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FED Master Direction No.3/2015-16

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(Updated as on May 29, 2024)
(Updated as on February 29, 2024)
(Updated as on March 4, 2022)
(Updated as on March 29, 2019)*

To

All Authorised Persons in Foreign Exchange

Madam / Sir,

Master Direction - Money Changing Activities

In terms of Section 10 (1) of the Foreign Exchange Management Act, 1999, the Reserve Bank, on an application, may authorise any person to be known as an authorised person, to deal in foreign exchange as an authorised dealer, money changer or off-shore banking unit or in any other manner as it deems fit.

2. With a view to providing adequate foreign exchange facilities to common persons, to widen the scope of activities which the Authorised Persons are eligible to undertake, and to ensure efficient customer service through competition, Reserve Bank, currently, issues authorisation under Section 10(1) of the Foreign Exchange Management Act, 1999, to

- select banks (as Authorised Dealers Category-I) to carry out all permissible current and capital account transactions as per directions issued from time-to-time
- select entities (as Authorised Dealers Category-II) to carry out specified non-trade related current account transactions, all the activities permitted to Full Fledged Money Changers and any other activity as decided by the Reserve Bank
- select financial and other institutions (as Authorised Dealers Category-III) to carry out specific foreign exchange transactions incidental to their business / activities

- select registered companies as Full Fledged Money Changers (FFMC) to undertake purchase and sale of foreign exchange for specified purposes only

3. The directions relating to the subject of money changing activities including authorisation and functioning of FFMCs, non-bank ADs Category II, and franchisees of Authorised Persons as well as the conduct of foreign exchange transactions with their customers/constituents are being issued in a consolidated form through the Master Direction enclosed herewith, under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

4. The list of underlying notifications/circulars which form the basis of this Master Direction is furnished in the Appendix. Reporting instructions can be found in [Master Direction – Reporting under Foreign Exchange Management Act, 1999 dated January 01, 2016](#), as amended from time to time. The Authorised Persons may refer to respective circulars/ notifications for detailed information, if so needed.

5. It may be noted that whenever necessary, Reserve Bank shall issue directions to Authorised Persons through A.P. (DIR Series) Circulars in regard to any change in the rules, regulations, notifications, directions or orders or the manner in which relative transactions are to be conducted by the Authorised Persons with their customers/constituents. The Master Direction issued herewith shall be amended suitably simultaneously.

Yours faithfully,

(N Senthil Kumar)
Chief General Manager

* Since this Master Direction has been significantly amended, it has been replaced rather than showing the changes in track mode for reader convenience. [The previous Master Direction – Money Changing Activities dated January 1, 2016 \(updated as on December 8, 2017\)](#)

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Master Direction - Money Changing Activities

SECTION-I

1. Introduction

Money changing business can be undertaken by entities authorised by the Reserve Bank under Section 10 of the Foreign Exchange Management Act, 1999. No person shall carry on money changing business without the possession of a valid money changer's licence issued by the Reserve Bank. Any person found undertaking money changing business without a valid licence is liable to be penalised under the Act *ibid*.

This document contains the various instructions relating to the subject of money changing activities including authorisation and functioning of Full Fledged Money Changers (FFMCs), non-bank Authorised Dealers Category-II and franchisees of Authorised Persons as well as the conduct of foreign exchange transactions with their customers/constituents.

2. Definitions

2.1 Authorised Person means an authorised dealer, money changer, off-shore banking unit or any other person authorised under sub-section (1) of section 10 to deal in foreign exchange or foreign securities.

2.2 'Authorised Dealer' (AD) means a person authorised as an authorised dealer under sub-section (1) of section 10 of FEMA.

2.3 'Authorised Dealer (AD) Category I' means entities which are authorised by the Reserve Bank to carry out all permissible current and capital account transactions as per directions issued from time-to-time

2.4 'Authorised Dealer (AD) Category II' means entities which are authorised by the Reserve Bank to carry out specified non-trade related current account transactions, all the activities permitted to Full Fledged Money Changers and any other activity as decided by the Reserve Bank, and shall include (i) Upgraded FFMCs; (ii) Select Regional Rural Banks (RRBs); (iii) Select Urban Cooperative Banks (UCBs); and (iv) Other entities.

2.5 'Authorised Dealer (AD) Category III' means entities which are authorised by the Reserve Bank to carry out specific foreign exchange transactions incidental to their business / activities.

2.6 'Full Fledged Money Changer (FFMC)' is a money changer authorised to purchase foreign exchange from non-residents visiting India and residents, and to sell foreign exchange for private and business travel purposes only.

Note: Authorised Dealer Category-I Banks/ Authorised Dealers Category-II/ FFMCs may appoint franchisees, at their option, for the purpose of carrying restricted money changing business i.e. conversion of foreign currency notes, coins or travellers' cheques into Indian Rupees.

3. Guidelines for issuance of FFMC Licence

FFMCs are authorised to purchase foreign exchange from non-residents visiting India and residents, and to sell foreign exchange for private and business travel purposes only.

The guidelines for issue of a new FFMC licence and renewal of FFMC licence, guidelines for grant of authorisation for additional branches, guidelines for obtaining approval for appointment of agents/franchisees and guidelines on Know Your Customer (KYC)/Anti Money Laundering (AML)/Combating of Financing of Terrorism (CFT) for Authorised Persons (AP), are given below.

(i) Entry Norms

(a) The applicant has to be a company registered under the Companies Act, 1956/ Companies Act 2013/ Registration of Companies (Sikkim) Act, 1961.

(b) The minimum Net Owned Funds (NOF) required for consideration as FFMC are as follows:

Category	Minimum NOF
Single branch FFMC	Rs.25 lakh
Multiple branch FFMC	Rs.50 lakh

Note: The Net Owned Funds of applicants, other than banks, should be calculated as per the following.

(a) Owned Funds:- (Paid-up Equity Capital + Free reserves + Credit balance in Profit & Loss A/c) minus (Accumulated balance of loss, Deferred revenue expenditure and Other intangible assets)

(b) Net Owned Funds:- Owned funds minus the amount of investments in shares of its subsidiaries, companies in the same group, all (other) non-banking financial companies as also the book value of debentures, bonds, outstanding loans and advances made to and deposits with its subsidiaries and companies in the same group in excess of 10 per cent of the Owned funds.

