

Outward Remittances: RBI Liberalises Framework for Non-Bank Entities

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Introduction

On 13 May 2026, the Reserve Bank of India (RBI) issued the Circular on 'Operating Framework for Facilitating Outward Remittance Services by Non-Bank Entities through Authorised Dealer (Category I) Banks in India'¹ (Circular), establishing an updated operating framework for outward remittance services facilitated by non-bank entities through Authorised Dealers (ADs) in India. The Circular applies to cross-border outward remittance of funds for non-trade current account transactions facilitated through third-party digital interfaces including websites, online platforms, software applications, mobile applications and other digital interfaces and replaces the prior approval-based regime under the Master Direction - Miscellaneous² dated 1 January 2016 (Master Direction) with a compliance-based framework. We have set out below the key changes introduced by the Circular.

Key Changes

1. Removal of RBI Approval Requirement

- a. Earlier, non-bank entities seeking to facilitate outward remittances through AD Banks were required to obtain specific approval from the RBI for each tie-up arrangement, creating delays and operational friction. Further, AD Banks were recommended to submit a yearly certificate of compliance to the RBI.
- b. The Circular removes this approval requirement entirely. ADs may now enter into arrangements with non-bank third-party entities for facilitating outward remittances for non-trade current account transactions in online mode without prior RBI approval or intimation, subject to certain compliances (as discussed below).

Comments

The shift from an approval-heavy model to a supervisory regulation significantly lowers operational timelines and market entry barriers for fintechs and remittance platforms. However, compliance requirements have been introduced for such third parties and their arrangements with ADs.

2. Permitted Transactions

- a. While the Master Direction permitted AD Banks to undertake trade transactions (subject to limits and other conditions prescribed for imports under the erstwhile Online Payment Gateway Service Provider (OPGSP) framework), the Circular explicitly permits only non-trade current account transactions to be undertaken through the new framework.

¹ RBI/2026-27/82 A.P. (DIR Series) Circular No. 10 dated 13 May 2026.

² FED Master Direction No. 19/2015-16 dated 1 January 2016.

- b. Current account transactions typically include foreign trade related payments as well as personal remittances, and payments in connection with travel, education, and healthcare related expenses. While the new framework does not explicitly list out the permitted non-trade transactions which may be undertaken, it can be assumed that the various remittance types listed under the erstwhile Master Direction (such as for foreign travel, fees for overseas education, conference participation, memberships and assessments, medical treatment, visa and emigration fees, application processing fees, film shooting, disbursement of crew wages, and remittance by travel agents to overseas agents, principals or hotels) would continue to be permitted.
- c. Further, the new framework appears to also allow AD Category II entities to enter into such third-party arrangements to facilitate outward remittances.

Comments

While the Circular does not enumerate specific transaction categories, we assume that the personal remittance use-cases listed under the Master Direction continue to be permitted under the new framework, as they are squarely within the ambit of non-trade current account transactions. However, further clarification from the RBI on this would be welcome.

3. Transparency and Disclosure Requirements

- a. Disclosures by the third party: The Circular also requires the third-party interface to prominently display: (i) the name and authorisation status of the AD (as Category I or II); (ii) the roles and responsibilities of such AD in relation to the remittances; (iii) the name of the AD whose FX rate will be used for the conversion; (iv) the FX rate quoted by the AD with timestamp and validity period of the rate; (v) the total estimated cost of the transaction, including a break-up of the interbank rate, mark-up, service charges and other charges separately without ambiguity; (vi) the exact foreign currency amount to be credited; (vii) the maximum timeline for such credit; and (viii) grievance redressal contact details and timelines.
- b. Invoice requirements: The third-party must generate and issue an invoice for every transaction showing the cost break-up, amounts remitted and credited, the maximum crediting timeline in hours, and the name of the AD quoting the FX rate. The onus of ensuring that the third party complies with such requirement has been placed on the AD providing the foreign exchange and the FX rate.
- c. Disclosures by the AD. Similar to the disclosures required of the third party, the AD has also been required to update its own customer-facing interface with the names of all its third-party online remittance partners, its roles and responsibilities in each such partnership, and grievance redressal contact details. The AD's customer data storage policy (including data types, purpose and retention period) must also be prominently displayed on such interface.

Comments

The granular disclosure requirements prescribed (including the mandatory separation of interbank rates and mark-ups) represent a meaningful step towards pricing transparency. ADs and their third-party partners will need to review and update customer interfaces and invoicing systems to ensure compliance in relation to these disclosures, including integrations to ensure accurate real-time reflection of rates, charges and tentative timelines.

