



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2009-10/474
A.P. (DIR Series) Circular No.54

May 26, 2010

To

All Authorised Dealer Category – I Banks

Madam / Sir,

**Remittance towards participation in lottery, money circulation schemes,
other fictitious offers of cheap funds, etc.**

Attention of Authorized Dealer Category - I (AD Category - I) banks is invited to the A.P. (DIR Series) Circular No. 22 dated December 7, 2000, A.P. (DIR Series) Circular No. 02 dated July 27, 2001 and A.P. (DIR Series) Circular No. 49 dated June 4, 2002 in terms of which it was advised that remittance in any form towards participation in lottery schemes are prohibited under the Foreign Exchange Management Act, 1999. Further, these restrictions are also applicable to remittances for participation in lottery like schemes existing under different names like money circulation scheme or remittances for the purpose of securing prize money/awards, etc.

2. It is observed that there has been a spate of fictitious offers of cheap funds in recent times from the fraudsters through letters, e-mails, mobile phones, SMS, etc. Communications on fake letterheads of the Reserve Bank and purportedly signed by its top executives / senior officials are also being sent to targetted people. Many residents have been victims of such teasing offers and lost huge money in the process. The Reserve Bank has already alerted the public on several occasions about such fictitious schemes/ offers, through the print and the electronic media and more such public education campaigns are being planned.

3. It has been brought to the notice of the Reserve Bank that fraudsters are seeking money from the gullible people, under different heads, such as, processing fees/ transaction fees / tax clearance charges / conversion charges, clearing fees, etc. The victims of the fraud have also been persuaded to deposit

the amount in accounts with banks in India, and such amounts have been withdrawn immediately. It is also observed that multiple accounts are being opened in the name of individuals or proprietary concerns, at different bank branches for collecting the transaction charges, etc. AD Category - I banks are, therefore, advised to exercise due caution and to be extra vigilant while opening or allowing transactions in such accounts. It is clarified that any person resident in India collecting and effecting / remitting such payments directly /indirectly outside India would make himself/ herself liable to be proceeded against with, for contravention of the Foreign Exchange Management Act, 1999 besides being liable for violation of regulations relating to Know Your Customer (KYC) norms / Anti Money Laundering (AML) standards.

4. AD Category-I banks may also bring the contents of this circular to the notice of their constituents and customers concerned. Authorised Dealers may also give wide publicity to the instructions contained in the A.P. (DIR Series) Circulars referred to above and the Press Releases issued by the Reserve Bank of India dated December 07, 2007 and July 30, 2009 on Fictitious Offers/Lottery Winnings/Cheap Fund Offers (copies enclosed).

5. The directions contained in this circular have been issued under sections 10(4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

(Salim Gangadharan)

Chief General Manager-in-Charge



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May 28, 2010

Do Not fall Prey to Fictitious Offers of Funds Transfer: RBI Advisory

The Reserve Bank advised banks on May 26, 2010, to exercise due caution and to be extra vigilant concerning the fictitious offers whereby bank accounts are opened and/or transactions made in the accounts for receiving payments styled as transaction charges, etc, towards the so-called transfer of prize money/award money, etc. The Reserve Bank has clarified that any person resident in India collecting and effecting/remitting such payments directly /indirectly outside India is liable to be proceeded against with, for contravention of the Foreign Exchange Management Act, 1999 besides being liable for violation of regulations relating to Know Your Customer (KYC) norms/Anti Money Laundering (AML) standards.

The Reserve Bank has also re-iterated that the Foreign Exchange Management Act, 1999 prohibits remittance in any form towards participation in lottery schemes. These restrictions are also applicable to remittances for participation in lottery like schemes existing under different names, such as, money circulation scheme or remittances for the purpose of securing prize money/awards, etc.

In its circular issued to banks, the Reserve Bank has stated that there has been a spate of fictitious offers of cheap funds in recent times from fraudsters. These came through letters, e-mails, mobile phones, SMS, etc. Detailing the modalities of the fraudsters, the Reserve Bank stated that communication was being sent on fake letterheads of the Reserve Bank and purportedly signed by its top executives/senior officials to targeted people. Many residents have been victims of such teasing offers and have lost huge sums of money in the process. It was further brought to the Reserve Bank's notice that fraudsters sought money from gullible people, under different heads, such as, processing fees/ transaction fees/ tax clearance charges/ conversion charges, clearing fees, etc. The fraudsters open multiple accounts in banks in the name of individuals or proprietary concerns in different bank branches for collecting transaction charges, etc. The fraudsters persuade the victims to deposit certain amount in these accounts. The amounts are withdrawn immediately leaving the victims in a quandary.

The Reserve Bank has alerted the public on several occasions in the past about such fictitious schemes/offers through the print and the electronic media. More such public education campaigns are also being planned. The Reserve Bank has asked banks to bring the contents of the circular to the notice of their constituents and customers concerned and to give it wide publicity.

Alpana Killawala
Chief General Manager

Press Release : 2009-2010/1606

| Related Press Releases/Notification | |
|-------------------------------------|--|
| May 28, 2010 | Remittance towards participation in lottery, money circulation schemes, other fictitious offers of cheap funds, etc. |
| Jul 30, 2009 | Beware of Fictitious Offers/Lottery Winnings/Cheap Fund Offers: RBI |
| Dec 07, 2007 | RBI cautions Public against Fictitious Offers of Remitting Cheap Funds from Abroad |

**Remittance towards Schemes involving money circulation
A.P. (DIR Series) Circular No.22 (December 7, 2000)**

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI-400 001

A.P. (DIR Series) Circular No.22

December 7, 2000

To

All Authorised Dealers in Foreign Exchange

Dear Sirs,

**Remittance towards Schemes
involving money circulation**

References have been received in Reserve Bank in the recent past from individuals/authorised dealers seeking approvals/clarifications for effecting remittances in foreign currency towards purchase of websites. Many such schemes offer earnings in US Dollars and/or in other foreign currency, on incremental basis, depending on the number of new clients/customers added to the chain, thereby making the operation of such schemes akin to money circulation. It is clarified that authorised dealers should not allow remittances to operators of such schemes and/or to any other overseas company carrying on such types of activities.

2. Authorised dealers may, however, allow remittance if they are satisfied that the website is being sold unconditionally and the remitter is purchasing it for developing it for his present/future business and not for the purpose of adding further members to the chain. For this purpose authorised dealers should satisfy themselves about the bonafides of the overseas company and/or the operators and the scheme, through proper documents.

3. Authorised dealers may bring the contents of this circular to the notice of their constituents concerned.

4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and any contravention or non-observance of these directions is subject to the penalties prescribed under the said Act.

Yours faithfully,

P.K. BISWAS

Chief General Manager