(ii) Documentation

Application in the prescribed form should be submitted ¹through the APConnect application (<https://apconnect.rbi.org.in/entity>) to the respective Regional Office of the Foreign Exchange Department of the Reserve Bank under whose jurisdiction the registered office of the applicant falls, along with the following documents:

- (a) Copy of the Certificate of Incorporation.
- (b) Memorandum and Articles of Association containing a provision for undertaking money changing business or an appropriate amendment to this effect filed with the Company Law Board.
- (c) Copy of the latest audited accounts with a certificate from the Statutory Auditors certifying the Net Owned Funds as on the date of application. Copies of the audited Balance Sheet and Profit & Loss Account of the company for the last three years, wherever applicable.
- (d) Confidential Report from the applicant's banker in a sealed cover.
- (e) 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 company or its directors and that no criminal cases are initiated / pending against the applicant company or its directors.
- (f) A declaration to the effect that proper policy framework on KYC guidelines issued by Reserve Bank of India from time to time² will be put in place on obtaining the approval of the Reserve Bank and before commencement of operations.
- (g) Details of sister / associated concerns operating in the financial sector, like NBFCs, etc.
- (h) A certified copy of the board resolution for undertaking money changing business.

¹ Inserted vide [A.P. \(DIR Series\) Circular No.01 dated April 06, 2023](#)

² Modified vide [A.P. \(DIR Series\) Circular No. 16 dated November 28, 2025](#)

(iii) Basis for Approval

- (a) Since several FFMCs are already functioning, fresh licences will be issued on a selective basis to those who comply with all the licensing requirements.
- (b) 'Fit and proper' criteria for the applicant FFMCs (also applicable to non-bank ADs Category - II): If any case by DoE / DRI or any other case by any other law enforcing authorities, is initiated / pending against any company / its directors, the company will not be considered as 'fit and proper' and its application will not be considered for licensing as FFMC.
- (c) 'Fit and proper' criteria for directors of FFMCs (also applicable to non-bank ADs Category - II): Please see SECTION- VIII for the details in this regard.
- (d) Clearance by the Empowered Committee: The request for issuance of FFMC licence would be considered by the Regional Office concerned of the Reserve Bank on the basis of the clearance by an Empowered Committee, set up for the purpose.
- (e) Reserve Bank's decision in the matter of granting approval or otherwise will be final and binding.
- (f) On obtaining approval from the Reserve Bank, a copy of the registration under Shops & Establishment Act or any other documentary evidence such as rent receipt, copy of lease agreement, etc., should be submitted to the Regional Office concerned of the Reserve Bank before commencement of the business.
- (g) The FFMC should commence its operations within a period of six months from the date of issuance of licence and inform the Regional Office concerned of the Reserve Bank.
- (h) The new FFMCs should carry out their activities as per the instructions specified in SECTIONS V and VI below and other instructions issued by the Reserve Bank from time to time.

Note: Urban Cooperative Banks (UCBs), fulfilling the eligibility norms, would be considered for authorisation as Authorised Dealer Category-I / Authorised Dealer Category-II only.

SECTION II

Guidelines for Grant of Authorisation for Additional Branches:-

1. No FFMC/non-bank AD Category II shall carry on money changing business at any additional place of business other than its permanent place of business except with the prior approval of the Reserve Bank. An FFMC/non-bank AD Category II which intends to commence money changing business at any additional place of business shall apply ³through the APConnect application to the respective Regional Office of the Foreign Exchange Department under whose jurisdiction the registered office of the applicant falls and the Reserve Bank may approve the additional place of business subject to such conditions as deem fit. It is expected that branches of Authorised Persons should be diversified and should be meeting the demand of tourists, etc. Preference will be given to applications for branches in remote areas of tourist attraction.

2. Applications for additional locations (places of business) should be accompanied by the following:-

- (a) A certificate from Proprietor/Partner/Director /CFO of the entity as regards the position of NOF.
- (b) A declaration to the effect that no proceedings have been initiated by / are pending at 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.

Note: No new branch licence shall be issued to any FFMC/non-bank AD Category-II, against whom any major DoE / DRI case is pending. In DoE / DRI pending cases of a minor nature, a decision will be taken by the Reserve Bank on a case by case basis. The categorisation of pending DoE / DRI cases as major / minor will be at the discretion of the Reserve Bank and the decision of the Reserve Bank will be final and binding. Where any DoE / DRI case is adjudicated and penalty is imposed, a view will be taken, on the basis of the nature of the offence, provided no fresh case is instituted by DoE / DRI.

³ Inserted vide [A.P. \(DIR Series\) Circular No.01 dated April 06, 2023](#)

- (c) A declaration that there is no change in the KYC/AML/CFT policy framework since its last submission to RBI. However, in case there is a change, a copy of the revised / latest version of the policy shall be required to be submitted.
 - (d) A declaration to the effect that there is no change in the internal control systems including internal and external audit since submission of the last write-up to RBI. However, in case there is a change, the revised/latest write-up would be required to be submitted.
3. A copy of the registration under Shops & Establishment Act or any other documentary evidence such as rent receipt, copy of lease agreement, etc., should be submitted to the Regional Office concerned of the Reserve Bank before commencement of business at an additional branch.
 4. The FFMC/ non-bank AD Category II should commence operations of its additional branch within a period of **six months** from the date of issuance of licence and inform the Regional Office concerned of the Reserve Bank.
 5. For opening Foreign Exchange Counters/branches/) at the international airports in India, AD Category-I banks/ ADs Category – II/ FFMCs should adhere to following conditions.
 - (a) Foreign Exchange Counters/branches in the arrival halls in international airports in India shall ideally be established after the Customs Desk (Green Channel/Red Channel). However, Foreign Exchange Counters may also be established between the Immigration Desk and the Customs Desk in international airports in India subject to the condition that these counters shall only purchase foreign currency and sell Indian Rupees (INR) and "Encashment Certificates" shall invariable be issued by the money changers to the customers.
 - (b) Foreign Exchange Counters/branches in the departure halls in international airports in India shall be established before the Customs Desk or the

immigration desk, whichever comes first. ⁴However, the Foreign Exchange Counters established in the Duty-Free Area or Security Hold Area beyond the Immigration or Customs desk shall allow residents (along with non-residents) to exchange Indian Rupee notes. The limits of carrying Indian Rupees by residents and non-residents shall be as per the para given below at (c) and (d).

