



CANARA BANK OFFICERS' ASSOCIATION PROMOTION STUDY MATERIAL - 2018

FOREIGN EXCHANGE

CHAPTER – I NON RESIDENT DEPOSITS

- FEMA 1999 (Foreign Exchange Management Act 1999) came into effect from 01/06/2000, replacing FERA (Foreign Exchange Regulation Act)
- NRI is an Indian, holding Indian Passport and (1) who has gone abroad for gainful Employment, Business or Vocation or any other purpose for an indefinite period of stay (2) who is working abroad on assignments with Foreign Govts., Govt. / International/ Regional Agencies (3) who is deputed abroad from Govt. or PSU on temporary assignment and (4) Students going abroad for studies.
- PIO / NRIO (Person of Indian Origin / Non Resident of Indian origin) is a person (1) who was holding Indian Passport any time earlier (2) whose parents / grand parents were Indian citizens and (3) spouse of the above. All facilities available for NRI are applicable to PIO/NRIO.
- Authorised Dealers are now called as Authorised Persons
- Authorised Persons are classified into 4 categories
- AD Category I are Commercial Banks, State and Urban Coop Banks
- Ad Category II are Coop Banks, RRBs Upgraded Full Fledged Money Changers, others
- AD Category III are Select Financial Institutions and others
- FFMCs – Full Fledged Money Changers are Postal Dept, Urban coop Banks not included under Category I and other FFMCs
- Non Resident Indians, Persons of Indian Origin (Non Resident of Indian origin) can open NRO,NRE,FCNR (B) a/cs. NRI can open account with resident close relatives with Former or Survivor clause.
- Under SB they can open NRO & NRE a/cs.
- Under Term deposits they can open NRO,NRE AND FCNR a/cs.
- RD can be opened in NRO & NRE only.
- NRO / NRE a/cs are maintained in Indian rupees
- Proceeds of DD/banker's cheques issued against encashment of foreign currency can be credited to the NRE account of an NRI, where the instruments are supported by Encashment certificate issued by AD cat I and II Banks. (IO Cir 39/08)



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- FCNR a/cs are maintained in Foreign Currency – USD, POUND STERLING, EUR, CAD & AUD
- RBI has permitted FCNR to be opened in USD, PND STG, EUR, CAD, AUD & JAPANESE YEN.
- Joint NRO a/c can be opened - at least one person must be an NRI. NRO account – Joint holding with resident – only on “Former or Survivor” basis.
- TOD in NRO a/c- No ceiling; NRE a/c – Rs 50,000, (Max) – both subject to delegation of powers.
- Nominee can be a Resident or Non-Resident.
- TDS on NRO interest – NRIs residing in DTAA Countries and who has given declaration to that effect- Concessional ROI as per HO Cir 160/2008 & 305/2009
- TDS on NRO interest – NRIs residing in DTAA countries and not given declaration to that effect & NRIs living in NON – DTAA countries – 30.90 % and if interest amount exceeds Rs.Ten lakhs – 33.99%
- NRE/FCNR Funds are freely repatriable.
- From NRO a/cs – Sale proceeds of immovable properties held/ inherited in the name of NRI and for any bonafide purposes – to the extent of USD 1 Million / per financial year can be repatriated, subject to production of documentary proof.
- Foreign Tourist can open NRO a/cs and the period of stay/account not to exceed six months.
- Foreigners employed in India can open Domestic a/cs
- LA holders can operate NRO/NRE accounts and can transfer abroad funds for credit of account holder only.
- NRI/PIO NOW can NOT submit form 15G or 15H for the purpose of claiming exemption from TDS on Interest from NRO rupee deposit accounts (IO Cir 92/2011).
- RBI has permitted conversion of NRO to NRE deposits up to USD 1 million in a financial year by submitting form 15 CA & CB.
- Penal 1% waived in case of conversion from NRO to NRE term deposits w e f 23.08.2012 (252/2012).
- Important points to note regarding NRE Term Deposits –
- Min 1 year Max 10 years
- No preferential ROI to Senior Citizens/Employees/Ex-employees under NRE/FCNR/RFC term deposits.
- 1% Penal cut from 29.12.2011.
- 1% Penal cut waived for NRE TD of Rs. 1 Crore and above if opened/renewed on or after 13.10.2012.



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- RBI deregulated interest rates on NRE term deposits w e f 16.12.2011.
 - Auto renewal introduced for NRE term deposits (one time). Afterwards, ascertain status of the depositor before renewal.
 - Simple interest is to be paid for the overdue period at SB rate.
 - Minimum period -one year from the date of such fresh deposit
 - No interest for NRE deposits closed before one year from date of deposit.
 - Interest rate for NRE bulk deposits of Rs. 10 crores and above is to be obtained from ID, Mumbai.
 - For single term deposit of Rs. 1 crore and above to less than Rs. 10 crore, branches to take up with HO through Circle's MIPD Section for obtaining permission to accept the deposits.
 - NRE SB INTEREST RATE: For balance up to Rs. 50 lacs – 3.50%
 - For balance above Rs. 50 lacs – 4.00%

