

Full Convertibility of Deposit Schemes - Non-Resident Indians.

A.P. (DIR Series) Circular No. 28,

March 4, 2002. (20020304)

FULL CONVERTIBILITY OF DEPOSIT SCHEMES - NON-RESIDENT INDIANS.

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs

Attention of authorised dealers is invited to "Foreign Exchange Management (Deposit) Regulations, 2000" notified under Notification No.FEMA.5/2000-RB dated May 3, 2000. In terms of sub-regulations 1(iv) and (v) of Regulation 5, authorised dealers/authorised banks are permitted to accept deposits from persons resident outside India under the Non-Resident (Non-Repatriable) Rupee Account Scheme, (NRNR account), and the Non-Resident (Special) Rupee Account Scheme, (NRSR account), specified in Schedules 4 and 5 respectively to the above Notification.

2. With a view to providing full convertibility of deposit schemes for non-resident Indians and rationalising the existing non-resident deposit schemes, it has been decided to discontinue NRNR account and NRSR account schemes with effect from April 1, 2002. Accordingly, with effect from April 1, 2002 :-

(a) authorised dealers/authorised banks shall not accept any fresh deposits or open any fresh account, by way of renewal or otherwise, under the above two schemes.

(b) The existing accounts under NRNR account scheme may be continued only upto the date of maturity. The maturity proceeds of the deposits under NRNR Account Scheme shall be credited to the accountholder's Non-Resident (External) Rupee Account (NRE account), after giving notice to the accountholder. For this purpose, the authorised dealers and authorised banks may give a notice to the accountholder that the maturity proceeds shall be credited to his NRE accounts. The accountholders may choose to credit the maturity proceeds to his NRE saving bank account or current account or open a fresh NRE term deposit account. The authorised dealers or authorised banks may also permit the accountholder, on his request, to credit the maturity proceeds to his NRO account. In case no reply is received from the accountholder, the maturity proceeds of deposits under NRNR account Scheme may be credited to his NRE account.

(c) The existing term deposits under the NRSR account scheme may be continued till the maturity and the maturity proceeds shall be credited to the Non-Resident (Ordinary) Rupee Account (NRO account) of the accountholder.

(d) The existing NRSR account, other than term deposit, shall not be continued after September 30, 2002, and may, at the option of the accountholder, be closed or balance thereof be credited to his NRO account on or before that date. For this purpose, a notice to the

accountholders may be given and in case no reply is received the said NRSR account may be closed and the balance transferred to the NRO account of the accountholder.

3. While the facilities currently available to the account holders for premature withdrawal continue, in the event of premature closure of the term deposits, under both the schemes, the option of reinvesting the proceeds will, however, be restricted to the NRO account of the accountholder.

4. A copy of Notification No.FEMA.52/RB-2002 dated March 1, 2002, amending the Foreign Exchange Management (Deposits) Regulations, 2000, is enclosed.

5. Authorised dealers/authorised banks may bring the contents of this circular to the notice of their constituents concerned.

6. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Sd/-

(Satish Kakar)

Chief General Manager