



RESERVE BANK OF INDIA
Mumbai - 400 001

RBI/2015-16/386

A.P. (DIR Series) Circular No.66

April 28, 2016

To,

All Authorised Dealer Category-I Banks

Madam / Sir,

Opening and Maintenance of Rupee / Foreign Currency Vostro Accounts of Non-Resident Exchange Houses: Rupee Drawing Arrangement

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to paragraph (C) 3 vii of the [A. P. \(DIR Series\) Circular No. 28 \[A. P. \(FL/RL Series\) Circular No. 02\] dated February 06, 2008](#) and paragraph No. 3(h) and 5C of [Master Direction No.2 dated January 1, 2016](#) on Opening and Maintenance of Rupee / Foreign Currency Vostro Accounts of Non-Resident Exchange Houses: Rupee Drawing Arrangement regarding collateral cover under Speed Remittance Procedure which inter-alia stipulated that the Exchange Houses shall keep with the AD Category - I bank a cash deposit in any convertible foreign currency equivalent to three 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. These requirements were relaxed vide [A. P. \(DIR Series\) Circular No. 16 \[A. P. \(FL/RL Series\) Circular No. 3\] dated November 27, 2009](#) and the collateral requirement was brought down to one day's estimated drawings.

2. To further streamline the remittance arrangement under the Speed Remittance Procedure and make remittances cost-effective, it has now been decided to do away with the mandated requirement of maintenance of collateral or cash deposits by the Exchange Houses with whom the banks have entered into the Rupee Drawing Arrangement. The AD banks are free to determine the collateral requirement, if any,

based on factors, such as, whether the remittances are pre-funded, the track record of the Exchange House, whether the remittances are effected on gross (real-time) or net (file transfer) basis, etc., and may frame their own policy in this regard.

3. [Master Direction No.2 dated January 1, 2016](#) is being updated, to reflect the changes. The other instructions issued vide the above mentioned circulars shall remain unchanged.

4. AD Category-I banks may bring the contents of this circular to the notice of their constituents concerned.

5. 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), as amended from time to time and are without prejudice to permission /approvals, if any, required under any other law.

Yours faithfully,

(Shekhar Bhatnagar)
Chief General Manager-in-Charge