



**RESERVE BANK OF INDIA
Mumbai - 400 001**

RBI/2015-16/390

A.P. (DIR Series) Circular No. 67/2015-16 [(1)/5(R)]

May 05, 2016

To

All Category - I Authorised Dealers and Authorised Banks

Madam/ Sir

Foreign Exchange Management (Deposit) Regulations, 2016

Attention of Authorised Dealers (ADs) is invited to (a) A.D. (M.A. Series) Circular No. 11 dated May 16, 2000 in terms of which ADs were advised of various Rules, Regulations, Notifications/ Directions issued under the Foreign Exchange Management Act, 1999 (hereinafter referred to as the Act) and (b) para 3.2 of Part I and paras 1.1, 2.4, 2.5, 2.7, 2.8, 4, 4.8, 6.6, 6.7, 6.8, 7, 8.1, 9, 10, 12 and the Appendix of Part II of [Master Direction No. 14](#) on Deposits and Accounts. On a review it is felt necessary to revise the regulations issued under the Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time. Accordingly, in consultation with the Government of India, the said regulations have been repealed and superseded by the Foreign Exchange Management (Deposit) Regulations, 2016 ([Notification No. FEMA 5\(R\)/2016-RB dated April 1, 2016](#)), hereinafter referred to as Deposit Regulations.

2. These regulations seek to regulate deposits between a person resident in India and a person resident outside India:

3. Some of the key definitions under the regulations are given below:

- (i) 'Deposit' includes deposit of money with a bank, company, proprietary concern, partnership firm, corporate body, trust or any other person.
- (ii) A 'Non-resident Indian (NRI)' is a person resident outside India who is a citizen of India.

(iii) A 'Person of Indian Origin (PIO)' is a person resident outside India who is a citizen of any country other than Bangladesh or Pakistan or such other country as may be specified by the Central Government, satisfying the following conditions:

- a) Who was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955); or
- b) Who belonged to a territory that became part of India after the 15th day of August, 1947; or
- c) Who is a child or a grandchild or a great grandchild of a citizen of India or of a person referred to in clause (a) or (b); or
- d) Who is a spouse of foreign origin of a citizen of India or spouse of foreign origin of a person referred to in clause (a) or (b) or (c)

Explanation: PIO will include an 'Overseas Citizen of India' cardholder within the meaning of Section 7(A) of the Citizenship Act, 1955.

(iv) Permissible currency means a foreign currency which is freely convertible.

4. In terms of Regulation 4 of the Deposit Regulations, no restriction under these regulations shall be applicable for opening of rupee/ foreign currency deposit accounts by certain persons, viz.

- (i) Rupee/ foreign currency accounts by foreign diplomatic missions and diplomatic personnel or their family members in India with an Authorised Dealer in India subject to conditions mentioned therein.
- (ii) Deposits in rupees maintained by persons resident in Nepal and Bhutan with Authorised Dealer in India.
- (iii) Deposits with Authorised Dealer in India maintained by any multilateral organization, of which India is a member nation, and the subsidiary/ affiliate bodies and officials of such organizations in India.

5. In terms of Regulations 5 and 6 of the Deposit Regulations, a person resident outside India may open deposit accounts with Authorized Dealer/ authorized bank/Indian company under various schemes. Details of the schemes have been specified in the respective schedules. The major features are highlighted below:

A) Non-Resident (External) Account (NRE) Scheme

- i) NRIs and PIOs are permitted to open these accounts in Indian Rupee with Authorized Dealers and authorized banks in any form e.g saving, current, recurring or fixed deposit subject to the conditions specified in Schedule 1 of the Deposit Regulations.
- ii) Inward remittances from outside India to the NRE account and remittances outside India from the NRE account are permitted.
- iii) Authorised Dealers/ banks in India may grant loans against the security of the funds held in NRE accounts to the account holder/ third party in India, without any limits, subject to the usual margin requirements. The loan sanctioned to the account holder can be repaid either by adjusting the deposits or through inward remittances from outside India through banking channels or out of balances held in the NRO account of the account holder. The loan shall be used for the purpose laid down in the regulations and cannot be repatriated outside India.
- iv) Authorised Dealers may allow their branches/ correspondents outside India to grant loans outside India to the non-resident depositor or to a third party against the security of deposits, subject to the conditions laid down in the regulations.
- v) The facility for premature withdrawal of the deposits shall not be available where loans against such deposits are availed of.
- vi) The term “loan” shall include all types of fund based/ non-fund based facilities.
- vii) Income from interest on the balances in the account is exempt from income tax and balances are exempt from wealth tax.
- viii) Current income like rent, dividend, pension, interest, etc. of NRIs and PIOs will be construed as a permissible credit to their NRE account provided the Authorised Dealer is satisfied that the credit represents current income of the NRI/ PIO account holder and income tax thereon has been deducted/ paid/ provided for, as the case may be.
- ix) AD Category – I banks and authorized banks may credit proceeds of demand drafts / bankers' cheques/ account payee cheques issued against encashment of foreign currency to the NRE account where the instruments issued to the NRE account holder are supported by encashment certificate issued by an AD Category I/ Category – II.
- x) An NRE account can be opened jointly:

- (a) in the names of two or more eligible NRIs and/or PIOs;
- (b) with resident relative(s) on “former or survivor” basis.