 - FCNR (B) deposits – can be opened in USD, GBP ,EUR, CAD, AUD
 - FCNR (B) FDR – Min 1 year, Max 5 years.
 - FCNR (B) KDR – Min 1 year 1 day, Max 5 years
 - FCNR (B) deposits – closure before 1 year – No interest
 - FCNR (B) deposits – closure before maturity after 1 year – eligible interest for the period run minus 1%
 - FCNR (B) deposits shall be renewed from the date of maturity, if done within 14 days. The ROI will be the rate on date of maturity or on the date of renewal for the renewed period, which ever is lower.
 - Renewal after 14 days shall be treated as fresh deposit.
 - ROI for broken period – 1 month LIBOR as on date of maturity or on date of renewal , whichever is less, minus 0.50 % , rounded off to lower 0.25 %
 - Proceeds of closed FCNR (B) deposits can be remitted abroad to the depositor or even to third parties with the consent of the depositor (IO Cir 52/07). However, Proceeds of closed NRE deposits cannot be remitted to third parties abroad.
- Procedure to be followed by branches for Renewal of NRE/NRO/FCNR deposits against which loan liability is still outstanding. (IO Cir 18/10) - The period of loan should not exceed the unexpired period of deposit. If the depositor requests to renew the deposit, as well as the loan, against such deposits, in such case, fresh loan may be granted against the renewed deposit and with the amount of the fresh



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loans, the existing loan liability may be cleared. Branches to obtain fresh loan papers for the new loan granted.

FCNR can be opened in other foreign currencies like DKK, HKD, JPY, SGD, SEK, CHF in which our bank maintains position **after getting permission from our Intl Division, Mumbai** who will conduct a feasibility study on receipt of any request from customers (Cir 98/2011).

FCNR (B) Deposits - ROI fixed on monthly basis basing on the LIBOR/SWAP rates prevailing on last day of previous month.

FX/70/2017 – Loan against FCNR(B) deposits – should not be repatriated even if it is given in foreign currency.

FX/76/2017 – Branches should take prior clearance for accepting/renewing FCNR deposits of USD 1 mio and above.

- EEFC –only Current a/c can be opened by Foreign Exchange Earners and Recipients of Inward remittances, in five currencies viz., USD, GBP, EUR , AUD and CAD
- EEFC accounts permitted to be opened in **CAD** also. Earlier only USD/GBP/EUR/AUD permitted.
- ALL FOREX earners can keep 100 % of their earnings, export realizations in EEFC a/cs.
- EEFC/DDA/RFC (D) account holders are allowed to retain 100% of future foreign exchange earnings in their EEFC/DDA/RFC(D) accounts subject to the condition that the sum total of the accruals in the account during a calendar month should be converted in to Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments.
- SEZ developers are allowed to open, hold and maintain and can credit 100 % of their FOREX earnings in EEFC a/c. (IO Cir 73/09)
- Minimum initial deposit – 100 in each currency
- Non cheque book accounts under EEFC – no minimum balance concept to be stipulated and no service charges for non maintenance of minimum balance to be levied.



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- Funds in EEFC can be utilized for all bonafide payments of the a/c holder abroad in connection with Trade & Business related transactions, Hotel, Medical, air fare and Educational expenses.
- EEFC funds can be utilized for clearing PC/FDB/FBE liabilities, subject to conditions.
- RFC – NRI/PIO who has returned to India for permanent settlement, can open SB, CA and Term Deposits (excluding RD) in USD, GBP, EUR, CAD & AUD.
- Minimum 100 units in each currency for RFC SB– For earning Interest in SB Min 1000 in each currency
- Minimum 1000 units in each currency for RFC CA and Term Deposits.
- RFC Term deposits – Min 1 month - Max 3 years. For one week to less than one month deposit, minimum USD 2,50,000/
- RFC Term Deposits - Before maturity closure - 1 % Penal cut from ROI for period run.
- RFC funds can be repatriated for bonafide purposes / utilized for local payments.
- RFC Domestic – Resident Indians who are recipients of Foreign Exchange received for Services/ honorarium /gifts and unspent Foreign Exchange – can open only current a/c.
- Minimum – 1000 units in USD, GBP & EURO.
- RFC Domestic funds can be used for local disbursements and for payment of current and capital account transactions as per FEMA.
- Currency declaration form (CDF) is to be submitted by the person encashing, if the person is bringing USD currency 5000 or its equivalent in other currencies or Foreign Currency and FCTC, both put to-gether exceeds USD 10,000 or its equivalent in other currencies.
- Encashment certificate can be issued on Bank's letter head irrespective of amount.
- A Resident Individual can freely remit up to USD 2,50,000 per Financial Year under Liberalised Remittance Scheme.
- If an NRI, on temporary visit to India, produces an encashment certificate with Rupee funds, it can be credited to his NRE account.
- Surrender of Foreign Exchange by Resident Individuals- Uniform Period of 180 days from the date of receipt/realization/purchase/acquisition/date of return of traveler (IO 48/07)
- RBI has permitted conversion of NRO to NRE deposits up to USD 1 million in a financial year by submitting form 15 CA & CB. For such conversion of deposits by premature closer of NRO Deposits our bank has waived penal cut.
- Notional rate concept withdrawn from 12.10.2015.



