

FREQUENTLY ASKED QUESTIONS

ON

Foreign Exchange

Q. What is the role of RBI in FX Markets?

Ans: Facilitating external trade and payment.

Promoting the orderly development and maintenance of foreign exchange market in India.

Issuing Licenses to AD banks, FFMC, Selected Financial Institutions to deal in FX.

Q. What is the role of FEDAI in FX Markets?

Ans: Issuing Guidelines and Rules for Forex Business

Training of bank personnel in the areas of Foreign Exchange Business

Accreditation of Forex Brokers

Advising/Assisting member banks in settling issues/matters in their dealings

Representing member banks with Government/RBI/Other Bodies

Announcing various rates on a periodical basis.

Q. What is the role of DGFT ?

Ans: Implementation of EXIM Policy/ Foreign Trade Policy

Issues IEC Code to Exporters and Importers

Document and Maintain Classifications

ITC-

HS Code

Provides Platform for Updating eBRC

Q. What is the important factor for deciding the NRI status as per FEMA

Ans: Intent to stay abroad for an indefinite period.

IT Act : More than 182 days.

Q. Who is not an NRI?

Ans: Indian citizen who goes abroad for:

- Tourism
- Business promotion
- Receive/ impart training
- Obtaining medical treatment
- Sports & cultural activities
- Indians/ PIOs residing in Nepal/ Bhutan/ Pakistan/ Bangladesh
- Crew members working for shipping/ airlines companies posted in India and those companies whose registered offices are in India

Q. Maximum period for NRE term deposit is? Additional rate of interest is applicable to staff ?

Ans: 10 Years ; No

Q. What are the accounts that a tourist visiting India can open?

Ans: NRO (6months)

Q. Whether NRI can be joint holder in Resident's SB/EEFC/RFC account ?

Ans: Yes - F or S basis

Q. Can persons resident in Nepal and Bhutan have accounts in India

Ans: Yes Normal SB, Not NRO.

Q. Can a Bangladeshi/ Pakistani national or an entity owned/ controlled from Bangladesh/ Pakistan have an account in India?

Ans: Valid VISA & RBI Permission

Q.Can NRIs/PIOs residing abroad open NRI account from overseas when they are unable to visit the branch?

Ans: Yes on attestation from foreign embassy or Local Branch.

Q. Should all the NRIs desirous of opening joint accounts be residing in the same country?

Ans: NRI's residing in different countries can also open joint accounts.

Q. What operations by Power of Attorney holder in NRE accounts are restricted?

▣ Ans: Open & Close A/c, Gift making, No 3rd party remittance.

Q. What is the interval at which Periodic updation of KYC for NRI customers is to be done?

Ans: 2years

Q. If a person (foreign citizen) is the spouse of an Indian citizen , they are considered as

Ans: Person of Indian Origin

Q. NRI having business interest in India may open ----- account for handling bonafide business transactions

Ans: SNRR

Q. The maximum time limit fixed for SNRR account is

Ans: 7years (Renewal:RBI)

Q. In case of FCNR or NRE deposits, joint account with a resident close relative may be permitted as

Ans: F or S

Q. Which category of branches cannot open NRO Capital Gains account

Ans: RURAL

Q. Loan against NRO Capital Gains Account is

Ans: Not permitted

Q. Name the currencies for opening FCNR (B) in our Bank

**Ans: USD/AUD/CAD/SGD
GBP/EUR/JPY/CHF**

Q. What is threshold level for reporting under FATCA ?

Ans: USD 50000

Q. Currency component of FX in respect of travel to
a) Iraq b) Iran c) Bhutan d)
Others

Ans: a)USD5000
b) full i.e USD 250000
c) 0
d)USD3000

Q. RBI has permitted resident individuals to open the following three types of foreign currency accounts

Ans: RFC, RFC (Domestic), EEFC

Q. Maximum number of Diamond Dollar Accounts permitted is

Ans: Five

Deposit Accounts for Non-Residents

NRE

Rupee denominated, **NRIs/PIOs can open**, can be maintained as savings, current, recurring or FD accounts, **totally repatriable**, joint account with resident on "former or survivor" basis

NRO

Rupee denominated, **any NR can open**, can be maintained as savings, current, recurring or FD accounts, **repatriation upto USD 1 million per FY allowed**, joint account with resident on "F or S" basis

SNRR

Rupee denominated, **any NR with business interest in India can open**, non-interest bearing.

