$\checkmark$	G <mark>s</mark>	Liberalized Remittance	
		Scheme (LRS)	
#4	Jøint Ownership	Acquired jointly with a	An NRI son & his Indian
•	with Relative	relative outside India	father jointly purchase a
<ul><li>)</li></ul>	Abroad	(without remitting	home in Canada.
		money from India)	

**RBI approvals & FEMA guidelines apply to specific cases.** 

# hapter-10 Module A Part 3

Foreign Contribution Regulation Act (FCRA) 2010

The Foreign Contribution (Regulation) Act (FCRA) 2010 regulates donations, foreign grants, and foreign hospitality received by organizations, individuals, and companies.

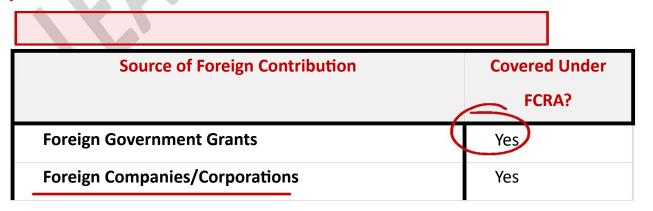
**Meaning of Foreign Contribution** 

Foreign Contribution = Any donation, currency, or asset received

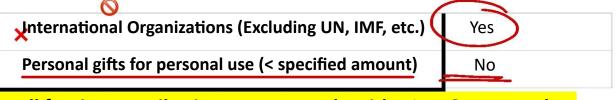
from a foreign source.

Includes donations, securities, articles, or transfers from foreign

governments, individuals, or organizations.



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All foreign contributions must comply with FCRA & FEMA rules.

## Prohibited Recipients of Foreign Contributions

Certain people & entities cannot accept foreign donations.

<b>Prohibited Entities</b>	Cannot Receive Foreign Contributions
Election Candidates	Political candidates during elections
Media Professionals	Journalists, editors, columnists
Judges & Public Servants	Judges, government employees
Legislators & Political Parties	MPs, MLAs, political parties
Broadcast & Media Houses	News agencies, TV channels

**Exceptions exist under specific RBI & FCRA approvals.** 

**Meaning of Foreign Hospitality** 

Foreign Hospitality = Any offer from a foreign source covering travel,

lodging, food, or medical treatment for an individual.

Example: An Indian MP invited by a foreign government for a

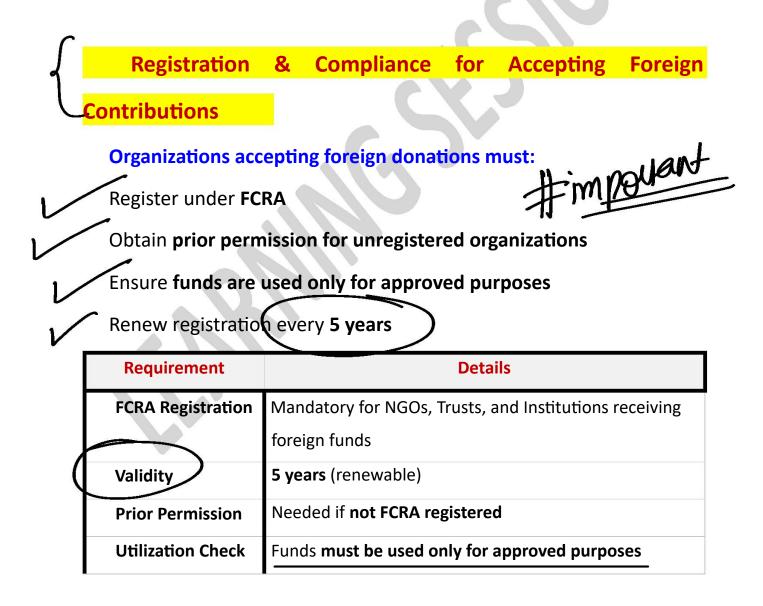
diplomatic event, with travel & stay covered.