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CHAPTER II EXPORTS

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- Importer Exporter Code NO. (I E CODE NO.) is issued by DGFT and every Exporter/Importer shall obtain the same.
- **Packing Credit** Advance can be granted for procuring raw materials, processing, manufacturing, storing and shipping of goods.
- PC shall be granted after obtaining OPL on the buyers.
- PC to be granted against Export Orders/ LCs, secured by goods meant for goods.
- Waiver of Production of Export Orders/LCs can be considered on merits, subject to conditions.
- Running account facility under Packing Credit can be permitted to good track record, S1, S2 parties for all commodities.
- Exporter should not be in the Caution List of RBI.
- Exporter's name should not be in the Specific Approval List (SAL) of ECGC.
- Export is not to a Listed country of ECGC
- Goods should not be in the Negative List (Trade Policy 2015-20).
- PC can be granted initially upto operating cycle period and can be extended upto 180 days by reviewing authority and by further 90 days if need be, by only by DGM/GM of Circle.
- PC can be granted for a period up to 270 days at concessional ROI
- Ultimately, if Export takes place within 360 days, beyond 270 days, ROI will be ECNOS (Base rate+ 5.0%)
- Branches granting Packing credits shall report to ECGC within 30 days of sanction.
- Automatic cover is available for limit up to 1 crore FOR S1, S2 PARTIES and New parties irrespective of limit. This limit is called as Discretionary limit. Beyond this limit ECGC's prior approval is necessary.
- For sub-standard, doubtful, loss assets Prior approval is necessary, irrespective of the amount.
- For accounts slipped from Standard, prior approval is necessary irrespective of the amount.
- Fresh limits/renewals/enhancements/reduction of limits and extension of PC period upto 360 days shall be reported to ECGC.
- Extension of PC period beyond 360 days requires ECGC's prior permission.
- ECGC Premium: ECIB (WTPC) – 6 Paise per 100 per month.
 - CIB (WTPS) – 4.50 Paise per 100 per month.
- PC Liability can be cleared out of proceeds of Export bills. It can also be cleared from EEFC or Domestic sources, provided Shipment has taken place.

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- Under running account facility, First Debit will be wiped out by First Credit, (FIFO method) without correlating corresponding shipments.
- PCFC (Packing Credit in Foreign Currency) can be availed in USD, GBP and EUR with a minimum of USD 10,000, in multiples of USD 1000 or its equivalent in other foreign currencies.
- ROI for PCFC- Composite ROI – LIBOR + 3.50 %
- For PCFC/BRD, OPE is to be collected at (IO 14/2007)
- A] Rs. 500 for every fresh PCFC and BRD disbursement.
- B] Rs. 250 on conversion of PCFC to BRD
- **Post-shipment** Credit is the finance granted after the shipment, in the form of Purchase, Discount and Negotiation of Bills, viz FDB, FBE against confirmed Orders/ LCs
- If PCFC is availed, Post shipment credit is permitted through BRD
- But BRD can be permitted to all parties if they prefer, irrespective of non availment of PCFC.
- Export control forms are GR, SDF, PP form and SOFTEX
- GR/SDF forms can be down loaded online (IO Cir 23/09)
- If bills are drawn under LC, Documents shall be as per terms of LC. Prime Bank LCs are preferred.
- Banks listed by International Chamber of Commerce, Branches of Public Sector Banks and SBI abroad, and all our correspondent banks are known as Prime Banks
- While Negotiating bills under LC, precautions to be taken – LC should not be restricted to any other bank
- LC should not be expired – and sufficient Balance should be available.
- Documents should be as per terms of LC
- Bill of Lading is not stale (i.e., B/L should not have completed 21 days, from the date of shipment.)
- Marine Insurance shall be covered from the date of Shipment.
- Payment Under Reserve, if discrepant documents are submitted for negotiation.
- Reduction in Invoice value, not to exceed 25 % of the Invoice value subject to conditions. (IO 25/07)
- RBI has permitted the Export Bills to be realized within a maximum period of 09 months from the date of shipment.
- Export bills, if not paid on due dates, shall be delinked on the 15th day from the due date, at TT selling rate.
- Excess or shortfall on delinking shall not be passed on to the exporter.
- If Exporter prefers, Export bill can be delinked even before 15th day after the due date.
- For reporting in XOS, the earlier period of 6 months from the date of shipment is reckoned, to treat the bill as over due.
- Export bill liability can be wiped out from the proceeds of any other bill realization of the exporter.
- Export bill Liability can also be wiped out from the proceeds of Collection bill also.



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- But, GR/ SDF forms shall be released only on actual realization of the respective bills.
- ECNOS rate is Base Rate + 5.00%.
- Foreign Currency ECNOS is 12 Months LIBOR + 6.5 %
- **ECGC** covers Political and Commercial risks.
- ECGC premium for ECIB(WT-PC) cover is 6 paise per hundred on the average daily product.
- Premium amount along with details of a/cs covered shall be submitted to ECGC office on or before 7th of the succeeding month.
- Forward Contracts booked on the basis of declaration of exposures by Importers/ Exporters and based on past performance, in excess of 75 % of the eligible limit shall be on deliverable basis and cannot be cancelled
- Automatic Cancellation of forward contracts shall be done on the 3rd working day, after the maturity date by an AP (AD).

- FX/24/2013 – Forward contract matured – cancellation on 3rd working day after maturity date by the bank if customer fails to provide any instructions prior to that day. (Earlier it was 7th working day).



