

All Authorised In-bound Money Transfer Service providers

Madam / Dear Sir

In-bound Cross Border Money Transfer Service– Exclusivity Arrangements

It has come to our notice that, certain Overseas Entities who are authorized by the Reserve Bank of India, under the Payment and Settlement System Act, 2007, to operate in-bound cross border money transfer services through agents appointed in India, have been insisting on “exclusivity” arrangements with their agents for rendering such services in India. These entities also extend the scope of these exclusivity arrangements to the sub-agents, through their agents. As a result, the Indian entities appointed as agents/sub-agents are not permitted to act as agents/sub-agents of any other entities engaged in the same activity.

2. We have examined the desirability of such arrangements in India. We are constrained to conclude that “exclusivity” arrangements limit competition, distort pricing and thereby act as a deterrent to a payment system from achieving the desired goal of efficiency, affordability and being ubiquitous .

3. In view of the above, it has been decided that:-

- i. Overseas Entities, authorized by the Reserve Bank of India, under the Payment and Settlement Systems Act, 2007, to operate in-bound cross border money transfer services through agents appointed in India, shall not enter into any arrangement with any entity regulated by the Reserve Bank, appointed as agent, incorporating any kind of “exclusivity” clause in the contracts which restrict or prohibit the agent from entering into agency relationship with other overseas entities operating in-bound cross border money transfer services.
- ii. The agents appointed by the overseas entities shall also not enter into any arrangement with any entity regulated by the Reserve Bank, to function as sub-agents, incorporating any kind of “exclusivity” clause in the contracts

- iii. The agents appointed by the overseas entities can enter into agreements with “exclusivity” clause with entities **not regulated by Reserve Bank, only through mutual consent.**
4. All entities that have been authorized by the Reserve Bank to operate in-bound cross border money transfer services are required to comply with these directions by December 31, 2010. All new agreements and renewal of existing agreements executed from the date of this circular shall not contain the “exclusivity” clause as set out above.
5. All authorized entities may bring the contents of this circular to the notice of all the agents/sub-agents immediately.
6. Please acknowledge receipt.

Yours faithfully

(G. Padmanabhan)
Chief General Manager