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#### **Restrictions on Accepting Foreign Hospitality**

Who Needs Prior Permission?	Cannot Accept Without Approval
Legislators (MPs, MLAs, etc.)	Needs central government permission
Judges & Public Servants	Cannot accept foreign hospitality
Government Employees	Requires clearance
Political Party Office-Bearers	Subject to FCRA regulations

**Prior permission from the Central Government is required.** 



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Foreign contributions cannot be transferred to other persons

Example: An NGO working for education in India receives a \$100,000

grant from a UK charity—it must be FCRA-registered before accepting

the donation.

## Suspension & Cancellation of Registration

The Central Government can suspend or cancel FCRA registration if:

- **Funds are misused** for unauthorized activities.
- **FCRA rules are violated** repeatedly.
- **#3** Fraud or false information is provided.

Consequences of Suspension

#1 Cannot receive foreign contributions during suspension.

Requires **special government permission** to use existing foreign funds.

**Example:** If an NGO registered under FCRA uses funds for **political** activities instead of education, the government can revoke its registration.

#### **Quick Summary – Foreign Contribution & Property Outside India**

Торіс	Key Details	Example (Indian Context)
Property Outside	Residents can acquire property	An NRI gifts a Dubai property to
India	via inheritance, gift, RFC	his Indian relative.
	funds, or LRS	
Foreign	Donations from foreign	A Delhi-based NGO receiving funds
Contribution (FCRA)	entities require FCRA	from Bill & Melinda Gates
	registration	Foundation.
Who Cannot	MPs, MLAs, judges,	A political party cannot accept
Accept Foreign	government servants, media	funds from a US-based donor.
Contributions?	houses	
Foreign Hospitality	Govt employees, political	An Indian MP cannot accept an all-
Rules	leaders need prior approval	expenses-paid trip abroad without
		approval.
FCRA Compliance	NGOs & institutions must	An educational NGO applying for
	register, renew every 5 years	FCRA renewal after 5 years.
Suspension &		An NGO misusing funds faces
Cancellation		suspension.

#### **Key Takeaways**

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Residents can acquire property abroad via inheritance, RFC, or LRS.

FCRA regulates foreign contributions & hospitality for individuals & organizations.

Certain categories (MPs, judges, media, political parties) are

restricted from foreign funding.

Strict government scrutiny & compliance required for all foreign transactions.

Understanding these rules ensures compliance with FEMA & FCRA

regulations!

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Foreign Contribution & FEMA Regulations – Summary & Key Insights

**Effective from September 2020**, all foreign contributions must be received through **State Bank of India (SBI)**, **New Delhi Main Branch** under FCRA regulations.

**Process for Receiving Foreign Contribution:** 

	Step	Details	
#1	Open FCRA Account at SBI	Every person receiving foreign contributions must open an exclusive FCRA Account at SBI, New Delhi Main Branch.	
#2	Transfer to Other Banks	Funds can be <b>transferred</b> from SBI's FCRA account to <b>another scheduled bank</b> for utilization.	



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**No Other Credits Allowed**  Only foreign contributions can be credited; no other funds

are permitted.

SBI, Newsdelli Main Branch

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Example: An NGO receiving \$50,000 from a US-based donor must

first deposit it in their SBI FCRA account before transferring it to their

operational bank account.

## **Reporting by Banks for Foreign Contributions**

Banks handling foreign contribution accounts must report details to

regulatory authorities.

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	Requirement	Details	
	Reporting to	SBI & other banks must report foreign contributions	
	Authorities	received to the Central Government.	
+:	Details to be	Source, amount, mode of receipt, and purpose of	
fimp	Shared	funds.	
ina P	Timeframe	Reports must be sent within 48 hours of the	
imp		transaction.	
	Online Reporting	Ministry of Home Affairs (MHA) has developed a	
		software for <b>online submission</b> of reports.	