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CHAPTER III IMPORTS

- Letter of Credit is defined as, a set of Instructions given by the Importer (buyer/opener),
- to his Banker (opening Bank),
- conveyed to the seller (exporter/beneficiary),
- through another banker (advising Bank) in seller's country,
- undertaking to pay a certain sum of money to the beneficiary against delivery of specified documents
- on or before a specified date.
- Documentary Credits (LCs) are governed by UCP 600 which came into effect from 01/07/2007
- UCP 600 removed Revocable LC category
- Different types of LCs are – Irrevocable, Transferable, Confirmed, Revolving (Circular), Restricted, Red clause, Green clause, Back to back
- The Terms of Irrevocable LC cannot be changed without the consent of all the parties concerned.
- Transferable LC can be transferred in part or full, to another. But, Transferee cannot further transfer to someone. He can only retransfer to the original beneficiary.
- Confirmed LC provides reimbursement to the negotiating bank in the same country, from the confirming bank without recourse. But, the documents should not have any discrepancy.
- Revolving LC Provides, Replenishment of the value of LC, once the previous bill drawn to the full value of LC is paid and the number of times of replenishments would be mentioned in the LC.
- Restricted LC means, that LC can only be negotiated by the bank named in the LC
- Red clause LC permits the beneficiary to avail advance upto a certain value of LC from the negotiating bank, pending submission of documents. That clause would be printed in RED (in Air Mail LCs). This LC is almost not in use.
- Green Clause LC provides facility of getting advance from negotiating bank, when goods are stored in Customs godown for want of vessel to effect shipment.
- Back to back LC is an ILC issued on behalf of Original exporter in favour of Manufacturer, with the same specifications of the merchandise as detailed in ELC.
- INCOTerms2010 (International Commercial Terms) effective from 01/01/2011, are trade delivery terms like FOB, C&F, CIF etc.,
- Precautions to be observed when opening FLC
- Opening of Letter of credit is governed by
 - 1. Credit Guidelines
 - 2.FEMA Regulations



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- 3.FEDAI Guidelines and Provisions of UCP 600
- 4. Internal guidelines.
- Importer shall have adequate sanctioned limit with all sanction terms complied.
- Importer Customer shall have IE Code No. issued by DGFT.
- FLC application shall be obtained duly signed by the authorized person of the firm /company, in IF(IMP) 1601 with firm sale order /indent of overseas supplier or purchase order of the applicant, duly countersigned by seller
- FLC application shall be obtained in Quadruplicate with original application duly stamped.
- Exchange Control copy of Import Licence shall be obtained wherever applicable
- Importer shall be eligible to import the merchandise as per Foreign Trade Policy.
- Satisfactory OPL on the overseas supplier shall be available
- Description, quantity, value and last date of shipment shall be the same as mentioned in Import licence.
- If the Terms of shipment is CFR / C&F or FOB, the applicant has to submit Insurance cover note.
- FLC application is in conformity with various provisions of Foreign Exchange Regulations viz, Usance period, Method of payment, Interest etc.,
- Lloyds Clause and SGS clause shall be there in FLC normally
- Lloyds issues a certificate certifying the age and Sea worthiness of the vessel
- SGS means Societe Generale De Surveillance. It is a Preshipment Inspection of Merchandise - certificate issued by SGS.
- HO CIR 565/2017 – Delegation of Power for waiver of Lloyds clause and SGS Certificates while opening FLC.
- Branch powers : Lloyds Clause waiver : Rs. 50 lacs. SGS Clause waiver : Rs. 100 lacs.
- Circle Head powers : Lloyds Clause waiver: Rs. 100 lacs. SGS Clause waiver: Rs.200 lacs.
- Importers can receive documents directly up to USD 3 lakhs or its equivalent in other permitted currencies and they can remit the value of Import through the APs (Authorised Persons i.e., Banks)
- APs can handle import documents directly received from overseas suppliers up to USD 3 lakhs or its equivalent in other permitted currencies.

- At the time of remitting Import value, obtaining Form A1 from Importer has been dispensed with.
- Bill of Entry is a declaration filed by the Importer and certified by the Customs authorities that the goods for which remittance was made have actually been imported into India.
- In case of Sight bills, Exchange Control copy of Bill of Entry is to be submitted by the Importer to APs within three months from the date of payment.



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- In case of Usance bills, EC copy of BOE should be submitted, on or before due date of payment. If there are genuine reasons for delay, same should be submitted within a reasonable time, not Exceeding 3 months from the date of remittance.
- In case of Advance remittances for other than capital goods, BOE should be submitted within a period of 6 months and 15 days.
- In case of Advance Remittance for Capital goods, BOE should be submitted within a period of 3 Years and 15 days.
- Periodicity of submission of BEF statement to RBI is June and December furnishing details of Imports which exceeds USD 1 lakh and BOE not submitted as required.
- BEF statement shall be submitted to RBI within 15 days from the due date.
- If documents are drawn at sight (DP- documents against payment), Import documents are released on Payment.
- If documents are drawn on usance (DA – documents against acceptance) basis, Import documents are released against acceptance.
- If documents are drawn on usance - DP basis, (i.e., DA but against payment) , Import documents has to be released on payment of bill amount only. In this case, the Importer gets time to make payment of Import bill..
- Delinking of an Import Bill – If an sight Import bill is not retired within 10 days, it shall be delinked on 10th day from the date of FD covering schedule, by reporting Sale.
- The Usance bill shall be delinked on the due date by reporting Sale, if it is not paid by Importer.



