



International Financial Services Centres Authority

CIRCULAR

IFSCA-FMPP0BR/9/2023-Banking

January 22, 2024

To

All Banking Units

Dear Sir/Madam,

Avoiding rerouting of transactions to IBUs that have been wrongly credited in the parent AD bank's Nostro account – Reporting in R-Return

As advised by the Reserve Bank of India (RBI), AD banks and their IBUs are directed to adhere to the following reporting procedures so as to ensure flow of remittance from overseas bank to IBUs without delay and to avoid the need of rerouting funds that have been wrongly credit to the Nostro account of the Parent bank.

2. Reporting by the AD Bank in R-Return

a) AD banks on receipt of such remittances, can be advised to report such transactions as purchases from overseas Banks / correspondents (in QE file under P0093 purpose code).

(b) The corresponding outward transaction of AD bank to IBU can be reported as reversal of wrong entries (under S1502 purpose code in BOP file).

(c) However, to identify the transactions between DTA and IFSC, AD banks have been instructed to report all transactions with IBUs under country code 'FC' (and NOT 'IN'). Therefore, transaction indicated in (b) above will be reported with country code 'FC'.

3. Reporting by the IBU in R-Return:

a) In the above scenario, IBU would receive the remittance from AD bank instead of the bank of the non-resident remitter (an overseas bank). Depending upon the beneficiary in IBU, being resident or non-resident, the reporting would be in different files (BOP or QE).

b) If the beneficiary at IBU is a resident account, this will become a non-resident (overseas counterparty) to resident (IBU/or IBU's resident account) and hence is

classified as BOP transaction. Hence the inward remittance transactions (routed through the parent AD bank) shall be reported in BOP file under appropriate economic purpose code as per the extant guidelines of RBI.

c) If the beneficiary at IBU is a non-resident account, this will become a non-resident (overseas counterparty) to non-resident (non-resident client of IBU) non-BOP transaction. Hence the said inward remittances (from parent AD bank) shall be reported as purchase from other ADs in India under P0092 in QE file.

d) For reporting the transaction in BOP file (as indicated in (b)), IBUs shall use country of the non-resident remitter.

4. IBUs are requested to bring the contents of this circular to the notice of their AD Banks.

Yours faithfully

(Supriyo Bhattacharjee)
Chief General Manager
Department of Banking Regulation and Development