FCNR(B)

Foreign Currency denominated, **NRIs/PIOs can open**, can be only as Term Deposits (1-5 years), accounts, **totally repatriable**, joint account with resident on "former or survivor" basis

Deposit Accounts for Residents

EEFC

Can be opened by exchange earners, non-interest bearing, can be credited with 100% export earnings, to allow forex earners keep funds in forex for future expenditure in forex, for all permissible current and capital account transactions

RFC(D)

Can be opened by Individuals, non-interest bearing, unspent amount of foreign exchange acquired from AD for travel abroad, gift from close relative, forex received as payment/ service/ gift/ honorarium for all permissible current and capital account transactions

RFC

Can be opened by Individuals, Current / Savings/ Term Deposits, Balances in NRE/ FCNR (B) accounts on **change in residential status**,

DDA

Firms and Companies eligible under FTP, non-interest bearing, export proceeds and local sales (in USD) of rough, cut, polished diamonds; and pre and post shipment finance availed in USD can be credited to such account

Q. LRS is available to resident individuals for

Ans: Current / Capital / Both

Q. A returning traveller is permitted to retain TC and currency in FC upto

Ans: USD 2000

Q. Person surrendering FC more than USD5000 or FC/TC more than USD 10000 should submit

Ans: C D F

Q. Branches operating on the nostro accounts maintained by Treasury branch are called

**Ans: Category B branches
Authorised Branches.**

Q. In our Bank, branches who do not handle foreign exchange transactions on their own are called

Ans: Category - C Branch / Non Authorised Branch

Q. All transactions taking place in Nostro account will be reflected in -----
account for reconciliation purpose

Ans: Mirror account

Q. FEMA, 1999 was introduced in India with effect from?

Ans: 01.06.2000

Q. The latest version of UCP and it is effective from

Ans: UCP 600 (01.07.2007)

**Q. Number of articles in UCP 600
and effective from?**

**Ans: 39 articles /
01.07.2007**

Q. Who is the authority to compound the contraventions under FEMA.

Ans: RBI

**Q. Schedule I - Section 5 of FEMA
Current Account transactions
deals with?**

Ans: Prohibited Items

Q. In our bank inter bank transactions are undertaken only by?

**Ans: Treasury Branch,
Mumbai**

Q. Transaction where the exchange of currencies take place on the second succeeding business day is called_____

Ans: Spot (T + 2)

Q.SBI's JPY account with a bank in
Tokyo will be a Account for
Indian Bank

Ans: L O R O

**Q. Exchange Earners can retain ----
% of FC received in EEFC account?**

**Ans: 100% (INR Conversion in
the succeeding month)**

Q.What are the different types of EEFC accounts? Can interest be paid on these accounts?

**Ans: Current A/c only;
No Interest**

Q. Is there any restriction on withdrawal in rupees of funds held in an EEFC account?

Ans: No, but amount withdrawn in Rupees shall not be eligible for conversion into foreign currency and for re-credit to the account.

Q. Who can open an EEFC account?

Ans: All categories of foreign exchange earners, such as individuals, companies, etc., who are resident in India

Q. An NGO can receive donations from foreign donors as per___

Ans: FCRA 2010

Q. In case of an NGO who receive donations from foreign, whether prior approval from Home ministry is required for change in board members more than 50%