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CHAPTER IV REMITTANCE

KYC AND AML guidelines for NRI Customers.

- Funds transfer between cross boundaries must be accompanied by accurate and meaningful originator information.
- That information must contain name and address of the originator, number of account and name of the bank in which that account is maintained. In the absence of account number, Unique reference number as prevalent in the country concerned must be included.

- **INWARD REMITTANCE –**
- FITT voucher shall be issued within 2 working days (Saturday will not to be treated as working day) from the date of receipt of Payment order.
- Inward remittance up to USD 10000 or its equivalent in other currencies shall be credited to the beneficiary's account within 2 working days from the date of receipt of remittance advice from abroad.
- If not credited as above, **compensation for delay**, by way of Interest @ 2 % above the SB rate is payable, provided the payment order is authenticated and contains full details of beneficiary.
- And, if Exchange rate moves adversely, the difference between the TT buying rates prevailing as at 12 Noon on the day on which the amount is due for credit and at 12 noon on the date of actual payment, is payable to the beneficiary of inward remittance.

- **Compensation is not payable**, if FD or FEX Cells execute remittances based on pass sheet credit, without receipt of payment order.
- **Compensation is not payable**, if Inward remittance is received for opening FC deposits like FCNR, RFC etc.

- **Compensation is not payable**, if remittance is received for persons having accounts with other banks and proceeds of remittance is paid to other banks in the same currency of remittance, for investment in FCNR, RFC, EEFC etc



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OUTWARD REMITTANCE

- Resident individuals can now remit up to USD 250,000 in a Financial year for any permitted capital or current a/c transactions (Scheme is called LRS).
- Remittances for immigration, education abroad and medical treatment may be permitted up to the limit specified above, without insisting on any supporting documents, but on the basis of a self declaration incorporating the basic details of the transaction and submission of form A-2. More than the above limit can be remitted for these purposes if documentary proof is produced.
- **Release of Foreign Exchange for Studies Abroad - Eligible persons:** i) students holding Indian passport.
- ii) Students holding foreign passport who are dependent on their parents residing in India.
- Application TRS for release of exchange and FEMA declaration
- Exchange up to USD 250,000 pa or estimates from the institution abroad, per academic year, whichever is higher.
- Exchange may be released for a period not exceeding one year at a time, in one or more installments as requested by the student/guardian.
- Exchange can be released for further period on production of documentary evidence to show that the student is continuing studies abroad.
- Deposit towards advance tuition fees/maintenance may be remitted if insisted by the overseas institution. Student to give an undertaking that in case he does not join the course, he would obtain the admissible refund and repatriate it to India.
- Exchange to be released – (IO CIR 42/2010) Foreign Currency in USD 3000 or its equivalent in other currencies. Balance by FDD / FOTT/ FCTC/TRAVEL CARD. can be issued in the name of the student / the educational institution, as desired by the applicant
- Students proceeding to Iran/ Russia/CIS, entire exchange may be released entirely in the form of currency notes for one year.
- Students proceeding to Iraq or Libya , up to USD 5000 may be released in the form of currency notes for one year
- Any Indian Resident traveling abroad may take outside India or may bring into India Indian currency notes of GOI and RBI upto an amount not exceeding INR 25,000/- per person.
- For issue of FCTCs – no commission on AMEX TCs.
- For release of foreign exchange where the value exceeds IRS 50,000 and above, debit should be to the account of the student or accept crossed cheque / DD / Pay order in favor of the bank.



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- **Foreign Exchange Rates:**
- **TT Selling** : All outward remittances, other than foreign imports, by way of DD//TT.
- Delinking of Export Bills.
- For converting IRs. Into Foreign Currency for investment in RFC/FCNR.
- For cancellation of Forward Purchase Contract.
- Advance payments for imports.
- **Bills Selling** : All import bills received under our LC or on collection basis for which no forward contract was booked.
- Delinking of import bills for which no forward contract was booked.
- **T C Selling** : When FCTCs are sold to clients/tourists.
- **Currency selling** : When Foreign Currency notes are sold to clients/tourists.
- **PURCHASE :**
- **TT Buying** : For paying Inward TTs/DDs drawn on us for which cover funds received in our Nostro A/c and realisation of collection Export Bills
- Cancellation of forward sale contract.
- Cancellation of FDD/FTT issued by our bank.
- For converting interest/proceeds into INRs of FCNR/RFC/EEFC accounts.
- For encashing personal cheques, International Money Orders, Cashier Cheques and DDs payable abroad.
- **Bills Buying** : For purchasing/negotiating an Export sight bill (direct) Submitted under a contract or LC.
- **T C Buying** : For encashment/purchase of travellers cheques from clients and tourists. No charges to be collected.
- **Currency Buying:** For encashment of currency notes, no charges to be collected.