- (c) Resident Indians as well as those Non-residents who are – (i) not citizens of Pakistan or Bangladesh and (ii) not going to Pakistan or Bangladesh, are allowed to take Indian notes up to an amount not exceeding Rs.25,000/- while leaving the country through an airport.
- (d) Citizens of Pakistan and Bangladesh exiting the country by air are allowed to carry up to a maximum of Rs.10,000/- up to the boarding point in international airports, but not beyond.

⁴ Substituted vide [A.P. \(DIR Series\) Circular No. 4 dated April 2, 2026](#). Prior to substitution it read as: "However, to enable the non-residents to convert their unspent/ excess Indian Rupees above the limits laid down at para (c) and (d) below, Foreign Exchange Counters/branches at the departure halls in the international airports may be established in the Duty Free Area/SHA beyond the Immigration/Customs desk."

SECTION III

Guidelines for appointment of Agents / Franchisees by Authorised Dealers Category – I Banks, Authorised Dealers Category - II and FFMCs

1. Under the Scheme, the Reserve Bank permits ADs Category - I , ADs Category - II and FFMCs to enter into agency or franchisee agreements at their option for the purpose of carrying restricted money changing business i.e. conversion of foreign currency notes, coins or travellers' cheques into Indian Rupees. However, franchisees of AD Category - I / AD Category - II / FFMCs functioning within 10 kms from the borders of Pakistan and Bangladesh may also sell the currency of the bordering country, with the prior approval of the Regional Office concerned of the Reserve Bank. Other franchisees of AD Category - I / AD Category - II / FFMCs cannot sell foreign currency.

2. Franchisee

A franchisee can be any entity which has a place of business and a minimum Net Owned Funds of Rs.10 lakh. Franchisees can undertake only restricted money changing business.

3. Franchisee Agreement

An AD Category-I Bank / AD Category-II / FFMC, as the franchiser, is free to decide on the tenor of the arrangement as also the commission or fee through mutual agreement with the franchisee.

The Agency / Franchisee agreement to be entered into should include the following salient features:

- (a) The franchisees should display the names of their franchisers, exchange rates and that they are authorised only to purchase foreign currency, prominently in their offices. Exchange Rate for conversion of foreign currency into Rupees should be the same or close to the daily exchange rate charged by the AD Category – I Banks / ADs Category - II / FFMC at its branches.
- (b) The foreign currency purchased by the franchisee should be surrendered only to its franchiser within 7 working days from the date of purchase.

- (c) The maintenance of proper record of transactions by the franchisee.
- (d) The on-site inspection of the franchisee by the franchiser should be conducted at least once a year.

4. **Procedure for application**

An AD Category – I Bank / AD Category - II/ FFMC should apply ⁵(non-bank AD Category -II and FFMCs should apply through the APConnect application) to the respective Regional Office of the Reserve Bank, in Form RMC-F for appointment of franchisees under this Scheme. The application should be accompanied by a declaration that while selecting the franchisees, adequate due diligence has been carried out and that such entities have undertaken to comply with all the provisions of the franchising agreement and prevailing Reserve Bank regulations regarding money changing. Approval would be granted by the Reserve Bank for the first franchisee arrangement. Thereafter, as and when new franchisee agreements are entered into, these would have to be reported (through the APConnect application by non-bank AD Category -II and FFMCs) to the Reserve Bank in Form RMC-F on a post-facto basis along with similar declaration as indicated above.

5. **Due Diligence of Franchisees**

A franchiser, i.e. AD Category–I Bank/ AD Category–II / FFMC should undertake the following minimum checks while conducting due diligence of its franchisees:

- i. existing business activities of the franchisee/ its position in the area.
- ii. minimum Net Owned Funds of the franchisee.
- iii. Shops & Establishments / other applicable municipal certification in favour of the franchisee.
- iv. verification of physical existence of location of the franchisee, where restricted money changing activities will be conducted.

⁵ Inserted vide [A.P. \(DIR Series\) Circular No.01 dated April 06, 2023](#)

- v. conduct certificate of the franchisee from the local police authorities (certified copy of Memorandum and Articles of Association and Certificate of Incorporation in respect of incorporated entities).

Note: *Obtaining of Conduct Certificate of the franchisee from the local police authorities is optional for the franchisers. However, the franchisers may take due care to avoid appointing individuals/ entities as franchisees who have cases / proceedings initiated / pending against them by any law enforcing agencies.*

- vi. declaration regarding past criminal case, if any, cases initiated / pending against the franchisee or its directors / partners by any law enforcing agency, if any.
- vii. PAN Card of the franchisee and its directors / partners.
- viii. photographs of the directors / partners and the key persons of franchisee.

The above checks should be done on a regular basis, at least once in a year. The franchiser should obtain from the franchisees proper documentary evidence confirming the location of the franchisees in addition to personal visits to the site. The franchiser should also obtain a Chartered Accountant's certificate confirming the maintenance of minimum Net Owned Funds of the franchisee, *i.e.*, Rs.10 lakh on an ongoing basis.

6. **Selection of Centres**

- (i) The franchiser, *i.e.* AD Category–I Bank / AD Category–II / FFMC may appoint franchisees within a distance of 100 kms. from their controlling branches concerned.
- (ii) However, this distance criterion is relaxed in case of a recognised group/ chain of hotels appointed as franchisees, provided the headquarters of the group/ chain of hotels falls within a distance of 100 kms. of the controlling branch of the franchiser concerned.
- (iii) Further, in case of areas declared as hilly areas (as defined by the respective State Governments/ Union Territories) and the North-Eastern States, the distance restriction given in point (i) above is not applicable.

7. Training

Franchisers are to impart training to the franchisees as regards operations and maintenance of records.

