

Money Transfer Service Scheme (MTSS)

Objective of MTSS

This facility enables individuals from abroad to make inward personal remittances into India towards family maintenance and also remittances favouring foreign tourists visiting India. No outward remittances from India is permissible under MTSS.

Mode of Transfer

Transfer of Funds is made through electronic mode. The transfer of funds is initiated by a person by way of instruction, authorisation or order to a bank to debit or credit an account maintained with that bank through electronic means and includes point of sale transfers; automated teller machine transactions, direct deposits or withdrawal of funds, transfers initiated by telephone, internet and card payment.

Remittances into India

Only 30 remittances can be received by a single individual beneficiary under the scheme during a calendar year. The individual remittances to India under the scheme is capped at USD 2500. Inward remittances upto Rs 50,000 may be paid in cash to a beneficiary and any amount exceeding this limit shall be paid by account payee cheque or demand draft or payment order or credited directly to the beneficiary's bank account. However, in exceptional circumstances, where the beneficiary is a foreign tourist, higher amounts may be disbursed in cash. The trail of such transactions should be kept on record for scrutiny by the auditors/ inspectors.

Players in MTSS

The MTSS is operated by system participants viz. Overseas Principal, Indian Agent and Sub agents (Only if appointed by Indian Agents).

An Overseas Principal, being a reputed money transfer company, incorporated outside India, can, after obtaining permission from RBI under Section 10 of FEMA, 1999 and Payment and Settlement Systems Act, 2007; tie up with an Indian Agent who would disburse the funds to the beneficiaries identified by the Overseas Principal at ongoing exchange rates.

An Indian Agent could be a Authorised Dealer - Category I Bank or an Authorised Dealer - Category II or Full Fledged Money changer or Scheduled Commercial Bank or Department of posts. Such eligible entity may, after obtaining permission from

RBI under Section 10 of FEMA, 1999, undertake inward cross border money transfers into India under MTSS.

RBI has accorded powers to Indian Agents to appoint sub agents, for facilitating their MTSS operations through sub-agency agreements.

Overseas Principal

Overseas Principal with adequate volume of business, track record and wide network will only be permitted to participate in the scheme. It should be a registered entity, as per the host country regulations concerned for carrying on Money Transfer activities and the host country should be Anti Money Laundering (AML) compliant.

The minimum Net Worth of Overseas Principals should be at least USD 1 million as per the latest audited financial statements, which should be maintained at all times and should have a good rating from one of the international credit rating agencies. They should submit confidential reports from at least two of its bankers and a report certified by independent Chartered Accountant regarding steps taken to comply with AML norms in the host country.

On commencement of operations, proper records of remitters as also beneficiaries pertaining to all pay-outs in India are to be maintained. All records must be made accessible on demand to the regulators in India.

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.

Prohibitions under the Scheme

Donations/contributions to charitable institutions/trusts, trade related remittances, remittance towards purchase of property, investments or credit to NRE Accounts shall not be made through this arrangement.

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.