

Article



E buzz all around!!! RBI extends e-payment facility for imports

Shruti Agarwal
shruti@vinodkothari.com
(Financial services division)

Check at:
<http://india-financing.com/staff-publications.html>
for more write ups.

Copyright:

This write up is the property of Vinod Kothari Consultants Pvt. Ltd and no part of it can be copied, reproduced or distributed in any manner.

Disclaimer:

This write up is intended to initiate academic debate on a pertinent question. It is not intended to be a professional advice and should not be relied upon for real life facts.



RBI extends e-payment facility for imports

E-commerce world has taken conventional business by a sweep and has become the new age way of doing business. Online aggregation business has re-defined the service segment from book my bai to departmental store aggregation to online home services aggregator such as Housejoy.

The ease of carrying out business through these platforms has facilitated the growth of e-commerce transactions at both the national and international level. In order to exercise regulatory control over such transactions, specifically to the cross border transactions, Reserve Bank of India (RBI) vide its circular dated November 16, 2010 on *“Processing and Settlement of Export related receipts facilitated by Online Payment Gateways”*¹ issued a set of guidelines to cover such e-commerce arrangements. Under these guidelines the Authorised Dealer Category-I (AD Category-I) banks were permitted to offer the facility to **repatriate export related remittances only** by entering into standing arrangements with Online Payment Gateway Service Providers (OPGSPs) in respect of **export of goods and services**.

However, in order to expand the ambit of e-commerce transactions, RBI has recently come up with the circular dated September 24, 2015 on *“Processing and settlement of import and export related payments facilitated by Online Payment Gateway Service Providers”*² wherein *“it has been decided to permit AD Category-I banks to offer **similar facility of payment for imports** by entering into standing arrangements with the OPGSPs”*.

This article at length discusses the new set of consolidated guidelines applicable to both the export and import transactions routed standing arrangement between AD Category-I and OPGSPs.

Overview:

The AD Category-I banks entering into standing arrangements are firstly required to report the details of each such arrangement as and when entered into to the Foreign Exchange Department, Central Office, Reserve Bank of India, Mumbai. In order to operationalise such arrangement/arrangement(s) AD Category-I banks shall ensure the following:

- carry out the due diligence of the OPGSP;
- maintain separate Export and Import Collection accounts in India for each OPGSP;
- satisfy themselves as to the bonafides of the transactions and ensure that the related purpose codes reported to the Reserve Bank are appropriate;

¹ <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=6107&Mode=0>

² <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10037&Mode=0>



RBI extends e-payment facility for imports

- submit all the relevant information relating to any transaction under such arrangements to the Reserve Bank, as and when advised to do so; and
- conduct the reconciliation and audit of the collection accounts on a quarterly basis.

Mandates for operating as OPGSP

Foreign entities:

Before entering into an arrangement with the AD Category-I banks, foreign entities would be required to open liaison office in India with the prior approval of the RBI. In this regard, it will have to adhere with the following:

- ensure adherence to the Information Technology Act, 2000 and all other relevant laws / regulations in force;
- put in place a mechanism for resolution of disputes and redressal of complaints;
- create a Reserve Fund appropriate to its return and refund policy and
- onboard sellers, Indian as well as foreign, following appropriate due diligence procedure.

Also, resolution of all payment related complaints in India shall remain the responsibility of the OPGSP concerned.

Domestic entities:

Indian entities functioning as intermediaries for electronic payment transactions intending to undertake cross border transactions are required to maintain separate accounts for domestic and cross border transactions.

Guidelines for import and export transactions

The following table enumerates the salient features of the export and import transactions undertaken through standing arrangement between the AD Category-I banks and OPGSP:

Particulars	Import transactions	Export transactions
Facility available for	Import of goods and software	Export of goods and services
Facility amount	Upto USD 2,000	USD 10,000



RBI extends e-payment facility for imports

<p>Transaction between AD Category-I banks and OPGSP</p>	<p>The AD Category –I bank will obtain a copy of invoice and airway bill from the OPGSP containing the name and address of the beneficiary as evidence of import and report the transaction in R-Return under the foreign currency payment head.</p>	<p>The AD Category-I banks providing such facilities shall:</p> <ul style="list-style-type: none"> • Open a NOSTRO collection account for receipt of the export related payments facilitated through such arrangements. • Where the exporters availing of this facility are required to open notional accounts with the OPGSP, it shall be ensured that no funds are allowed to be retained in such accounts and all receipts should be automatically swept and pooled into the NOSTRO collection account opened by the AD Category-I bank.
<p>Treatment of balances in respective accounts</p>	<p>The balances held in the Import Collection account shall be remitted to the respective overseas exporter's account immediately on receipt of funds from the importer and, in no case, later than two days from the date of credit to the collection account.</p>	<p>The balances held in the NOSTRO collection account shall be repatriated to the Export Collection account in India and then credited to the respective exporter's account with a bank in India immediately on receipt of the confirmation from the importer and, in no case, later than seven days from the date of credit to the NOSTRO collection account.</p>
<p>Permitted Debits</p>	<ul style="list-style-type: none"> • payment to overseas exporters in permitted foreign currency; • payment to Indian importers for returns and refunds; • payment of commission at rates/frequencies as defined under the contract to the current account of the OPGSP; and 	<ul style="list-style-type: none"> • payment to the respective Indian exporters' accounts; • payment of commission at rates/frequencies as defined under the contract to the current account of the OPGSP; and • charge back to the overseas importer where the Indian exporter has failed in discharging his obligations under the sale contract.



RBI extends e-payment facility for imports

	<ul style="list-style-type: none">• bank charges	
Permitted credits	<ul style="list-style-type: none">• collection from Indian importers for online purchases from overseas exporters electronically through credit card, debit card and net banking and• charge back from the overseas exporters.	<ul style="list-style-type: none">• repatriation from the NOSTRO collection accounts electronically.