8. Reporting, Audit and Inspection

The franchisers, i.e. ADs Category-I Banks / ADs Category-II / FFMCs are expected to put in place adequate arrangements for reporting of transactions by the franchisees to the franchisers on a regular basis (at least monthly). Regular spot audits of all locations of franchisees, at least once in six months, should be conducted by the franchiser. Such audits should involve a dedicated team and incognito visits should also be used to test the compliance level of the franchisees. A system of annual inspection of the books of the franchisees should also be put in place. The purpose of such inspection is to ensure that the money changing business is being carried out by the franchisees in conformity with the terms of the agreement and prevailing Reserve Bank guidelines and that necessary records are being maintained by the franchisees.

9. Anti-Money Laundering (AML) / Know Your Customer (KYC) / Combating of Financing of Terrorism (CFT) Guidelines

Franchisees are required to strictly adhere to the AML / KYC/ CFT guidelines, as applicable to ADs Category-I Banks / ADs Category – II / FFMCs.

Note:- *No licence for appointment of franchisees will be issued to any FFMC / non-bank AD Category - II, against whom any major DoE / DRI / CBI / Police case is pending. In case where any FFMC / non-bank AD Category - II has received one-time approval for appointing franchisees and subsequent to the date of approval, any DoE / DRI / CBI / Police case is filed, the FFMC / non-bank AD Category - II should not appoint any further franchisees and bring the matter to the notice of the Reserve Bank immediately. A decision will be taken by the Reserve Bank regarding allowing the FFMC / non-bank AD Category - II to appoint franchisees.*

SECTION IV

Guidelines for Renewal of licences of existing FFMCs :

1. The applicant should be a company registered under the Companies Act, 1956/ Companies Act, 2013/ Registration of Companies (Sikkim) Act, 1961 having registered office within the area of jurisdiction of the respective Regional Office of the Foreign Exchange Department.

2. The Net Owned Funds required are as follows:

Category	Minimum NOF
Single branch FFMC	Rs.25 lakh
Multiple branch FFMC	Rs.50 lakh

3. Applications for renewal should be submitted ⁶through the APConnect application along with the documents mentioned below.

- (a) Copy of the latest audited accounts with a certificate from the Statutory Auditors regarding the position of Net Owned Funds as on date.
- (b) Confidential Report from the applicant's banker in a sealed cover.
- (c) A declaration to the effect that no proceedings have been initiated by/ are pending with the Directorate of Enforcement / Directorate of Revenue Intelligence or any other law enforcing authorities against the applicant company or its directors and that no criminal cases are initiated/ pending against the applicant company or its directors.
- (d) A copy of the KYC / AML / CFT policy framework existing in the company.

Note: An application from an FFMC/non-bank AD Category-II for renewal of licence shall be made **two months before expiry of the licence** or such other period as the Reserve Bank may prescribe. Where an application for licence renewal is submitted, the licence shall continue in force until the date on which the licence is renewed or the application is rejected, as the case may be. **No application from an FFMC/non-bank AD Category-II for renewal of licence shall be made after expiry of the licence.**

⁶ Inserted vide [A.P. \(DIR Series\) Circular No.01 dated April 06, 2023](#)

SECTION V

Operational Instructions

1. Bringing in and taking out of Foreign Exchange

(i) Foreign exchange in any form can be brought into India freely without limit provided it is declared on the Currency Declaration Form (CDF) on arrival to the Custom Authorities. When foreign exchange brought in the form of currency notes or travellers' cheques does not exceed USD 10,000 or its equivalent and / or the value of foreign currency notes does not exceed USD 5,000 or its equivalent, declaration thereof on CDF is not insisted upon.

(ii) Taking out foreign exchange in any form, other than foreign exchange obtained from an authorised dealer or a money changer is prohibited unless it is covered by a general or special permission of the Reserve Bank. Non-residents, however, have general permission to take out an amount not exceeding the amount originally brought in by them, subject to compliance with the provisions of sub-para (i) above.

2. Purchases of Foreign Currency from Public

(i) Authorised Persons and their franchisees may freely purchase foreign currency notes, coins and travellers cheques from residents as well as non-residents. Where the foreign currency was brought in by declaring on form CDF, the tenderer should be asked to produce the same. The production of declaration in CDF should invariably be insisted upon.

(ii) Requests for payment in cash in Indian Rupees to resident customers towards purchase of foreign currency notes and/ or Travellers' Cheques from them may be acceded to the extent of only USD 1,000 or its equivalent per transaction.

(iii) Requests for payment in cash by foreign visitors / Non-Resident Indians may be acceded to the extent of only USD 3,000 or its equivalent per transaction.

(iv) Authorised Persons may sell Indian Rupees to foreign tourists / visitors against International Credit Cards / International Debit Cards and take prompt steps to obtain reimbursement through normal banking channels.

While making payments in Indian Rupees to resident customers towards purchase of foreign currency notes and/ or traveller's cheques, payment can be made in cash / by way of account payee cheque / demand draft/ loading in INR debit cards/electronic funds transfer through banking channel, as per prescribed limits.

3. Encashment Certificate

(i) Authorised Persons may issue certificate of encashment when asked for in cases of purchases of foreign currency notes, coins and travellers cheques from residents as well as non-residents. These certificates bearing authorised signatures should be issued on the letter head of the money changer and proper record should be maintained.

(ii) In cases where encashment certificate is not issued, attention of the customers should be drawn to the fact that unspent local currency held by non-residents will be allowed to be converted into foreign currency only against production of a valid encashment certificate.

4. Purchases from other FFMCs and Authorised Dealers (ADs)

An FFMC/ non-bank AD Category II may purchase from other FFMCs and Authorised Dealers (ADs) any foreign currency notes, coins and encashed traveller's cheques tendered in the normal course of business. Rupee equivalent of the amount of foreign exchange purchased should be paid only by way of crossed account payee cheque/demand draft/banker's cheque / pay order/electronic funds transfer through banking channel.

5. Sale of foreign exchange

(I) Private Visits

Authorised Persons may sell foreign exchange up to the prescribed ceiling specified in Schedule III to the Foreign Exchange Management (Current Account Transaction) Rules, 2000 during a financial year to persons resident in India for undertaking one or more private visits to any country abroad (except Nepal and Bhutan). Exchange for such private visits will be available on a self-declaration basis to the traveller regarding the amount of foreign exchange availed during a financial year. Foreign

nationals permanently resident in India are also eligible to avail of this quota for private visits provided the applicant is not availing of facilities for remittance of his salary, savings, etc., abroad in terms of extant regulations.

