

## **RBI/2010-11/460 A.P. (DIR Series) Circular No. 48**

April 05, 2011

### **Acquisition of credit card/debit card transactions in India by overseas banks - payments for airline tickets**

Attention of the Authorised Dealers Category-I (AD Category-I) banks is invited to Regulation 6 of the Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2000, notified vide Notification No. FEMA 10/2000-RB, dated May 3, 2000, read with para 7(v) of Annexure I to the A.D. (M.A. Series) Circular No. 11 dated May 16, 2000, in terms of which airline companies incorporated outside India are permitted to repatriate the surplus arising from sale of air tickets through their agents in India after payment of the local expenses and applicable taxes in India.

2. It has come to our notice that in certain cases where the payment for the tickets are made by the residents using credit /debit card, Card Companies have been providing arrangements to the foreign airlines operating in India to select the country and currency of their choice, in respect of transactions arising from the sale of the air tickets in India in Indian Rupees (INR). In such transactions, the overseas bank as the acquiring bank receives the funds from Card Issuing Company in its Vostro account maintained with an Authorised Dealer bank in India or in its foreign currency account maintained abroad and makes the payment in foreign currency overseas to the foreign airline.

3. It is clarified that the practice adopted by foreign airlines, as mentioned above, is not in conformity with the extant provisions of the Foreign Exchange Management Act, 1999. AD Category- I banks may, therefore, advise the foreign airlines to discontinue immediately the practice of using overseas banks for settlement of INR transactions on account of sale of air tickets in India.

4. AD Category -I banks may bring the contents of this circular to the notice of their constituents / customers concerned (foreign airlines).

5. The directions contained in this circular have been issued under sections 10(4) & 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**(Dr. Sujatha Elizabeth Prasad)**  
**Chief General Manager**