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- **KYC and AML- Policy and Procedure to be observed for undertaking Money changing transactions**
- **POLICY :**
- Money laundering can be called a process by which money or other assets obtained as proceeds of crime are exchanged for clean money or other assets with no obvious link to their criminal origins.
- **Anti-Money laundering (AML) measures include-**
- Identification of customer as per know your customer norms.
- Recognition, handling and disclosure of suspicious transactions
- Appointment of Money Laundering Reporting Officer
- Staff Training
- Maintenance of records
- Audit of transactions
- Procedure for undertaking money changing transactions:
- **Identification of Customer:** For encashment of foreign currency notes and foreign currency traveler's cheques for a customer, identification has to be undertaken by verifying the original passport.
- For encashment of foreign currency notes tendered by non resident Indians/Foreign visitors, copy of the passport is to be obtained.
- Production of CDF should be invariably insisted wherever the FOREX encashment exceeds the prescribed limits.
- For encashment of foreign currency notes to resident Indians who do not hold passport other valid documents can be accepted.
- In all cases of sale of foreign exchange irrespective of the amount involved for identification purpose the passport of the customer should be insisted. Payment in excess of Rs.50, 000/-towards sale of foreign exchange should be received only by account payee cheque/demand draft.
- For encashment of foreign currency notes and /or Foreign currency travelers cheques in excess of USD 200 and up to USD 2000 or its equivalent, the photocopies of the identification document should be maintained for one year and till the completion of the statutory audit of the branch/office



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- **Speedcash** arrangement with SAMBA has been **terminated** with effect from 1st April 2010.

However, Rupee Drawing Arrangement under SAFE Draft of SAMBA shall continue. (I O Cir 35/10- Box Item)

FCTC

- **Parties to Travellers cheques** – 1. Issuing bank/ company, 2. Selling bank / company,
- 3. Holder – the person who buys TCs,
- 4. Encashing bank/ commercial establishment

Delegation of powers for encashment of FCTCs/CURRENCY NOTES – ref circular on DELEGATION OF POWERS.

- **Basic requirements for encashment of FCTCs** – Person asking for encashment is a bonafide tenderer.
- Tenderer is holding a passport, if he is not a customer of the branch
- TCs are expressed in any position currency of the Bank
- TCs are valid till it is encashed, unless otherwise specified on TCs
- “Watch and Compare” principle is applied at the time of encashment
- TCs shall be countersigned in the presence of an official of the bank
- If already counter signed, he may be asked to sign again on the back of the instrument.
- Holder of TCs, has to hand over TCS intended to be encashed in one go, along with the passport and signature and photograph shall be tallied
- It is to be ensured that the space for writing the date, name of the encashing bank and countersignature are not tampered with.
- NO interest, commission or postage to be charged on encashment
- The following details are to be noted on the reverse of **debit slip** for purchase of **FCTC and FC**.
- Name and address as appearing in Passport
- Address in India, if any, Nationality, Passport number, date, Place of issue and expiry date
- Name of TC issuing co, Printed no. and denomination in each TC in Foreign Currency
- TC buying rate is to be applied and INR equivalent to be paid.
- Encashment certificate or Form 10 H for Income Tax purpose to be issued at the request of the customer for having encashed **FCTC or FC**, on the Bank's letter head with Logo.
- **Currency Declaration Form** is a declaration (of Foreign Money and FCTC bringing in to India) submitted by the person entering the Port and signed by Customs. CDF is a must for a person who brings into India, Foreign currency (FC) exceeding USD 5,000 or FCTC and FC put together exceeding USD 10,000 or its equivalent in other currencies.



CANARA BANK OFFICERS' ASSOCIATION PROMOTION STUDY MATERIAL - 2018

- **Encashment of Foreign Currency Notes** – Branches are permitted to encash only 4 currencies viz USD, GBP, EUR AND CHF (SWISS FRANCS). Other than these four currencies, to be handled on collection basis.
- For opening FCNR, in excess of USD 10,000 or its equivalent in other currencies by tendering FC Notes, prior permission from MIPD Sec, CO is to be obtained.
- For Foreign tourist and NRI during short visit to India Passport is to be verified. For a customer, if the proceeds are to be credited to his a/c, PP verification is not necessary.
- For encashment, FC should not be mutilated, cut, soiled or defaced.
- It should not arouse suspicion on its appearance or its texture, that it may be a counterfeit note.
- F C buying rate to be applied for converting into INR.
- Purchase of FCTC or FC of USD 500 and above or its equivalent in other 3 currencies, should be reported to FD /Fex Cell, on the same day.

- **Procedure for Hand delivery** of Foreign Currency Notes to FD - It is as applicable to Remittance of Cash, which is as follows.
- Through Sub-Staff – Up to Rs 5,000/-
- Above Rs 5,000/ and up to Rs 25,000/ through a person not below the rank of a Clerk.
- For above Rs 25,000/- in addition to an employee who is not below the rank of a clerk, one more employee to accompany him.
- For amounts upto Rs 20 lacs, Armed Guard Escort is not necessary.
- Above Rs 20 lacs and up to Rs 50 lacs should be necessarily accompanied by at least one Armed Guard.
- Above Rs 50 lacs , should be accompanied by at least Two Armed Guards.