(II) Business visits

Authorised Persons may sell foreign exchange to persons resident in India for undertaking business travel or for attending a conference or specialised training or for maintenance expenses of a patient going abroad for medical treatment or check - up abroad or for accompanying as attendant to a patient going abroad for medical treatment / check-up up to the limits specified in Schedule III to FEMA (Current Account Transactions) Rules, 2000.

(III) Forex Pre-paid Cards

Authorised Dealers Category-II may issue forex pre-paid cards to residents travelling on private/business visit abroad, subject to KYC/AML/CFT requirements. However, the settlement in respect of forex pre-paid cards may be effected through AD Category-I banks.

In this regard, it is clarified that prepaid foreign currency cards are a form of foreign currency, similar to foreign currency notes or travellers cheques. As such, the authorised dealers (ADs)/FFMCs selling pre-paid foreign currency cards for travel purposes are required to comply with the same rigorous standards of due diligence and KYC as they would in case they were selling foreign currency notes/ travellers cheques to their customers.

Conditions

- i. The Reserve Bank will not generally, prescribe the documents which should be verified by the Authorised Persons while releasing foreign exchange. In this connection, attention is drawn to sub-section (5) of Section 10 of FEMA, 1999.
- ii. In case of issue of travellers' cheques, the traveler should sign the cheques in the presence of an authorised official and the purchaser's acknowledgement for receipt of the travellers' cheques should be held on record.

- iii. Authorised Persons may release foreign exchange for travel purposes on the basis of a declaration given by the traveler regarding the amount of foreign exchange availed of during the financial year.
- iv. Authorised Persons may accept payment in cash below Rs.50,000/- (Rupees fifty thousand only) against sale of foreign exchange for travel abroad (for private visit or for any other purpose). Wherever the sale of foreign exchange is for the amount equivalent to Rs.50,000/- and above whether it involves a single drawal or multiple drawals for a single journey, the payment must be received only by a crossed cheque drawn on the applicant's bank account or crossed cheque drawn on the bank account of the firm sponsoring the visit of the applicant or electronic funds transfer through banking channel by applicant or sponsoring company or banker's cheque / pay order / demand draft. In addition to the payment by Rupees/ through crossed cheque/ banker's cheque/ pay order/ demand draft/electronic funds transfer through banking channel, Authorised Persons may also accept the payments made by the traveller through debit cards/ credit cards/ prepaid cards for travel abroad (for private visit or for any other purpose) provided- (i) KYC/ AML / CFT guidelines are complied with, (ii) sale of foreign currency/ issue of foreign currency traveller's cheques is within the limits (credit/ prepaid cards) prescribed by the bank, (iii) the purchaser of foreign currency/ foreign currency travellers' cheque and the credit/ debit/ prepaid card holder is one and the same person.
- v. The sale of foreign currency notes and coins within the overall entitlement of foreign exchange should be restricted to the limits prescribed by the Reserve Bank from time to time for the country of visit of the traveller.

Note: Instructions in the [Master Direction - Liberalised Remittance Scheme \(LRS\) dated January 1, 2016](#) (updated from time to time), as applicable, shall apply.

6. Sales against Reconversion of Indian Currency

Authorised Persons may convert into foreign currency, unspent Indian currency held by non-residents at the time of their departure from India, provided a valid Encashment Certificate is produced.

Note (1): *Authorised Persons may convert at their discretion, unspent Indian currency up to Rs.10,000 in the possession of non-residents if, for bonafide reasons, the person is unable to produce an Encashment Certificate after ensuring that the departure is scheduled to take place within the following seven days.*

Note (2): *ADs Category – I, ADs Category – II and FFMCs may provide facility for reconversion of Indian Rupees to the extent of Rs.50,000/- to foreign tourists (**not NRIs**) against ATM Receipts based on the following documents.*

- *Valid Passport and VISA*
- *Ticket confirmed for departure within 7 days.*
- *Original ATM slip (to be verified with the original debit/ credit card).*

7. Cash Memo

Authorised Persons shall issue a cash memo, if asked for, on official letterhead to travellers to whom foreign currency is sold by them. The cash memo may be required for production to emigration authorities while leaving the country.

8. Rates of Exchange

Authorised Persons may put through transactions relating to foreign currency notes and travellers' cheques at rates of exchange determined by market conditions and in alignment with the ongoing market rates.

9. Display of Exchange Rate Chart

Authorised Persons should display at a prominent place in or near the public counter, a chart indicating the rates for purchase/sale of foreign currency notes and travellers' cheques for all the major currencies and the card rates for any day, should be updated, latest by 10:30 a.m.

10. Display of Money Changing Licence

An FFMC/ non-bank AD Category II should at each of its business place, display at a prominent place in or near the public counter, a copy of the money changing licence issued by Reserve Bank of India.

11. Foreign Currency Balances

- (i) An FFMC/non-bank AD Category-II should keep balances in foreign currencies at reasonable levels and avoid buildup of idle balances with a view to speculating on currency movements.
- (ii) Franchisees should surrender foreign currency notes, coins and travellers' cheques purchased only to their franchisers within seven working days.
- (iii) The transactions between authorised dealers and FFMCs should be settled by way of account payee crossed cheques / demand drafts/electronic funds transfer through banking channel. Under no circumstances should settlement be made in cash.

12. Replenishment of Foreign currency Balances

- (i) FFMCs/non-bank ADs Category II may obtain their normal business requirements of foreign currency notes from other FFMCs and Authorised Dealers (ADs) in India, against payment in rupees made by way of account payee crossed cheque / demand draft/electronic funds transfer through banking channel. ⁷From July 1, 2024, value of foreign currency notes sold by FFMCs / non-bank ADs Category-II to the public for permitted purposes should not be less than 75% of the value of foreign currency notes purchased from other FFMCs/ ADs, on a quarterly basis. Data of such sale and purchase should be maintained and made available for audit / inspection. FFMCs/ADs selling foreign currency may also ascertain the 'sale to public' requirement of the buying FFMCs/non-bank ADs Category II, by seeking relevant data from such entities.
- (ii) Where FFMCs/ non-bank ADs Category II are unable to replenish their stock in this manner, they may make an application to the Regional Office concerned of the Reserve Bank through an AD Category-I for permission to import foreign currency into India. The import should take place through the designated AD Category-I through whom the application is made.