## **Intimation by the Recipient**

Every person/organization receiving foreign contribution must submit

an intimation report to the Central Government.

\$	Mandatory	Details to	o be Rep	orted:
3				

	Requirement	Details	
ŧ1	Total Contribution Received	Each amount received from foreign sources.	
F2-	Source of Contribution	Donor's name & country.	
#3	Mode of Receipt	Bank transfer, cheque, or other modes.	
#4	Purpose of Funds	Education, social work, healthcare, etc.	
<del>1</del> 5	Utilization of Funds	Where & how the money was spent.	

**Example:** An **educational NGO in India** receiving ₹20 lakhs from a UKbased charity must **report the amount, donor, and utilization details** within the specified time.



#### **Prohibited Transfers**

FCRA-registered entities cannot transfer foreign contributions to

another **unregistered entity.** 

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**Example:** If an NGO in Delhi receives \$30,000 in foreign funding, it

cannot transfer it to a small unregistered group working under it.

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Permitted Utilization of Foreign Contribution

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	Utilization Rules	Not Allowed
$\checkmark$	Only for stated purposes	Using funds for personal expenses 🥂
$\checkmark$	Non-Speculative Purposes	Investing in stock markets/real estate 📈
V	Within FCRA guidelines	Funding political campaigns 📈

**Example:** An NGO receiving **\$50,000 for rural education** must use the funds **only for books, teacher salaries, and school infrastructure.** 

# FCRA Rules & Reporting by Banks

**Disclosure of Foreign Contributions** 

FCRA-registered organizations must:

1 Publish financial statements online – including receipts &

expenditures.

2 Quarterly reporting – disclose foreign contributions received within
 15 days of each quarter.

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Example: An NGO in Bangalore receiving **₹1 crore from the UK** in April must disclose the details online by mid-July.

## Handling of Unutilized Foreign Contributions

If an entity's FCRA registration is cancelled, its unutilized foreign

funds will:

Remain frozen in the bank account until the Central Government

gives directions.

Example: An NGO's FCRA registration is revoked in August – it cannot

use the ₹10 lakhs balance in its **FCRA account until permitted.** 

## Bank's Reporting Obligation for Foreign

## Contributions

#### **Reporting Responsibilities of Banks:**

Requirement	Deadline
Report every foreign contribution transaction	Within 48 hours to the Central Government
Submit transaction details	Includes recipient name, donor name, and amount

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Online Reporting via MHA Portal Re

Real-time updates to the government database

Example: A Delhi-based hospital receives a \$1 million donation from a US charity – its bank must report the transaction to MHA within 48 hours.

#### Summary Table – Foreign Contribution & Compliance

Торіс	Key Details	Example (Indian Context)
Receiving Foreign	Must be credited to SBI,	An NGO receiving ₹50 lakhs from UK
Contribution	New Delhi Main Branch	must deposit it in SBI FCRA Account.
Bank's Reporting	Banks must <b>report within</b>	A foreign-funded startup's
Obligation	48 hours	transaction is reported to MHA in
		real-time.
Recipient's Disclosure	NGOs must disclose	An educational trust publishes
Obligation	funding sources &	donation details on its website.
	utilization online	
Prohibited Activities	Cannot use funds for	Funds for healthcare cannot be used
	politics, speculation, or	for stock trading.
	personal expenses	
Unutilized Foreign	Frozen if FCRA	NGO funds remain in the account
Contributions	registration is canceled	until further government orders.

## **Developments in Cash Management System (CMS)**

# CHAPTER 11 MODULE A PPB By Ashish Sir

#### **Evolution of CMS**



Vision

Cash management has transformed dramatically due to: **Rising Interest Rates:** Higher costs of holding cash made

businesses look for efficient cash management strategies.



Technological Advancements: Digital payments & automation

reduced reliance on manual processes and increased transaction

speed.