Ans: Online intimation is enough

Q. Supplies to projects funded by UN agencies is called?

Ans: Deemed Export

Q. Import remittance for goods should be completed within ----- months from the date of shipment

Ans: Six months

Three Years for Capital Goods

Q. ECGC premium on WTPC advances is

**Ans: 10.50 paise /100 /month
(Customer)**

**purchase, processing, manufacturing or
packing of goods prior to shipment /
working capital expenses**

**Q. ECGC premium on WTPS
advances**

**Ans: 5.50 paise /100 /month
(Bank)**

Q. Maximum liability cover available under ECGC WT-PC is

**Ans: Rs.600 Cr.(w.ef.
01.07.23-30.06.24)**

Q. Maximum liability cover available under ECGC WT-PS is

**Ans: Rs.350 Cr.(w.ef.
01.07.23-30.06.24)**

Q. Import Bill of Entry follow up is done now a days through

Ans: I D P M S

Q. As per the country risk policy of our bank, classification followed by ----- is adopted

Ans: E C G C

Q. Loan against cheques/drafts representing advance payment is

Ans: Pre Shipment Credit

Q. Govt. of India approved the interest equalisation scheme in respect of pre and post shipment credit for exports upto and what is the rate ?

Ans: 30.06.2024. (2%,3%)

Q. How much additional allocation
Cabinet has approved for
continuation of Interest
Equalisation Scheme on Pre and
Post Shipment Rupee Export Credit

Ans: Rs.2500crores

Q. Advance payment for Import of Goods may be permitted by AD Banks upto

Ans: USD 5.0 Mio

**Q. International Chamber of
Commerce (ICC) is headquartered
in**

Ans: Paris

Q. In order to hedge the exchange risk prevalent in foreign exchange business related limits, our loan policy insists for obtention of

Ans: Forward Cover

Q. Prior approval of RBI should be obtained by Authorised Dealers before issue of Performance Guarantee for Advance for Exports in respect of

Ans: Caution Listed Exporter
(2years)

Q. Proposals for issuance of guarantees in favour of financial institutions can be considered at

Ans: Corporate Office

Q. For a bank, non fund based facilities are the main source for improving

Ans: Non Interest Income

Q. A contract of guarantee is a contract to perform the promise or discharge the liability of

Ans: Third Person

Q. Application of funds in case of nostro credit entries to be made within ----- days

Ans: $T + 5$

$T+1$ for nostro debit

Q. Overseas Direct Investment, FDI and ECB transactions in India are governed by

Ans: FEMA

Q. Reserve Bank of India depends on the data available in ----- for caution listing exporters

Ans: EDPMS

**Q. Issuance of solvency /
capability certificate is based on**

Ans: Tangible Net worth

Q. World Rank of LC opening bank and Country Rank should be verified from and for adding confirmation conditions required?

Ans: Bankers' Almanac
Issuing Bank – within 500
Country – within 10

Q. Delegation of powers for permitting advance remittance in respect of Merchanting Trade

Ans: Same as other Advance Remittances

Q. Reasonable time for acceptance or refusal of documents under UCP is

Ans: 5 banking days

Q. In case of export of goods in physical form, date of export means:

Ans: Date of Shipment

Q. The expiry date of L.C. is 15th December 2023. It is the last date for

Ans: Presentation of documents to nominated bank

Q. Proceeds of goods and services exported by a status holder exporter are required to be brought to India within ----- from the date of shipment

Ans: 9 months

Q. Bank of America, New York is maintaining a rupee account with your Model branch. This account is called

Ans: Vostro Account

Q. Tax Collected at Source (TCS) on LRS, the threshold limit is

Ans: Rs.7 lakhs

Q. IFSC Banking Unit (IBU) of our Bank is situated at

Ans: GIFT City

Q. Threshold limit for Card Rate transaction is USD

Ans: 10000

Q. Import advance remittances, in respect of PSU, may be permitted by AD without Gtee/Standby upto

Ans: USD100,000

Q. Import advance remittances, in respect of other than PSU, may be permitted by AD without Gtee/Standby upto

Ans: USD200,000

Q. As per our Bank's Policy, Who is the delegated authority for affecting advance remittances against Import of Goods above USD 2 Mio or its equivalent and up to USD3 Mio or its equivalent without SBLC/Guarantee?

Ans: GM IBD

Q. As per our Bank's Policy, Who is the delegated authority for affecting advance remittances against Import of Goods above USD 3 Mio or its equivalent and up to USD 5 Mio or its equivalent without SBLC/Guarantee?

