

May 25, 2007

To,

All Category - I Authorised Dealer banks / Authorised banks

Madam / Sir,

**Foreign Exchange Management (Deposit) Regulations, 2000-
Operation of NRO account by Power of Attorney Holder**

Attention of Authorised Dealer Category I (AD Category – I) banks and authorised banks (the banks) is invited to paragraph No.7 of Schedule 3 to Notification No. FEMA 5/2000-RB dated May 3, 2000 viz., Foreign Exchange Management (Deposit) Regulations, 2000 (the Notification), as amended from time to time, in terms of which a person resident outside India may open with an AD Category – I / authorised bank, a Non-Resident Ordinary Rupee (NRO) account, jointly with residents.

2. As announced in the Annual Policy Statement for the year 2007-08 [para 146(ii) (ii)], it has been decided to extend the facility of operation of NRO account by Power of Attorney granted in favour of a resident by the non-resident individual account holder. Accordingly, the banks may allow operations on an NRO account in terms of such a Power of Attorney, provided such operations are restricted to (i) all local payments in rupees including payments for eligible investments subject to compliance with relevant regulations made by the Reserve Bank; and (ii) remittance outside India of current income in India of the non-resident individual account holder, net of applicable taxes.

3. The resident Power of Attorney holder is not permitted to repatriate outside India funds held in the account other than to the non-resident individual account holder nor to make payment by way of gift to a resident on behalf of the non-resident account holder or transfer funds from the account to another NRO account.

4. Necessary amendments to Notification No. FEMA 5/2000-RB dated May 3, 2000 [Foreign Exchange Management (Deposit) Regulations, 2000] are being notified separately.

5. AD Category - I banks and authorised banks may bring the contents of the circular to the notice of their constituents and customers concerned.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager