

## **A.P. (DIR Series) CIRCULAR NO 17/RBI**

Dated: November 16, 2010

### **Processing and Settlement of Export related receipts facilitated by Online Payment Gateways**

Of late, Online Payment Gateways have emerged as a popular mode of facilitating e-commerce transactions. Some of these Online Payment Gateway Service Providers (OPGSPs) have also been facilitating cross-border transactions. We have recently reviewed the service model provided by these OPGSPs with reference to the provisions of the Foreign Exchange Management Act (FEMA), 1999. It was observed that a few OPGSPs have not only facilitated conclusion of the transactions but also allowed exporters to retain the export proceeds abroad without repatriation resulting in violation of the provisions of FEMA, 1999. Acknowledging however the importance of the services provided by the OPGSPs to the exporters, particularly in facilitating small value export transactions, it has been considered necessary to issue a set of guidelines to cover such e-commerce arrangements.

2. Accordingly, it has been decided to allow the Authorised Dealer Category- I (AD Category-I) banks to offer the facility of repatriation of export related remittances by entering into standing arrangements with OPGSPs, subject to the following conditions:

(i) The AD Category-I banks offering this facility shall carry out the due diligence of the OPGSP.

(ii) This facility shall only be available for export of goods and services of value not exceeding USD 500 (US Dollar five hundred).

(iii) AD Category-I banks providing such facilities shall open a NOSTRO collection account for receipt of the export related payments facilitated through such arrangements. Where the exporters availing of this facility are required to open notional accounts with the OPGSP, it shall be ensured that no funds are allowed to be retained in such accounts and all receipts should be automatically swept and pooled into the NOSTRO collection account opened by the AD Category-I bank.

(iv) A separate NOSTRO collection account may be maintained for each OPGSP or the bank should be able to delineate the transactions in the NOSTRO account of each OPGSP.

(v) The following debits will only be permitted to the NOSTRO collection account opened under this arrangement:

a) Repatriation of funds representing export proceeds to India for credit to the exporters' account;

(b) Payment of fee/commission to the OPGSP as per the predetermined rates / frequency/ arrangement; and

(c) Charge back to the importer where the exporter has failed in discharging his obligations under the sale contract.

(vi) The balances held in the NOSTRO collection account shall be repatriated and credited to the respective exporter's account with a bank in India immediately on receipt of the confirmation from the importer and, in no case, later than seven days from the date of credit to the NOSTRO collection account.

(vii) AD Category -I banks shall satisfy themselves as to the bonafides of the transactions and ensure that the purpose codes reported to the Reserve Bank in the online payment gateways are appropriate.

(viii) AD Category -I banks shall submit all the relevant information relating to any transaction under this arrangement to the Reserve Bank, as and when advised to do so.

(ix) Each NOSTRO collection account should be subject to reconciliation and audit on a quarterly basis.

(x) Resolution of all payment related complaints of exporters in India shall remain the responsibility of the OPGSP concerned.

(xi) OPGSPs who are already providing such services as per the specific holding-on approvals issued by the Reserve Bank shall open a liaison office in India within three months from the date of this circular, after duly finalizing their arrangement with the AD-Category-I banks and obtaining approval from the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Fort, Mumbai 400 001 for this purpose.

In respect of all new arrangements, the OPGSP shall open a liaison office with the approval of the Reserve Bank before operationalising the arrangement.

3. AD Category-I banks desirous of entering into such an arrangement/s should approach the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Fort, Mumbai 400 001, for obtaining one time permission in this regard and thereafter report the details of each such arrangement as and when entered into.

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

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

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**( G. Jaganmohan Rao)**

**Chief General Manager**