



## FREQUENTLY ASKED QUESTIONS

[Asian Clearing Union](#)

(As on March 03, 2021)

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**Q1. What is the Asian Clearing Union (ACU)?**

Ans. The Asian Clearing Union (ACU) was established with its head-quarters at Tehran, Iran, on December 9, 1974 at the initiative of the United Nations Economic and Social Commission for Asia and Pacific (ESCAP), for promoting regional co-operation. The main objective of the clearing union is to facilitate payments among member countries for eligible transactions on a multilateral basis, thereby economizing on the use of foreign exchange reserves and transfer costs, as well as promoting trade among the participating countries.

**Q2. Who are the members of the ACU?**

Ans. The Central Banks and the Monetary Authorities of Bangladesh, Bhutan, India, Iran, Maldives, Myanmar, Nepal, Pakistan and Sri Lanka are currently the members of the ACU.

**Q3. Where are the instructions, relating to the ACU, available?**

Ans. The detailed procedural instructions issued by RBI are contained in the A.P.(DIR Series) Circular No. 22 dated March 17, 2020 and in Master Direction No.16/2015-16 dated January 1, 2016 on Export of Goods and Services, as amended from time to time.

**Q4. How the ACU transactions are to be handled by Authorised Dealers in India?**

Ans. All transactions to be settled through the ACU will be handled by AD Category-I banks in the same manner as other normal foreign exchange transactions, through correspondent arrangements.

**Q5. What is the unit of settlement of ACU transactions?**

Ans. The Asian Monetary Units (AMUs) is the common unit of account of ACU and is denominated as 'ACU Dollar', 'ACU Euro' and 'ACU Yen', which is equivalent in value to one US Dollar, one Euro and one Japanese Yen respectively. All instruments of payments under ACU have to be denominated in AMUs. Settlement of such instruments may be made by AD Category-I banks through the ACU Dollar Accounts, ACU Euro Accounts and ACU Yen Accounts, which should be distinct from the other US Dollar, Euro and Japanese Yen Accounts respectively maintained for non ACU transactions. *As the payment channel for processing 'ACU Euro' is under review, the operations in 'ACU Euro' have been temporarily suspended with effect from July 01, 2016 and accordingly, all eligible current account transactions including trade transactions in "Euro" are permitted to be settled outside the ACU mechanism until further notice.*

**Q.6 What is the procedure for settlement of ACU transactions?**

Ans. i) Majority of transactions, as possible, should be settled directly through the accounts maintained by AD Category-I banks with banks in the other participating countries and vice versa; only the spill-overs in either direction are required to be settled by the Central Banks in the countries concerned through the Clearing Union. At all times, the balances maintained in the ACU Dollar, ACU Euro and ACU Yen accounts should be commensurate with requirements of the normal business. *With effect from July 01, 2016, all eligible current account transactions including trade transactions in "Euro" are permitted to be settled outside the ACU mechanism until further notice.* ii) AD Category-I banks are permitted to settle commercial and other eligible transactions in much the same manner as other normal foreign exchange transactions.

**Q.7 Can Authorized Dealer Category-I banks open ACU Dollar, ACU Euro and ACU Yen Accounts in the name of all banks in all member countries including Pakistan without the prior approval of Reserve Bank of India?**

Ans. Yes, this is permissible. *With effect from July 01, 2016, all eligible current account transactions including trade transactions in "Euro" are permitted to be settled outside the ACU mechanism until further notice.*

**Q.8 What is the mechanism for settlement through the ACU?**

Ans. Detailed operational guidelines are available in A.P.(DIR Series) Circular No. 22 dated March 17, 2020 and Master Direction No.16/2015-16 dated January 1, 2016 on Export of Goods and Services, as amended from time to time.

**Q.9 What are the transactions which are eligible to be settled through the ACU?**

Ans. The following payments are eligible to be settled through ACU:-

- i. for export / import transaction between ACU member countries on deferred payment terms; and
- ii. not declared ineligible as mentioned under Q.10

Note:- Trade transaction with Myanmar may be settled in any freely convertible currency, in addition to the ACU mechanism.

**Q.10 What are the payments that are not eligible to be settled through the ACU?**

Ans. The following payments are not eligible to be settled through ACU:-

- i. Payments between Nepal and India and Bhutan and India, exception being made in the case of goods imported from India by an importer resident in Nepal who has been permitted by the Nepal Rastra Bank to make payments in foreign exchange. Such payments may be settled outside ACU mechanism; and
- ii. Payments that are not on account of export / import transactions between ACU members countries except to the extent mutually agreed upon between the Reserve Bank and the other participants; and
- iii. All eligible current account transactions including trade transactions with Iran should be settled in any permitted currency outside the ACU mechanism until further notice.

**Q.11 Are all eligible transactions between member countries required to be settled through the ACU?**

Ans. Yes. Except the transactions mentioned at Q.10 above. However, trade transactions with Myanmar may be settled in any freely convertible currency, in addition to the ACU mechanism. Further, with effect from July 1, 2016, all eligible current account transactions including trade transactions in "Euro" are permitted to be settled outside the ACU mechanism till further notice.

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