⁷ Inserted vide [A.P. \(DIR Series\) Circular No. 08 dated May 27, 2024](#)

13. Export / Disposal of surplus Foreign Currency Notes / Travellers' Cheques

FFMCs/non-bank ADs Category II may export surplus foreign currency notes / encashed travellers' cheques to an overseas bank through designated Authorised Dealer Category - I in foreign exchange for realisation of their value through the latter. FFMCs may also export surplus foreign currency to private money changers abroad subject to the condition that either the realisable value is credited in advance to the AD Category – I bank's nostro account or a guarantee is issued by an international bank of repute covering the full value of the foreign currency notes / coins to be exported.

14. Write-off of foreign currency notes

In the event of foreign currency notes purchased being found fake/forged subsequently, FFMCs/ non-bank ADs Category II may write- off up to USD 2000 per financial year after approval of their Top Management after exhausting all available options for recovery of the amount. Any write-off in excess of the above amount, for any reason including but not limited to foreign currency notes being found to be fake or forged would require the approval of the Regional Office concerned of the Foreign Exchange Department of the Reserve Bank. ⁸The request should be submitted through the APConnect application.

15. Registers and Books of Accounts of Money-changing Business

- (i) FFMCs/ non-bank ADs Category II shall maintain the following Registers in respect of their money-changing transactions :
 - a) Daily Summary and Balance Book (Foreign currency notes / coins) in form **FLM 1**.
 - b) Daily Summary and Balance Book(Travellers' cheques) in form **FLM 2**.
 - c) Register of purchases of foreign currencies from the public in form **FLM 3**.

⁸ Inserted vide [A.P. \(DIR Series\) Circular No.01 dated April 06, 2023](#)

- d) Register of purchases of foreign currency notes / coins from Authorised Dealers and FFMCs in form **FLM 4**.
 - e) Register of sales of foreign currency notes / coins and foreign currency travellers' cheques to the public in form **FLM 5**.
 - f) Register of sales of foreign currency notes /coins to Authorised Dealers / FFMCs / overseas banks in form **FLM 6**.
 - g) Register of travellers' cheques surrendered to Authorised Dealers / FFMCs / exported in form **FLM 7**.
- (ii) All registers and books should be kept up-to-date, cross-checked and balances verified daily.
 - (iii) Transactions not pertaining to money changing business of the FFMC/ non-bank AD Category II should not be mixed up with money changing transactions. In other words, the registers and books of account should show clearly the trail of transactions pertaining to money changing business.
 - (iv) Separate registers should be maintained for each establishment, if the FFMC/ non-bank AD Category II maintains more than one place of business.

Note: *Inter-branch transfer of foreign currencies should be accounted as stock transfer and not as sales.*

16. Submission of Statements to the Reserve Bank

- (i) FFMCs/non-bank ADs Category II should submit ⁹through the APConnect application to the office of the Reserve Bank which has issued the licence, a monthly consolidated statement for all its offices in respect of sale and purchase of foreign currency notes in form **FLM 8** so as to reach not later than the 10th of the succeeding month.
- (ii) ¹⁰ [***]

⁹ Inserted vide [A.P. \(DIR Series\) Circular No.01 dated April 06, 2023](#)

¹⁰ Deleted vide [AP \(DIR Series\) Circular No.05 dated November 13, 2020](#). Prior to deletion, it read 'FFMCs/non-bank ADs Category II should submit to the Regional Office concerned of the Foreign Exchange Department, Reserve Bank, a monthly statement indicating details of receipt / purchase of USD 10,000 (or its equivalent) and above per transaction in the prescribed format, within 10 days of the close of the month. They should include transactions of their franchisees in their statement.'

- (iii) FFMCS/ non-bank ADs Category II FFMCS should submit a quarterly statement regarding Foreign Currency Account/s maintained in India in their names with AD Category-I Banks to the Regional Office concerned of the Foreign Exchange Department, Reserve Bank as per the prescribed format.
- (iv) An Annual Statement should be submitted by all the FFMCS/ non-bank ADs Category II to the respective Regional Offices of the Foreign Exchange Department, Reserve Bank which have issued the licenses within one month of the financial year-end, giving the details of the amount written off during the financial year, as per the prescribed format.
- (v) FFMCS/ non-bank ADs Category II should report to the respective Regional Office of the Foreign Exchange Department of the Reserve Bank under whose jurisdiction the registered office of the applicant falls, regarding any action initiated by Directorate of Enforcement (DoE) / Directorate of Revenue Intelligence (DRI) or any other law enforcing authorities against the FFMCS/ non-bank ADs Category II or its directors within one month of such action

17. Inspection of Transactions

Section 12(1) of Foreign Exchange Management Act 1999, empowers any officer of Reserve Bank specially authorised in this behalf to inspect the books and accounts and other documents of Authorised Persons under FEMA. The Authorised Persons should provide all assistance and co-operation to Inspecting Officers in carrying out their inspection. Failure to produce any books of account or other document or to furnish any statement or information or to answer any question relating to the money changing transactions to the Inspecting Officers, shall be deemed to be a contravention of the provisions of the Act *ibid*.

18. Concurrent Audit

- (i) FFMCS/ non-bank ADs Category II should put in place a system of Concurrent Audit of the transactions undertaken by them.
- (ii) All single branch FFMCS having a turnover of more than USD 100,000 or equivalent per month should institute a system of monthly audit. Single branch

FFMCs having turnover equal to or less than USD 100,000 or equivalent per month may institute a system of quarterly audit. FFMCs/ non-bank ADs Category II having multiple branches, may put in place a system of Concurrent Audit which will cover 80 per cent of the transactions value-wise under a system of monthly audit and rest 20 per cent of the transactions value-wise under quarterly audit.