Ans: COLCC(GM)

Q. Declaration in respect of software exports is to be done on

Ans: SOFTEX Form

Q. Revaluation of foreign currency assets and liabilities is being done periodically as per

Ans: AS 11

Q. Bank acquiring INR from the customer for exchange of FC is a

Ans: Sale Transaction

Q. In respect of two way quotations, type of quotes given by the market maker is

Ans: Bid - Offer

Q. Pre shipment credit in FC is called

Ans: P C F C

Q. Maximum period for which Pre shipment finance at concessional rate can be extended is

Ans: 360 Days,
Overdue Period : ECONOS rate,
Export not happening
:Commercial
Rate.

Q. Advance against Bill sent on collection basis is called

Ans: Post Shipment Credit

Q. Exports made to a warehouse situated outside India - Realisation period permitted is

Ans: 15 Months

Q. As per RBI guidelines, for import of Aircraft maximum amount that can be remitted by AD Bank as advance remittance is

Ans: USD 50 Million

Q. Banks can have access to information in Indian Customs EDI System through the portal

Ans: ICEGATE

Indian Customs Electronic Data Interchange Gateway (ICEGATE) is the national portal of Indian Customs of Central Board of Indirect Taxes and Customs (CBIC) that provides e-filing services to the Trade, Cargo Carriers and other Trading Partners electronically.

Q. Settlement of Forward Contract ?

Ans: Exports/Purchase Transactions:

On the due-date, inward remittance is received towards realization of export bills/Documents are tendered on the due date and exposure is adjusted.

Q. Settlement of Forward Contract ?

Ans: Imports/Sale Transactions:

On the due-date, our AD branches by utilizing these forward sale contracts, debit customers account and remit the bill amount to overseas supplier/Bank.

Q. What is early delivery and utilisation of forward contract?

Ans: When customer utilizes the forward contract on a date earlier than the contracted date / option period which is permitted as per FEDAI guidelines.

This has two implications – (i) swap difference and (ii) cost of funds inlay/outlay.

Q. What is SWAP difference?

On early delivery/utilisation, while effecting the transaction at the originally contracted rate, the Bank is required to do

- ▣ Sell/Buy swap (for purchase transactions)
- ▣ Buy/Sell swap (for sale transactions)

for the residual period up to the original maturity date to reverse the original swap done. This reversal is done at the prevalent market rates on the date of early delivery/utilisation.

The swap difference paid (on a sell/buy swap for purchase transactions) is recovered from the customer. The difference received (on a buy/sell swap for sale transactions) is passed on to the customer.

Q. In case of early delivery of forward purchase / sale contracts, we need to recover/pay

Ans: Swap Cost (Gain) / Outlay (or) Inlay of funds

Q. What is inlay of funds?

- Ans:**
- i) For Purchase Transaction:**
Originally contracted rate is less than the current Spot rate. Amount will be paid to the customer.
 - ii) For Sale Transaction:** Originally contracted rate is more than the current Spot rate. In this case, amount will be paid to the customer

Q. What is outlay of funds?

- Ans:**
- i) For Purchase Transaction:**
Originally contracted rate is more than the current Spot rate. Amount will be recovered from customer.
 - ii) For Sale Transaction:** Originally contracted rate is less than the current Spot rate. In this case, amount will be recovered from customer.

Q. What is rate applied for inlay/outlay?

- ▣ **Inlay of Funds**
- ▣ **Rate applicable for Domestic Term Deposit for the appropriate lower slab of the residual period (simple interest).**

- ▣ **Outlay of Funds**
MCLR for the appropriate higher slab of the residual period PLUS spread of 400 basis points.

Q. Rupee denominated Masala Bonds can issued under Automatic Route upto

Ans: INR 50billion per annum

Rupee-denominated bonds that Indian entities issue outside of India

Q. The primary liability to pay under an LC arrangement lies with

Ans: Issuing Bank

Q. What is the rate prescribed by FEDAI for clean inward/outward remittance

Ans: TT Buying/Selling Rate

Q. Foreign Currency bills will be purchased/discounted/negotiated at the Authorised Dealer's

Ans: Bill Buying Rate/Contracted Rate

Q. Retirement of Import Bills will be done at what rate ?

**Ans: Bill Selling
Rate/Contracted Rate**

Thank
you