- Clean USD instruments payable in USA are collected through Wells Fargo Bank /Bank of America (earlier it was done through Deutsche Bank). Preferred collection service (PCS) for USD 2001 to USD 250,000. If proceeds are invested in FCNR deposit for a minimum period of one year, Bank has to absorb Collection Charges.
- Remittance in any form towards participation in lottery schemes, money circulation schemes, other fictitious offers of cheap funds etc are prohibited under the Foreign Exchange Management Act, 1999.(I O Cir 47/10)



CANARA BANK OFFICERS' ASSOCIATION PROMOTION STUDY MATERIAL - 2018

MISCELLANEOUS

- Nostro Account- An account maintained by a India based bank with a Bank abroad In the currency of that country.
- Vostro Account- An account maintained by a foreign Bank with a Bank in India in Indian rupees. ORO Account – PNB is having an account with Bank of America, Newyork and State Bank wants to refer that account while dealing with BOA , Newyork, it will refer the said account as LORO account.
- Mirror Account- Copy of Nostro account maintained in their books of a bank in India
- Arbitrage- A foreign Currency is quoted in different rates in different Centres. Banks may sell or purchase FCs in different centres to take advantage of the difference in rates. Such operations are called Arbitrage Transactions.
- Forfeiting- When an Exporter transfers his right to receive payment due to him to another without recourse, the operation is called Forfeiting and the Transferee is called Forfeiter.
- Spread- Difference between Selling rate and buying rate
- Foreign Exchange Reserve – comprising of Foreign currency assets, SDRs, Gold, Reserve Tranche with IMF.
- R Returns- Authorized Persons who are maintaining independent foreign currency accounts in their own name and other branches who are having powers to operate the said accounts, are required to report all transactions in foreign exchange thro R Returns on 15th and last day of every month to RBI.
- Avalisation means Co-acceptance.
- Purchase of Immovable Property by PIOs – Amendment of definition of PIO (I O Cir 04 / 2010) – A person of Indian origin means an individual (not being a Citizen of Pakistan, Bangladesh , Sri Lanka, Afghanistan, China, Iran Nepal and Bhutan) Who i) at any time held an Indian Passport or ii) who or either of whose Father or Mother or whose Grand Father or Grand Mother was a citizen of India by virtue of the constitution of India or the Citizenship act, 1955 (57 of 1955). (Now Mother and grand mother being Indian Citizens, their grand children are PIOs for the purpose of Purchase of Immovable property.)
- **For Acquisition a transfer of immovable property-** a person being a citizen of Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Iran, Nepal, Bhutan, Macau and Hongkong **cannot** acquire immovable Property in India.



CANARA BANK OFFICERS' ASSOCIATION PROMOTION STUDY MATERIAL - 2018

- Non-resident Indian (NRI) and PIO **can** acquire immovable property in India other than agri land , farm house, plantation property
- Remittance of Salary- Relaxation.(I O Cir 06/2010) RBI has now advised relaxation in crediting salary of a Citizen of Foreign State, resident in India being an employee of Foreign Company or a Citizen of India, employed by a foreign company outside India and in either case on deputation to office/branch/subsidiary/joint-venture in India can remit their salary Net of Income tax in India with out any ceiling.



CANARA BANK OFFICERS' ASSOCIATION

PROMOTION STUDY MATERIAL - 2017

FOREX

IMPORTANT CHANGES DURING 2013/ 2014/2015/2016/2017

- FX/07/2017 – Implementation of IDPMS (Import Data Processing Management System)
- FX/10/2017 – Overseas Direct Investment (ODI) guidelines.
- FX/08/2017 – ODI prohibited for Financial Action Task Force (FATF) countries.
- FX/12/2017 – Definition of a Relative as per Companies Act 2013.
- FX/20/2017 – Caution listing of exporters under EDPMS.
- FX/39/2017- Discontinuation of reporting of lost FIRC.
- FX/49/2017 – Rupee Drawing arrangement with Dollarco Exchange Company discontinued.
- FX/53/2017 – ODI half yearly reporting to RBI introduced.
- FX/50/2017 – Forward Contract cancellation by customers – operational guidelines.
- FX/66/2017 – Recovery of forex commission directly from customers operative account. No IBA/BAR to be issued/raised.
- FX/69/2017 – ODI transactions to be routed through FDs only.
- FX/70/2017 – Loan against FCNR(B) deposits – should not be repatriated even if it is given in foreign currency.
- FX/71/2017 – Sale of American Express Traveller cheques – can be sold to individuals only – Limit USD 25,000 per day per person.
- FX/76/2017 – Branches should take prior clearance for accepting/renewing FCNR deposits of USD 1 mio and above.
- HO CIR 565/2017 – Delegation of Power for waiver of Lloyds clause and SGS Certificates while opening FLC.
- Branch powers : Lloyds Clause waiver : Rs. 50 lacs. SGS Clause waiver : Rs. 100 lacs.
- Circle Head powers : Lloyds Clause waiver: Rs. 100 lacs. SGS Clause waiver: Rs.200 lacs.