(iii) Appointment/selection of concurrent auditors is left to the discretion of the FFMCs/non-bank ADs Category II. The concurrent auditors should check all the transactions of the FFMCs/non-bank ADs Category II and ensure that the same are undertaken as per the instructions issued by the Reserve Bank from time to time and all necessary requirements are complied with. The scope of concurrent audit should, inter alia, include:

- KYC/AML/CFT related areas,
- timely submission of statements,
- verification that prescribed registers are being maintained,
- verification that all money changing transactions have been recorded in the respective books and registers,
- verification that cash is accepted within the limit of INR 50000, including cases of structuring of transactions into a series of cash transactions below INR 50000,
- verification that payments received in non-cash mode from customers are reflected in the bank account statements of the FFMC/non-bank AD Category II

(iv) The Statutory Auditors are required to certify that the Concurrent Audit and the internal control systems are working satisfactorily.

19. Temporary Money Changing Facilities

FFMCs/non-bank ADs Category II are authorised to transact money changing business only at the location or locations specifically indicated in the licence. If it is intended to provide money changing facilities on a temporary basis on certain

special occasions, a separate application should be made ¹¹through the APConnect application for the purpose to Regional Office of the Foreign Exchange Department of the Reserve Bank under whose jurisdiction the temporary money changing facility is proposed to be opened Full details such as period for which the exchange counter will be operated, volume of business expected, manner of accounting of the transactions, letter from organisers making available venue for the money changing facilities, etc. should be submitted.

¹¹ Inserted vide [A.P. \(DIR Series\) Circular No.01 dated April 06, 2023](#)

20. Opening of Foreign Currency Accounts

FFMCs/ non-bank ADs Category II, with the approval of the respective Regional Offices of the Foreign Exchange Department, may be allowed to open Foreign Currency Accounts in India, subject to the following conditions:-

- (i) Only one account per currency may be permitted at a particular centre.
- (ii) Only the value of foreign currency notes/ encashed TCs exported through the specific bank and realised can be credited to the account.
- (iii) Balances in the accounts shall be utilised only for settlement of liabilities on account of-
 - (a) TCs sold by the FFMCs/non-bank ADs Category II and
 - (b) Foreign currency notes acquired by the FFMCs/ non-bank ADs Category II from ADs Category-I.
- (iv) No idle balance shall be maintained in the said account.

¹²Application for opening of foreign currency accounts should be submitted through the APConnect application.

21. Opening of Nostro Account by Authorised Dealers Category-II

Authorised Dealers Category-II may open Nostro Accounts after getting one time approval from the concerned Regional Office of the Reserve Bank, subject to following terms and conditions.

- i) Only one Nostro account for each currency may be opened;
- ii) Balances in the account should be utilised only for the settlement of remittances sent for permissible purposes and not for the settlement in respect of forex prepaid cards;
- iii) No idle balance shall be maintained in the said account; and
- iv) They will be subject to reporting requirements as prescribed from time to time.

¹³Non-bank AD Category-II should submit application for opening of nostro accounts through the APConnect application.

¹² Inserted vide [A.P. \(DIR Series\) Circular No.01 dated April 06, 2023](#)

¹³ Inserted vide [A.P. \(DIR Series\) Circular No.01 dated April 06, 2023](#)

22. Submission of Balance Sheet and maintenance of NOF

All FFMCS/non-bank ADs Category-II shall submit their annual audited balance sheet to the concerned Regional Office of the Reserve Bank along with a certificate from their statutory auditors regarding the NOF as on the date of the balance sheet, latest by October 31 of the year concerned¹⁴. As FFMCS/ non-bank ADs Category-II are expected to maintain the minimum NOF on an ongoing basis, if there is any erosion in their NOF below the minimum level, they are required to bring it to the notice of the Reserve Bank immediately along with a detailed time bound plan for restoring the Net Owned Funds to the minimum required level.

23. Participation in the Currency Futures and Exchange traded Currency Options Markets

FFMCS and ADs Category-II [which are not Regional Rural Banks (RRBs), Local Area Banks (LABs), Urban Co-operative Banks (UCBs) and Non-Banking Financial Companies (NBFCs)], having a minimum net worth of Rs.5 crore, may participate in the designated currency futures and currency options on exchanges recognised by the Securities and Exchange Board of India (SEBI) as clients only for the purpose of hedging their underlying foreign exchange exposures. FFMCS and ADs Category-II which are RRBs, LABs, UCBs and NBFCs), may be guided by the instructions issued by the respective regulatory Departments of the Reserve Bank in this regard.

¹⁴ Inserted vide [A.P. \(DIR Series\) Circular No.08 dated May 27, 2024](#). Prior to insertion it read as: "All FFMCS/non-bank ADs Category-II are required to submit their annual audited balance sheet to the respective Regional office of the Reserve Bank for the purpose of verification of their Net Owned Funds along-with a certificate from the statutory auditors regarding the NOF as on the date of the balance sheet. As FFMCS/ non-bank ADs Category-II are expected to maintain the minimum NOF on an ongoing basis, if there is any erosion in their NOF below the minimum level, they are required to bring it to the notice of the Reserve Bank immediately along with a detailed time bound plan for restoring the Net Owned Funds to the minimum required level"

SECTION VI

KYC/ AML/ CFT Guidelines¹⁵

(i) Authorised Persons, which are regulated by the Department of Regulation, Reserve Bank of India, shall be governed by the respective 'Know Your Customer' directions as applicable to them.

(ii) Authorised Persons, which are not regulated by the Department of Regulation, Reserve Bank of India, shall be governed by '[Reserve Bank of India \(Non-Banking Financial Companies – Know Your Customer\) Directions, 2025](#)'.

(iii) Authorised Persons shall ensure compliance of directions, as applicable to them, by their agents/ sub-agents/franchisees.

SECTION VII

Revocation of Licence

The Reserve Bank reserves the right to revoke the licence granted to an Authorised Person at any time if the Reserve Bank is satisfied that (a) it is in public interest to do so or (b) the Authorised Person has failed to comply with any condition subject to which the authorisation is granted or has contravened any of the provisions of the Foreign Exchange Management Act, 1999 or any rule, regulation, notification, direction or order made thereunder. The Reserve Bank also reserves the right to revoke the authorisation of any of the offices for infringement of any statutory or regulatory provision. The Reserve Bank may at any time vary or revoke any of the existing conditions of a money changer's licence or impose new conditions.