4. Compliances for the Third-Party Arrangement

- a. Mandatory terms: The agreement entered into between the third party and the AD must explicitly address: (i) rights, obligations and responsibilities of both parties; (ii) data handling, confidentiality and privacy; (iii) dispute resolution mechanisms; (iv) audit and information-sharing rights; (v) compliance with applicable laws including the Foreign Exchange Management Act, 1999 (FEMA), including internal controls; (vi) FX rate quoting; (vii) scope of engagement and permitted activities; (viii) risk mitigation frameworks (including operational and concentration risk management); and (ix) refund policy.
- b. Third-party privacy policy: Further, the third-party entity must maintain a comprehensive privacy policy, compliant with applicable laws, RBI guidelines and the Digital Personal Data Protection Act (DPDP Act), which must be publicly accessible.

- c. Internal policies of the AD: The AD must implement an internal policy dealing with such arrangements, covering aspects such as the AD's responsibility towards the remitter, third party's compliance with the RBI's technology or cybersecurity standards, and grievance redressal frameworks. Specifically, the AD must ensure that any collection of data by the third party is need-based and with prior and explicit consent of the remitter, and such data shall not be shared except as required under law.
- d. Continued responsibility of Ads: The Circular clarifies that, as was the case under the Master Direction, the AD continues to remain fully liable for all acts and omissions of the third-party entity, for ensuring compliance with all transactions with the FEMA and for undertaking Know-Your-Customer (KYC) checks. The AD cannot delegate / dilute such core regulatory responsibilities through the third-party arrangement.
- e. Delivery of forex products: The Circular clarifies that the compliances pertaining to transparency, customer grievance and customer protection shall also apply in cases where the ADs have arrangements with third-party entities for doorstep delivery of forex cards or currency notes ordered via the third-party platform.

Comments

ADs must review their existing arrangements to ensure incorporation of these requirements and manage various risks, including cybersecurity and concentration risk, through contractual clarity on scalability, redundancy and service level agreements. Further, ADs are now required to ensure compliance with restrictions on data collection and sharing (which are notably similar to restrictions imposed by the RBI on digital lending applications). The extension of the compliance requirements to delivery of forex cards and currency notes demonstrates the RBI's intent to harmonise regulatory expectations across digital and physical forex products.

ADs must exercise careful due diligence in selecting third-party partners as they would be responsible for regulatory breaches by the third party, including FEMA violations, KYC failures or data protection lapses. Such due diligence should include assessment of the third party's financial and compliance track record, technical infrastructure, data security posture, alongside regular monitoring and audit rights.

5. Fund Safety and Settlement

- a. End-to-end timely settlement: The AD must ensure that the remittances facilitated by them originate from the remitter's bank account and reach the beneficiary's bank account within the specified timeline. Further, remitters must be able to track transaction status in case of delays.
- b. Fund security: The AD must ensure security of remitter funds and ringfence them from insolvency risks. Critically, remitter funds must not flow into the third-party's account in India.

Comments

These provisions establish a robust protective framework for remitter funds and transaction integrity. End-to-end settlement tracking addresses a key customer pain point in remittance services, providing them visibility into transaction status and credit timelines along with strengthening compliance with FEMA and anti-money laundering obligations.

6. Non-Resident Third Parties

- a. Non-resident third party: If the third-party entity is resident outside India, it must be duly licensed (in case such activity requires a license in that jurisdiction) by the regulator of its destination jurisdiction to facilitate remittances.
- b. Enhanced due diligence: Enhanced due diligence measures must be applied to transactions with entities from countries identified by FATF as non-compliant or insufficiently compliant with anti-money laundering standards.

Comments

The above requirements ensure home country oversight and FATF compliance, aiming to mitigate money laundering and terrorist financing risks in cross-border remittance corridors.

Concluding Remarks

The Circular marks a meaningful liberalisation of the outward remittance framework, with expansion to include AD Category II entities and replacement of a restrictive approval mechanism with a compliance regime. For ADs, there is greater operational flexibility but also greater accountability. Third party platforms stand to benefit from easier market access, provided they meet elevated standards on transparency, data protection, cybersecurity, customer protection and anti-money laundering frameworks. The RBI's move away from approval-based gatekeeping signals a transition to outcome-focused regulation, where greater onus is imposed on ADs to maintain high standards of customer protection, data security and FEMA compliance.

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