

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:508

ANSWERED ON:30.04.2010

ONLINE MONEY TRANSFER QUESTION

Bapurao Shri Khatgaonkar Patil Bhaskarrao;Gaikwad Shri Eknath Mahadeo

**Will the Minister of FINANCE be pleased to state:**

(a) the relevant laws governing online money transfer service;

(b) whether the companies engaged in online money transfers are operating after obtaining the requisite registration and approval of the Reserve Bank of India (RBI);

(c) if so, the details thereof and if not, the reasons therefor; and

(d) the measures taken/being taken by the Government/RBI to protect the interests of the users in this regard?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PRANAB MUKHERJEE)

(a) to (d): A statement is laid on the Table of the House.

STATEMENT AS REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO.508 FOR 30-04-2010 REGARDING 'ONLINE MONEY TRANSFER' TABLED BY SHRI EKNATH M. GAIKWAD AND SHRI B.B. PATIL

(a): In terms of Section 4(1) of the Payment and Settlements Systems Act 2007, no person other than the Reserve Bank shall commence or operate a payment system except under and in accordance with an authorization issued by the Reserve Bank under the provisions of the said Act. In terms of explanation to Section 2(1 )

(i) of the Act, a payment system includes money transfer operations.

In terms of Section 3(c) of Foreign Exchange Management Act, 1999, (FEMA) save as otherwise provided in the said Act, rules or regulations made thereunder, or with the general or special permission of the Reserve Bank, no person shall receive otherwise (than) through an authorised person, any payment by order or on behalf of any person resident outside India in any manner.

(b): Under Money Transfer Service Scheme (MTSS), the Indian agent who has to be an Authorised Dealer Category-I/ Authorised Dealer Category-II/ Full Fledged Money Changer requires prior RBI approval under the provisions of FEMA, 1999 to enter into such an arrangement with an Overseas Principal for receiving cross border personal inward remittances in India. The Overseas Principals are authorized by the Reserve Bank under Section 4(1) of the Payment and Settlement Systems Act, 2007

(c): RBI has so far given permission to 25 Indian Agents to route cross-border inward personal remittances into India under MTSS. The list of Indian Agents under MTSS is enclosed at Annex.

(d): While according permission to Indian Agents for entering into tie-ups with overseas Principals under MTSS, it is ensured that Overseas Principals are regulated entities, having sound financials, good credit rating and complying with Know Your Customer (KYC)/ Anti Money Laundering (AML)/ Combating the Financing of Terrorism (CFT) Guidelines as applicable in their home countries. The necessary KYC/ AML/ CFT Guidelines have been prescribed by the Reserve Bank for the Indian Agents under MTSS for money transfer activities. Further, collateral equivalent to 3 days` average drawings or USD 50,000 whichever is higher, is kept by the Overseas Principal with Indian Agents for mitigating credit exposures.