B) Foreign Currency (Non-Resident) Account (Banks) (FCNR(B)) Scheme

- i) NRIs and PIOs are permitted to open these accounts in any permissible foreign currency with Authorized Dealers subject to the conditions specified in Schedule 2 of the Deposit Regulations.
- ii) These accounts can only be maintained in the form of term deposit.
- iii) Other terms and conditions applicable to NRE accounts (cf. Schedule 1 of the Deposit Regulations) in respect of joint accounts, repatriation of funds, loans/overdrafts applies mutatis mutandis to FCNR(B) accounts.
- iv) Form A2 is not required to be filled while remitting funds at the time of closure of FCNR (B) accounts.

C) Non-Resident (Ordinary) Rupee (NRO) Account

- i) Any person resident outside India may open NRO account in Indian Rupee with Authorized Dealers and authorized banks for the purpose of putting through bona fide transactions in rupees subject to the conditions specified in Schedule 3 to the Deposit Regulations.
- ii) The account can be maintained in any form e.g savings, current, recurring or fixed deposit.
- iii) Balances in the NRO account cannot be repatriated abroad except for current income of the account holder and up to USD 1 million per financial year by NRIs and PIOs, **subject to conditions** specified in Foreign Exchange Management (Remittance of Assets) Regulations, 2016. Funds can be transferred to the NRE account within the USD 1 million facility.
- iv) Loans may be granted in India to the account holder or third party subject to usual norms and margin requirement.
- v) Transfers from other NRO accounts is a permissible credit for the account. Similarly, transfers to other NRO accounts is a permissible debit.
- vi) An NRO account can be opened jointly with residents on ‘former or survivor’ basis. NRIs and/or PIOs may hold NRO accounts jointly with other NRIs and/or PIOs.

- vii) Rupee gift/ loan made by a resident to a NRI/ PIO relative within the limits prescribed under the Liberalized Remittance Scheme may be credited to the latter's NRO account.
- viii) NRO accounts may be designated as resident accounts on the return of the account holder to India for any purpose indicating his intention to stay in India for an uncertain period.
- ix) Authorized Dealer Banks may furnish on a monthly basis, a statement on the number of applicants and total amount remitted, as per proforma at annex.
- x) Opening of accounts by individuals of Pakistan nationality and entities of Pakistan/ Bangladesh nationality/ ownership will require prior approval of the Reserve Bank of India.
- xi) Individuals of Bangladesh nationality can open an NRO account provided they hold a valid visa and valid residential permit issued by Foreigner Registration Office (FRO)/ Foreigner Regional Registration Office (FRRO) concerned.

D) Special Non-Resident Rupee (SNRR) Account

- i) Any person resident outside India, having a business interest in India, may open an SNRR account in Indian Rupee with Authorized Dealers for the purpose of putting through bona fide transactions in rupees, subject to the conditions specified in Schedule 4 of the Deposit Regulations.
- ii) The SNRR account shall carry the nomenclature of the specific business for which it is opened and shall not earn any interest.
- iii) The debits/ credits and the balances in the account shall be incidental and commensurate with the business operations of the account holder.
- iv) The tenure of the account should be concurrent to the tenure of the contract/ period of operation/ the business of the account holder and shall in no case exceed seven years.
- v) The balances in the SNRR account shall be eligible for repatriation.
- vi) Opening of account by individual/ entities of Pakistan/ Bangladesh nationality/ ownership will require prior approval of the Reserve Bank of India.

E) Escrow Account

- i) Resident/ non-resident acquirers and non-resident corporates may open Escrow account in INR with an Authorized Dealer in India as an escrow agent

subject to the terms and conditions specified in Schedule 5 of the Deposit Regulations.

ii) Transactions shall be in accordance with the Foreign Exchange Management (Transfer or Issue of Security by a person resident Outside India) Regulations, 2000 and regulations of the Securities and Exchange Board of India (SEBI), as applicable.

iii) The accounts shall be non-interest bearing.

iv) No fund/ non-fund based facility would be permitted against the balances in the account.

F) Acceptance of deposit by a company in India from NRIs and PIOs on repatriation basis

A company incorporated in India including a Non-Banking Financial Company (NBFC) registered with the Reserve Bank shall not accept deposits from NRIs/PIOs on repatriation basis. It may, however, renew the deposits it had accepted in accordance with Schedule 6 of the Deposit Regulations.

G) Acceptance of deposits by Indian proprietorship concern/ firm or a company from NRIs and PIOs on non-repatriation basis

General permission has been granted to Indian proprietorship concern/firm or a company (including Non-Banking Finance Company registered with Reserve Bank) to accept deposits from NRIs and PIOs on non-repatriation basis subject to the terms and conditions specified in Schedule 7 of these Regulations.