Real-Life Example: Imagine a global corporation like Tata Motors , which has multiple factories, sales offices, and service centers across India & abroad. Managing inflows from customers and outflows to suppliers/ employees requires an <u>advanced cash management</u> system to transfer funds instantly where needed!

## **RBI's Role in Strengthening the Payment System**

Since the **mid-1980s**, the **Reserve Bank of India (RBI)** has introduced several **game-changing payment solutions** to improve cash management.

*	REARNING SESSIONS ON YOUTUBE & APP AVAILABLE		
•	Key RBI Initiatives for a Modern Payment System		
4	System	Purpose & Benefits	
411	MICR (Magnetic Ink	Faster & error-free cheque processing	
	Character Recognition)		
∎#2	Clearing	Speedy transactions across different cities	
#3	ECS (Electronic Clearing	Auto-debit for utility bills, salaries, and	
17	Service)	EMI payments	
#4	NEFT (National Electronic	Secure, low-cost online transactions for	
471	Funds Transfer)	individuals & businesses	
#5	RTGS (Real-Time Gross Settlement)	Instant, high-value transactions (₹2 lakh & above)	
	DvP (Delivery vs Payment)	Secure government securities	
<i>7</i> 76	System	transactions	
#1	INFINET (Indian Financial	Secure <b>banking network</b> for digital	
-#7 _#0	Network)	payments & transactions	
#8	CTS (Cheque Truncation	Faster cheque clearing using digital	
ヤロ	System)	images	
#9	NACH (National Automated	Centralized auto-debit system for bulk	
-	Clearing House)	payments	
this	UPI (Unified Payments	Instant, 24/7 digital payments via mobile	
710	Interface)	apps	



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Real-Life Example: Imagine Ramesh, a businessman in Mumbai

making daily **bulk payments** to his suppliers across **different cities**.

Thanks to RTGS & NEFT, he can instantly transfer lakhs of rupees to

their bank accounts with zero hassle!

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## Importance of CMS for Corporates & Banks

1 CMS Benefits for Corporates

A well-structured Cash Management System (CMS) provides:



#3

Better Control: Know when, where & how cash is needed.

Data Insights: Get real-time tracking of inflows & outflows.

Interest Savings: Reduce idle cash holdings & earn interest on

surplus.

#4

Faster Transactions: Reduce paperwork and speed up financial operations.

Lower Risks: Identify & manage cash shortages before they

become a crisis!

Real-Life Example: Imagine Infosys , which pays salaries, vendor payments, and operational costs across multiple countries. Instead of holding cash separately in every location, they use centralized cash pooling to optimize working capital & minimize currency risk!

## 2 CMS Benefits for Banks

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With deregulation & digital innovation, banks are shifting towards fee-

**New Revenue Streams:** Banks charge **fees** for premium **cash** 

management services.

**Stronger Customer Relations:** Offering smart banking solutions

creates loyal customers.

Digital Transformation: Banks can offer fully automated cash

management for businesses & individuals.

Real-Life Example: SBI now provides CMS services to large corporates like Reliance Industries , ensuring real-time fund transfers, bulk payments, & auto-reconciliation of payments. This helps Reliance reduce paperwork , manage cash flow better & avoid late payment penalties!

<b>EARNING S</b>	<b>SESSIONS ON</b>	I YOUTUBE &	<b>APP AVAIL</b>	ABLE

	Summary Table – CMS Evolution & Benefits		
	Aspect	Key Takeaways	
*#1	Evolution of	Rising interest rates & Tech advancements reshaped	
11-	CMS	cash management.	
#2	RBI's Role	Introduced MICR, RTGS, NEFT, UPI & NACH for seamless	
41.		banking.	
42	Corporate	Faster transactions, better control, interest savings & real-	
**	Benefits	time insights .	
#4	Bank Benefits	Stronger customer relationships, digital services & fee-	
41		based income growth	
ur	Real-Life	Infosys, Reliance, Tata Motors, SBI & Unilever optimizing	
<b>F</b> 5	Examples	CMS!	