SECTION VIII

'Fit and proper' criteria for directors of FFMCs / non-bank ADs Category - II

(a) The Boards of FFMCs / non-bank ADs Category - II should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. For assessing

¹⁵ Substituted vide [A.P. \(DIR Series\) Circular No. 16 dated November 28, 2025](#).

integrity and suitability, factors like criminal record, if any, financial position, civil action initiated to pursue personal debts, refusal of admission to or expulsion from professional bodies, sanctions imposed by regulators or similar bodies, previous questionable business practices, etc. should be considered. The Board of Directors should assess 'fit and proper' status by calling for information by way of self-declaration, verification reports from market, etc. FFCs / non-bank ADs Category - II should obtain necessary information and declaration from the proposed / existing directors for the purpose as given in the Master direction on Reporting.

(b) The process of due diligence should be undertaken by the FFCs / non-bank ADs Category - II at the time of appointment / renewal of appointment.

(c) The Boards of the FFCs / non-bank ADs Category - II should constitute Nomination Committees to scrutinise the declarations.

(d) Based on the information provided in the signed declaration, Nomination Committees should decide on the acceptance or otherwise and may make references, where considered necessary to the appropriate authority / persons, to ensure their compliance with the requirements indicated.

(e) FFCs / non-bank ADs Category - II should obtain annually as on 31st March a simple declaration that the information already provided has not undergone change and where there is any change, requisite details are furnished by the directors forthwith.

(f) The provisions of Companies Act 2013 shall apply with regard to the age of the candidate. Further, the candidate should not be a Member of Parliament / Member of Legislative Assembly / Member of Legislative Council.

(g) Any change of directors during the year should be reported to the Regional Office concerned of the Foreign Exchange Department, Reserve Bank of India as given in the Master direction on Reporting.

(h) Comments of respective Departments of the Reserve Bank will be obtained on the operations of an applicant who / whose parent organisation is already licenced / authorised by the Reserve Bank.

Standard Operating Procedure (SOP) for non-bank money changers during elections

The movement of foreign exchange can take place between Authorised Dealer Category I (AD Cat. I), Authorised Dealer Category II (AD Cat. II), Full Fledged Money Changers (FFMC), their offices/branches, their customers and their franchisees.

On a request received from the Election Commission of India the following Standard Operating Practice (SOP) for movement of cash (foreign exchange), during elections is being notified:

A. Physical Movement-

1. All movement of Indian currency or foreign exchange should be effected by the person(s) authorised, who should carry the supporting documents while moving the cash. The movement should be on the basis of requisition made by the receiver and to the address of the destination.
2. If the cash is being moved from the office/branch of the Authorised Person (AP), it should leave the place only after it has been recorded in the books of accounts of the AP.
3. Similarly, if the destination point of movement of the currency is the office/branch of the AP, it should be recorded in the books of accounts of the AP, on the same day or on the date of receipt.
4. Transfer of foreign currency between branches of the same AP should be accounted as stock transfer and not as sale so that double counting is avoided.

B. In the case of doorstep forex service by FFMCs / Authorised Dealers Category II to their regular customers, inter-alia, the processing and accounting of the transaction should take place in the office of the AP and the transaction should be supported by necessary documents for value received. The delivery of the forex should be done by authorised officials of the AP only.

C. As far as possible movement of Indian Currency should be made through banking channels (viz. cheque, demand draft, NEFT, RTGS, IMPS etc.) only. The transactions between authorised dealers and FFMCs should be settled by way of account payee

¹⁶ Inserted in terms of the Policy Decision, effective date February 22, 2017

crossed cheques / demand drafts/electronic funds transfer through banking channel and in no circumstances the settlement of Indian Currency should be made in cash. The cash (INR) collected by the AP or its franchisee should be deposited to a bank branch on the same day or next day.

D. The cancellation of any move for transportation of cash should be properly documented.

E. The movement of cash should be in sync with the documents.

F. The upper limit for movement of cash in INR would be Rs.10,00,000/- and in Foreign Currency equivalent of USD1,00,000 except the transactions where the imported foreign currency is being transported to the offices/ branch of the AP.

Appendix

List of A.P.(DIR Series) Circulars which have been consolidated in the Master Direction on money changing activities

Sl. No.	A.P.(DIR Series) Circular	Date
1	A.P. (DIR Series) Circular No.25	March 06, 2006
2.	A.P. (DIR Series) Circular No.57	March 9, 2009
3.	A.P. (DIR Series) Circular No.06	August 3, 2009
4	A.P. (DIR Series) Circular No.40	January 25, 2011
5	A.P. (DIR Series) Circular No.61	May 16, 2011
6	A.P.(DIR Series) Circular No.31	October 03, 2011
7	A.P.(DIR Series) Circular No.33	October 12, 2011
8	A.P.(DIR Series) Circular No.38	October 25, 2011
9	A.P.(DIR Series) Circular No.41	November 01, 2011
10	A.P.(DIR Series) Circular No.60	December 22, 2011
11	A.P.(DIR Series) Circular No.71	January 30, 2012
12	A.P.(DIR Series) Circular No.104	April 04, 2012
13	A.P.(DIR Series) Circular No.109	April 18, 2012
14	A.P.(DIR Series) Circular No.33	September 24, 2012
15	A.P.(DIR Series) Circular No.50	November 07, 2012
16	A.P.(DIR Series) Circular No.96	April 5, 2013
17	A.P.(DIR Series) Circular No. 45	September 16, 2013
18	A.P.(DIR Series) Circular No. 146	June 19, 2014
19	A.P.(DIR Series) Circular No.14	July 25, 2014
20	A.P.(DIR Series) Circular No.87	March 25, 2015
21	A.P.(DIR Series) Circular No.12	September 10, 2015
22	A.P. (DIR Series) Circular No. 05	November 13, 2020
23	A.P. (DIR Series) Circular No.01	April 06, 2023
24	A.P. (DIR Series) Circular No.08	May 27, 2024
25	A.P. (DIR Series) Circular No. 16	November 28, 2025
26	A.P. (DIR Series) Circular No. 4	April 2, 2026