement/ Foreign Currency Drawing Arrangement has been made optional. However, such arrangements should be subject to comprehensive legal documentation and AD Category-I banks should take care of all necessary legal requirements in this regard. All other provisions of this paragraph remain unchanged.
Instructions on Collateral Cover after paragraph (C). 1. xvi.	Collateral Cover : For Exchange Houses which have not completed three years of operation, collateral cover in cash deposit or guarantee from a bank of international repute equivalent to one month's projected drawings may be obtained for DDA/ Non-DDA/ Speed Remittance arrangements. 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 requiring adequate collateral cover. Cash deposit 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(vii) of paragraph (C).1.	Collateral Cover : The collateral requirement for Exchange Houses which have not completed three years of operation has been reduced from one month's projected drawings to 7 days' projected drawings. 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 requiring adequate collateral cover. Cash deposit 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

		<p>mentioned at 1(vii).</p> <p>Necessary changes in point 6 of Part C of Annex-II to the A.P.(DIR Series) Circular No. 28 [A.P. (FL/RL Series) Circular No. 02] dated February 6, 2008 may be made.</p>
<p>Instructions on Collateral Cover after paragraph (C). 3. vii.</p>	<p>Collateral Cover : The Exchange House shall keep with the AD Category - I bank a cash deposit in any convertible foreign currency equivalent to 3 days' estimated drawings on which market related interest rate may be paid. The Exchange House can also keep the said collateral in the form of guarantees from a bank of international repute. The adequacy of collateral should be reviewed by the AD Category - I bank at regular intervals.</p>	<p>Collateral Cover : The Exchange House shall keep with the AD Category - I bank a cash deposit in any convertible foreign currency equivalent to 1 day's estimated drawings on which market related interest rate may be paid. The Exchange House can also keep the said collateral in the form of guarantees from a bank of international repute. The adequacy of collateral should be reviewed by the AD Category - I bank at regular intervals.</p>