

Money Transfer Service Scheme (MTSS)

A *Non Deposit Taking NBFC* holding a valid Certificate of Registration under Chapter III B of RBI Act, 1934; being an Authorised Dealer - Category II or Full Fledged Money Changer and having obtaining a prior approval from RBI under Section 10 of FEMA, 1999, can act as an *Indian Agent* under MTSS.

Indian Agent

To be an Indian Agent, minimum Net Owned Funds of Rs.50 lakhs is to be maintained. A declaration to the effect that no proceedings have been initiated by / are pending with the Directorate of Enforcement (DoE) / Directorate of Revenue Intelligence (DRI) or any other law enforcing authorities, against the applicant or its directors and that no criminal cases are initiated / pending against the applicant or its directors has to be submitted to the regulator. Further, a declaration to the effect that proper policy framework is in place as prescribed under 'Know Your Customer norms / AML standards / Combating of Financing of Terrorism / Obligation of banks under PMLA, 2002'.

The Indian Agent is required to disclose the name and address of the Overseas Principal and the details of the operation of the scheme. It should submit to the regulator - the list of branches in India, their addresses where MTSS is proposed to be conducted and the estimated volume of business per month/year. It should also submit Audited Financial Statements for the last two financial years, if available or a copy of the latest audited accounts, with a certificate from Statutory Auditors regarding the position of the Net Owned Funds as on the date of application.

The Indian agent is required to incorporate a provision in its Memorandum and Articles of Association for taking up money transfer business and these documents along with a certified copy of the board resolution for undertaking money transfer business is to be submitted at the time of making the application.

A Confidential Report from at least two of their bankers in sealed cover and details of sister/ associated concerns, if any, functioning in the financial sector also needs to be furnished.

A letter from the proposed Overseas Principal confirming the commitment to provide a minimum collateral equivalent to 3 days' average drawings or USD 50,000, whichever is higher is to be obtained. While the minimum collateral shall be kept in FCNR (B) Account, any excess collateral may be in the form of a Bank Guarantee.

The Indian Agent should commence its money transfer operations within six months from the date of obtaining permission.

A Non Deposit Taking NBFC can also act as a sub agent to any Indian Agent under MTSS, without obtaining any prior approval from RBI.

Sub Agent

The Overseas Principal and Indian Agent carry out necessary due diligence, obtain bonafide of the sub agent and ensure that the sub agent has a place of business. If the sub agent concerned is already holding an Authorised Dealer - Category II license, there is no need for any such due diligence. The Indian Agents enters into a mutual agreement with the sub agent and determines the terms of the agency. The Indian Agent is also expected to impart training to the Sub Agents as regards operations and maintenance of records under the scheme.

The Indian agent shall maintain a mutually agreed amount with a designated bank, as security deposit in favour of the sub-agent. The Indian Agent and Sub agent shall ensure that the payouts do not at any point of time exceed the security deposits.

Indian Agent is responsible for Sub agent's compliance with MTSS guidelines and must ensure that there is no co-mingling of its funds with those of the sub agent. The sub agent cannot further appoint any sub-agent.

The Indian Agents have to put in place a monthly reporting system for all transactions undertaken by the Sub Agents. Spot audits of all locations should be conducted at least once in a month and inspection of their books should be undertaken annually.

Indian Agent can terminate the sub agency agreement in case of any non compliance by the sub-agent.

Deposit Accepting NBFCs are not permitted to participate in MTSS.