6. Other deposits (subject to Regulations 6 and 7 of the Deposit Regulations)

i) General permission has been granted to Indian companies to accept deposits from NRIs and PIOs by issue of Commercial Papers subject to conditions.

ii) A deposit made by an Authorised Dealer with its branch, head office or correspondent outside India, and a deposit made by a branch or correspondent outside India of an Authorised Dealer, and held in its books in India, will be governed by the directions issued by the Reserve Bank in this regard.

iii) A shipping or airline company incorporated outside India, can open, hold and maintain a foreign currency account with an Authorized Dealer for meeting the local expenses in India of such airline or shipping company, provided the credits

to such accounts are only by way of freight or passage fare collections in India or by inward remittances through banking channels from its office outside India.

iv) An Authorised Dealer may allow unincorporated joint ventures (UJV) of foreign companies/ entities, with Indian entities, executing a contract in India, to open and maintain non-interest bearing foreign currency account and an SNRR account as specified in Schedule 4 of the Deposit Regulations for the purpose of undertaking transactions in the ordinary course of its business. The debits and credits in these accounts should be incidental to the business requirement of the UJV. The tenure of the account should be concurrent to the tenure of the contract/ period of operation of the UJV and all operations in the account shall be in accordance with the provisions of the Act or the rules or regulations made or the directions issued thereunder. Opening of such accounts by companies/ entities of Pakistan/ Bangladesh ownership/ nationality would require the prior approval of the Reserve Bank.

v) Opening of a foreign currency Escrow account with an Authorised Dealer in India for the purpose of routing counter-trade transactions would require approval of Reserve Bank.

7. To facilitate the foreign nationals to collect their pending dues in India, ADs may permit such foreign nationals to re-designate their resident account maintained in India as NRO account on leaving the country after their employment to enable them to receive their pending bonafide dues, subject to the bank satisfying itself that the credit of amounts are bonafide dues of the account holder when she/ he was a resident in India. The funds credited to the NRO account should be repatriated abroad immediately, subject to payment of the applicable Income tax and other taxes in India. The amount repatriated abroad should not exceed USD one million per financial year. The debit to the account should be only for the purpose of repatriation to the account holder's account maintained abroad. The account should be closed immediately after all the dues have been received and repatriated as per the declaration made by the account holder when the account was designated as an NRO account.

8. Maturity proceeds of term deposits, if any, under the erstwhile Non-Resident (Special) rupee Account Scheme (NRSR Account) which was discontinued with effect from April 1, 2002, may be credited to the NRO account of the account holder.

9. Balances in the Exchange Earner's Foreign Currency (EEFC) Account and Resident Foreign Currency (Domestic) [RFC(D)] Account may be credited to NRE/ FCNR(B) Accounts, at the option/ request of the account holders, consequent upon change of their residential status from resident to non-resident.

10. Authorised Dealers may issue International Credit Cards (ICCs) to NRIs and PIOs, the debits of which are subject to the conditions for use of the ICCs by residents. Charges on the use of ICCs should be settled by the NRI/PIO out of inward remittances or balances held in NRE/ FCNR(B)/ NRO accounts. Settlement of charges out of balances held in NRO accounts are subject to the limits for repatriation of balances held in NRO accounts specified in regulation 4(2) of Foreign Exchange Management (Remittance of Assets) Regulations, 2016.

11. Authorised Dealers can allow the following operations on non-resident accounts in terms of Power of Attorney granted in favour of a resident by the non-resident account holder:

(a) The operations in NRE/ FCNR(B) Accounts are restricted to:

- (i) Withdrawal for local payments; and
- (ii) Remittance of funds through banking channels to the non-resident account holder.

(b) The operations in NRO Accounts 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.

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 making 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.

12. Regional Rural Banks (RRBs) are permitted to open and maintain NRO/ NRE accounts in Rupees and accept FCNR(B) deposits as per the eligibility criteria prescribed by the Reserve Bank vide [Circular No. RPCD.CO.RRB.No.BC.106/03.05.33\(C\)/2006-07 dated June 28, 2007](#). RRBs may approach the respective Regional Office of the Foreign Exchange Department, for authorization for opening of accounts/ acceptance of deposits.

13. Any deposit between a person resident in India and a person resident outside India which is not covered by the provisions of the Act or these Regulations would require approval of Reserve Bank.

14. The new regulations have been notified vide [Notification No. FEMA. 5\(R\)/2016-RB dated April 1, 2016](#) c.f. G.S.R. No. 389 (E) dated April 1, 2016 and have come into force with effect from April 1, 2016 except the provisions of Regulation 7(2) (Para 6 (iii) above), which have come into effect from January 21, 2016. The [Master Direction No. 14 of 2015-16](#) (Deposits and Accounts) has been updated accordingly to incorporate the above changes.

15. AD Category- I banks may bring the contents of the circular to the notice of their constituents concerned.

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

Yours faithfully

(Shekhar Bhatnagar)
Chief General Manager-in- charge

Annex

Statements indicating the details of remittances made by NRIs/PIOs Foreign nationals out of the NRO accounts for the month ended

Name of the bank: No. of remittance on account of				Amount in USD			
Sale proceeds of immovable property	Other assets	Transfers from NRO to NRE account	Total	Sale proceeds of immovable property	Other assets	Transfers from NRO to NRE account	Total