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PROMOTION STUDY MATERIAL - 2017

- FX/01/2016 – Weekly statement submission on import of gold dispensed with.
- FX/34/2016 - Pre-payment of import bills before 3-4 days from due date permitted.
- FX/40/2016 -Issue of Foreign Inward Remittance Certificate (FIRC) – revised guidelines issued. FIRC can be issued only in respect of FDI/FII. FIRC should not be issued for remittance towards advance payment.
- FX/45/2016 – Revised Form A2/LRS application.
- FX/51/2016 – Opening of our wholly owned banking subsidiary, CANARA BANK (Tanzania) Ltd at TANZANIA.
- FX/44/2016 – Forex deposits regulation – consolidated guidelines.
- HO/56/2016 – Canara International Prepaid Travel Card – Additional currencies introduced – Now total 7 currencies permitted viz. USD, GBP, EUR, AUD, CAD, SGD, AED.
- FX/55/2016 – USD cheque collection – revised guidelines.
- FX/61/2016 – Advance payment for imports – certain relaxations – Delegation of powers to waive obtention of OPL.
- FX/65/2016 – USD cheque collection – revised guidelines.
- FX/68/2016 – Reporting of ODI transactions – time norms.
- FX/74/2016 – NRO account – Joint holding with resident – only on “Former or Survivor” basis.
- FX/77/2016 – Procedure to be followed for seeking clarification from Central Office of the RBI.
- FX/91/2016 – FDDs delinking to be done on completion of nine months from the date of issue – guidelines.
- FX/104/2016 – Caution listing of exporters due to outstanding shipping bills under EDPMS – details and guidelines.



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PROMOTION STUDY MATERIAL - 2017

- FX/44/2015 - A2 form should not be insisted for FCNR(B) repatriation.
- FX/53/2015 – Liberalised Remittance Scheme (LRS) for Resident Individuals – Limit enhanced to USD 250,000/- from USD 125,000
- FX/47/2015 – Rupee drawing arrangement – trade transactions limit increased to Rs. 15 lacs from Rs. 5 lacs
- FX/97/2015 – No fresh permission / Renewal of permission to Liaison Offices of Foreign Law Firms.
- FX/100/2015 – Advance remittance for imports of goods – guidelines – satisfactory OPL must be obtained on supplier. Importer to have one year satisfactory dealings with the branch.
- FX/30/2015 – Citizens of Macau and Hong Kong are prohibited to acquire/Transfer Immovable property in India without RBI prior permission..Other countries are Pakistan, Bangladesh ,Sri Lanka ,Afghanistan, China ,Iran, Nepal or Bhutan
- FX/23/2015 Submission Form A1 dispensed with. Banks to devise their own forms.
- FX/21/2015 – Advance received for exports – quarterly statement introduced.
- FX/10/2015- An individual can carry to Nepal and Bhutan Indian Currency Notes up to a limit of Rs 25000/-.



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PROMOTION STUDY MATERIAL - 2017

- FX/132/2014- FCNR(B) in Canadian Dollars(CAD) and Australian Dollars (AUD) can now be opened for Maximum Period of 5 Years .(Earlier it was 3 Years)
- FX 131/2014 – EEFC account can now be opened in US Dollars (USD), Pound Sterling(GBP),EURO (EUR),Australian Dollars (AUD) and **Canadian Dollars (CAD)**
- FX/125/2014 – Period of Realisation of Export proceeds is 9 months for all exports ,including SEZ, Status Holder Exporters, EOUs, Units in EHTPs, STPs, and BTPs.
- FX/115/2014 – Importers are allowed to Booked Forward contracts, under Past Performance Route ,upto 100% of the eligible limit.
- FX/105/2014- Forward contract booked based on underlying contract, can be booked for 15 days beyond maturity of the underlying import Transaction or month end , whichever is later.
- FX/93/2014-Post Facto reporting of Purchase of Immovable Property under Liberalised Remittance Scheme(LRS) -**withdrawn.**
- FX/06/2014 – NRIs permitted to operate close relative's Resident accounts on “Either or Survivor” basis. Earlier, it was permitted only on “Former or Survivor” clause.



CANARA BANK OFFICERS' ASSOCIATION

PROMOTION STUDY MATERIAL - 2017

- FX/131/2013 – Important reminder – NRO accounts of Pakistani nationals require RBI approval.
- FX/127/2013 – Third party payment for export/import permitted subject to conditions.
- FX/116/2013 – RBI discontinues the facility of refinancing the existing ECB by raising fresh ECB at a higher all in cost w e f 01.10.2013.
- FX/111/2013 – Import bill denominated in INR – Payment of Interest is capped at “Repo Rate + 300 basis points”.
- FX/89/2013 - Banks are now permitted to open NRO account of individuals of Bangladesh nationality without approval of RBI subject to certain conditions.
- FX/38/2013 – Letter of Authority to be obtained from NRE/NRO account holder before allowing operation by Power of Attorney/Letter of Authority holder.
- FX/24/2013 – Forward contract matured – cancellation on 3rd working day after maturity date by the bank if customer fails to provide any instructions prior to that day. (Earlier it was 7th working day).
- CASIO : Canara Signature Images Verification On Line – a new web page in “SAS” package – for verifying signatures of Exchange Houses officials under Rupee Drawing Arrangement (RDA) (Cir 134/2012).
- EEFC/DDA/RFC (D) account holders are allowed to retain 100% of future foreign exchange earnings in their EEFC/DDA/RFC(D) accounts subject to the condition that the sum total of the accruals in the account during a calendar month should be converted in to Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments.
- As per RBI guidelines, the foreign nationals employed in India holding valid visa are eligible to maintain resident accounts with Banks. The account should be closed when they leave the country for permanent reasons (Cir 191/2011).
- Foreign Currency ECNOS is LIBOR for 12 months plus 6.50%.
Rupee ECNOS is Base Rate plus 5.00%.