



Foreign Exchange Dealers' Association of India

(Self-Regulatory Organisation of all Authorised Dealers regulated by RBI)

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To All Member Banks

Subject: Fair and Proportionate Service Charges and Customer Service Practices in Foreign Exchange Transactions

FEDAI has received feedback regarding certain practices followed by Authorised Dealer banks in levying service charges and handling documentation and reporting requirements relating to foreign exchange transactions.

Regulation 19(3) of the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 requires an Authorised Dealer to ensure that charges levied for handling transactions and associated processes are reasonable and proportional to the services rendered. It also prohibits an Authorised Dealer from levying any charges or penalty on its constituent (exporter, importer or merchanting trader) for any regulatory delay or violation by that constituent. Against this background, member banks are advised to review the following practices:

1. Service Charges Disproportionate to the Services Rendered

Banks are advised to ensure that service charges for foreign exchange transactions are aligned with the nature, complexity and effort involved in providing the service. Where routine and standardised transactions require substantially similar processing effort, charges determined solely as a percentage of transaction value may result in amounts disproportionate to the service rendered. Such charging structures should be reviewed to ensure that they remain reasonable and proportionate, in keeping with Regulation 19(3).

2. Excessive Minimum Charges on Small-Value Transactions

Particular attention should be given to minimum service charges on small-value foreign exchange transactions, especially where the charges are disproportionate to the transaction value and may even exceed the value of the transaction itself. While minimum charges may be necessary to recover the cost of providing a service, they should be fixed at reasonable levels having regard to the nature of the transaction and the effort involved. Charging structures should not impose an undue financial burden on customers undertaking small-value transactions, consistent with Regulation 19(3).

3. Charges for I/EDPMS Reconciliation, EDF Submission and Related Activities

Banks are advised to review charges levied for reconciliation or regularisation of entries in the Import/Export Data Processing and Monitoring System (I/EDPMS), submission of Export Declaration Forms (EDFs), and related reporting and documentation activities. Charges for routine data entry, submission, reconciliation and closure of entries should be assessed in the context of the bank's normal operational and regulatory responsibilities. Any charges levied should be reasonable, transparent and proportionate to the specific service provided, as required under Regulation 19(3).

4. Excessive Follow-up Charges

Charges for following up with customers for submission of documents, closure of outstanding entries or fulfilment of regulatory requirements should be reasonable and proportionate to the effort and costs involved. Banks are advised to review charges for routine reminders and follow-up activities that form part of normal processing and compliance functions, so that such charges do not become disproportionate to the services rendered, in terms of Regulation 19(3).

5. Charges or Penalties for Regulatory Delay or Violation

Regulation 19(3) expressly prohibits an Authorised Dealer from levying any charge or penalty on its constituent (exporter, importer or merchanting trader) for any regulatory delay or violation by that constituent. Accordingly, banks must not levy late-submission charges, penal charges or other fees that are, in substance, imposed for such regulatory delay or violation. The underlying regulatory matter should instead be dealt with in accordance with the applicable regulatory framework; charges or penalties should not be used as a substitute for the prescribed regulatory process.

6. Withholding of Funds Pending Documents and Extension for EDF Submission

Banks are advised to avoid routinely withholding funds or delaying transaction processing solely because documents remain pending, particularly where the applicable regulatory framework permits an extension and no other legal or regulatory restriction prevents processing. Specifically, Regulation 3(2)(c) permits an Authorised Dealer, on a request from an exporter of services citing reasons for delay, to extend the period for submission of the EDF after satisfying itself about the reasonableness of the request. Banks should consider such requests on their merits and exercise the discretion available under this provision, rather than mechanically insisting on the original timeline. This provision relates specifically to EDF submission for export of services and does not dispense with other applicable documentation, genuineness, AML/CFT or statutory requirements.

General Guidance

Member banks are advised to review their existing schedules of charges and related operational practices in the light of the above principles and take corrective action wherever warranted. In terms of Regulation 19(1)(a), the internal policy and Standard Operating Procedure (SOP) should specify the charges applicable to each process and approval. Regulation 19(4) also requires the policy and the main features of the SOP to be disclosed on the bank's website. Banks should ensure that charges are clearly disclosed to customers and remain fair, transparent and proportionate to the services rendered.

Member banks are requested to align their practices with the above requirements, while continuing to comply with all applicable regulatory and statutory obligations.

Chief Executive Officer