## **Types of Cash Management Services (CMS)**

A number of **banks in India** offer **comprehensive Cash Management Services (CMS)** to corporate clients, small businesses, and institutions. These services help **optimize liquidity, streamline cash flow**, and

reduce financial risks.

## Major CMS Products Offered by Banks

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÷	Service	Description & Benefits
-41	Sash Collection	Secure & efficien <u>t cash pick-up sol</u> utions tailored for
	Service 🔤	businesses. Benefits: Minimizes operational
0		risk, cost, & theft risks.
#2-	Fund Transfer	Automated payments for supply chain, salary
110	Services	payments, overseas remittances, & statutory tax
		payments.
	Cheque/ DD	Demand drafts (DDs) & Payable at Par cheques for
#3	Drawing	corporate payments. Offered on a <b>pre-funding/</b>
	Arrangement	post-funding basis.
HA	NEFT Bulk	Electronic fund transfers for large-scale
#4	Payments	disbursements across multiple accounts.
H5	Receivables	Local & upcountry cheque collections & clearing
11-	Management	solutions.
#=6	NACH Payment	Automated periodic disbursements for loan EMIs,
.4.0	Facility	salary credits, insurance payments, & more!
41	Auto-Sweeping	Pooling of <b>surplus funds</b> from multiple branches to
#T	Facility	a central account for better liquidity.
Да	Foreign Bank	Advanced Regional & Global Treasury
#8	Offerings	Management, Electronic Banking, & Investment
		Solutions.

 Real-Life Example: Reliance Industries
 uses NACH payments
 to

 automatically credit salaries & vendor payments
 across India, ensuring

 Zero delays & reduced manual effort!

## Challenges & Issues in Cash Management

With advancing technology & digitization, banks must address various challenges in Cash Management Services. These include security risks, operational reliability, and the need for customized solutions for different industries.

#### **Major Challenges in CMS**

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	Challenge	Description & Impact
#1	Understanding	Banks need <b>deep industry knowledge</b> to provide
#1	Client's Business	customized financial solutions for different
		businesses.
h.	Advisory Services	Clients <b>expect banks</b> to solve <b>o<u>ther financial</u></b>
#2		challenges beyond cash management, such as risk
		analysis & fraud prevention.
	Tech Sourcing	Banks must <b>decide</b> whether to <b>develop in-house</b>
#3	Decisions	software, buy from vendors, or outsource cash
		management tech.

	Accessibility for	Many <b>small &amp; medium businesses (SMEs)</b> need
aft.	SMEs 🖉	high-tech cash management solutions but lack
8		resources to implement them.
1. ~	Coordination with	Banks must work closely with corporate finance
#5	Finance Teams	teams, controllers, & marketing departments to
		develop seamless solutions.
117	Security & Risk	Companies lose millions due to cyber frauds &
Ħ6	Management	data breaches. Banks must ensure secure financial
		transactions.
47	Operational	Digital payments must be instant, accurate, and
#1	Reliability	secure to gain trust from businesses.

Real-Life Example: HDFC Bank faced security challenges when its

mobile banking app was targeted by fraudsters. To counter this, they

strengthened cybersecurity & introduced two-factor authentication

(2FA) & AI-based fraud detection!

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## Summary Table – CMS Services & Challenges

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Торіс	Key Takeaways
CMS Services Offered	Cash collection, fund transfers, NEFT, cheque/DD
by Banks	clearing, NACH, & auto-sweeping.
Global & Regional	Offered by <b>foreign banks</b> for <b>cross-border</b>
Treasury Management	transactions & liquidity management.
Challenges in CMS	Security risks, SME accessibility, operational
	reliability, & need for customized financial
	solutions.
Real-Life Examples	Reliance (NACH payments), HDFC Bank
	(Cybersecurity), & SBI (Auto-Sweeping Solutions).