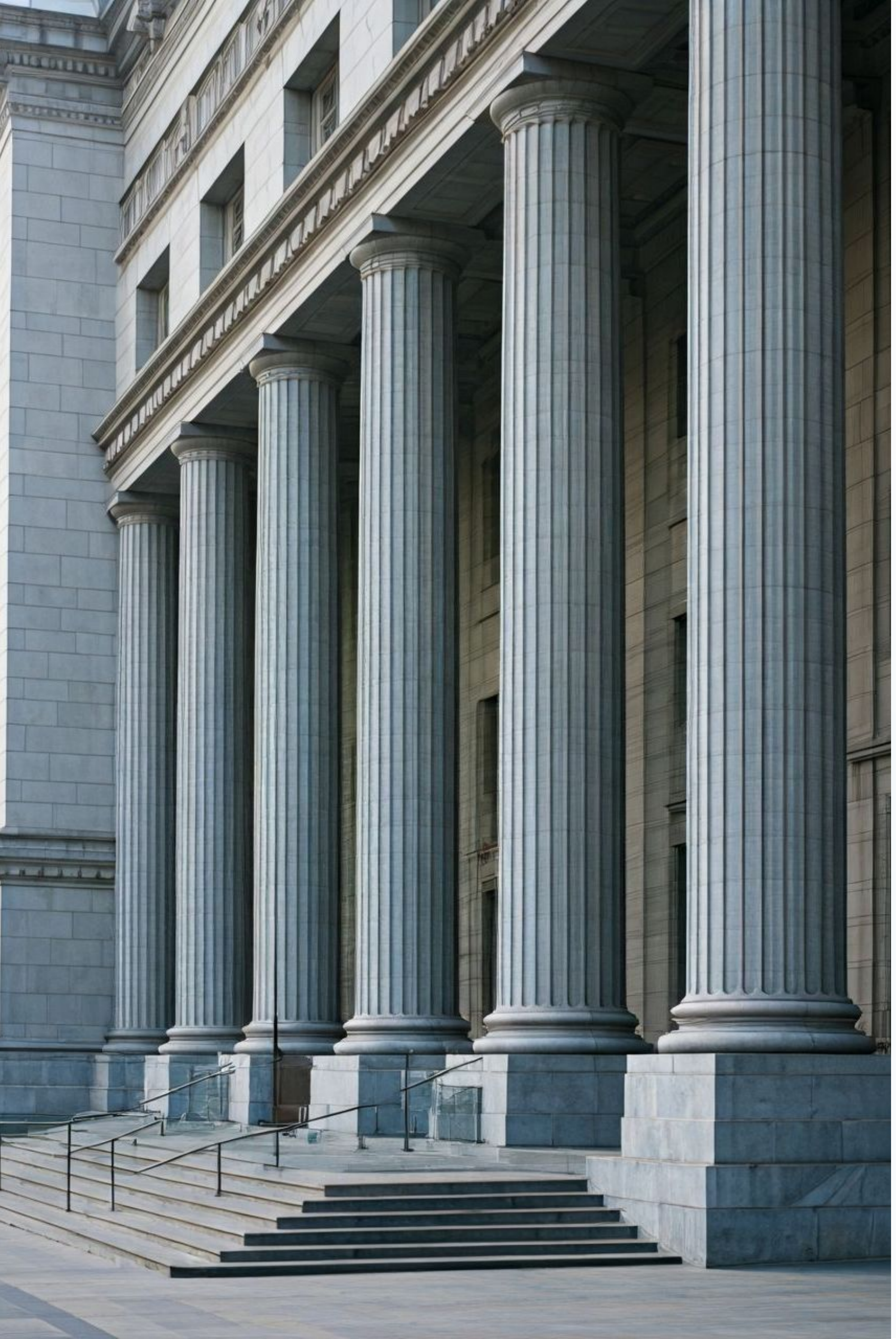

FEMA (Authorised Persons) Regulations 2026

How RBI Notification FEMA 401/2026-RB overhauls who can deal in your foreign exchange

RBI | FEMA 401/2026-RB | FOREX LICENSING | AD CATEGORY-III | FOREX CORRESPONDENT SCHEME

Presented by A S Banka Advisors Private Limited · Cross-Border Advisory

What Changed and Why

The Notification

RBI notified the Foreign Exchange Management (Authorised Persons) Regulations, 2026 vide Notification No. FEMA 401/2026-RB dated 30 April 2026, under Sections 10 and 47 of FEMA, 1999, effective on publication in the Official Gazette.

A Full Reset

This is a full reset of the Authorised Person (AP) framework that governs every bank, NBFC, money changer and forex intermediary licensed to handle your foreign exchange.

Wider Context

It sits alongside the wider FEMA rationalisation of 2026: the new ECB Rules and RBI's withdrawal of 732 defunct FEMA circulars.

RBI's Stated Intent

Simplify licence categories, retire the accountability-weak franchisee model, and tighten fit-and-proper and net-worth gates for forex-dealing access.

The New Four-Tier Structure

Category	Who Qualifies	Permitted Activities
AD Category-I	RBI-licensed banks	Full range of current and capital account transactions permitted under FEMA
AD Category-II	Banks, NBFCs and qualifying FFMCs / Forex Correspondents	Non-trade current account transactions and trade transactions up to Rs 25 lakh per transaction, plus money changing
AD Category-III (NEW)	Entities needing incidental forex access or offering innovative products	Narrow, purpose-linked authorisation approved case by case by RBI
FFMC	Standalone money changers	Purchase and sale of foreign currency notes, coins and traveller's cheques

Minimum Net-Worth Thresholds

Category	Minimum Net Worth
AD Category-II	**Rs 10 crore**
AD Category-III	**Rs 2 crore**
Single-branch FFMC	**Rs 25 lakh**
Multi-branch FFMC	**Rs 50 lakh**

Additional Eligibility for AD Category-II

AD Category-II eligibility also requires at least **two years of operation** with average annual forex turnover of not less than **Rs 50 crore** over the preceding two financial years.

⚠ Confirm exact figures against the primary notification; category-specific variations and transition provisions apply.

The Franchisee Model Is Being Retired

1 **Effective Date**

New franchisee appointments are **prohibited** from the effective date of the regulations.

2 **2-Year Wind-Down**

Existing franchisee arrangements must be **discontinued within 2 years** of the regulations coming into force.

3 **Migration Path**

Existing franchisees can become **Forex Correspondents** under the new Forex Correspondent Scheme, subject to prescribed conditions.

4 **Why RBI Acted**

RBI treats the exclusive franchisee model as a **supervisory weak point** where accountability blurs.

The Forex Correspondent Scheme (FCS)

Principal-Agent Model

A principal-agent model replacing franchisees. AD Category-I and AD Category-II entities appoint Forex Correspondents (FxCs) as agents.

Permitted Functions

Forex Correspondents can perform restricted money-changing and Money Transfer Service Scheme (MTSS) sub-agency functions.

Multiple Principals

Unlike the exclusive franchisee, a Forex Correspondent may work with **multiple principals**, improving flexibility and reach.

Principal Accountability

The principal stays **responsible for its correspondent's compliance**, ensuring clear accountability at every level.

FFMC Licensing Freeze

No Fresh Applications

RBI will **not consider fresh applications** for authorisation as a Full-Fledged Money Changer, except applications already under process as of the effective date.

30-Day Documentation Rule

Pending applicants must furnish requested documentation within **30 days** or face **automatic rejection**.

Turnover Requirement

Non-bank Authorised Persons must also achieve minimum annual forex turnover levels within **two years of authorisation**.

Who This Actually Hits

Stakeholder	Key Impact and Action
Fintech and Remittance Founders	AD Category-III is the new, purpose-linked door for products needing incidental forex access; build your licensing case around it.
Forex Distribution and Money-Changing Businesses	The franchisee wind-down is a 2-year clock; map every arrangement and pick your Forex Correspondent path now.
Corporates and Startups	This reshapes who you can legally transact forex with; confirm your counterparties are correctly re-categorised.
Pending FFMC Applicants	The 30-day query-response rule is unforgiving; respond in full or lose the application.

Your Action Plan and Next Step

01

Identify Your Category

Identify your category under the new four-tier structure and confirm remaining authorised activities.

02

Map Net Worth

Map net worth against the new minimums and plan to close any gap.

03

Inventory Franchisee Arrangements

Inventory all franchisee arrangements and build a wind-down or FCS migration plan within the 2-year window.

04

Refresh Fit-and-Proper Documentation

Refresh fit-and-proper documentation for directors and key management.

05

Track Turnover Requirements

Track minimum forex turnover requirements through the transition period.

Restructuring a forex, remittance or money-changing business under the 2026 regulations? Book a strategy session with CA Adityavikram Banka, Founder, A S Banka Advisors Private Limited.

Book a Strategy Session