**RESERVE BANK OF INDIA**
**FOREIGN EXCHANGE DEPARTMENT**
**CENTRAL OFFICE**
**Mumbai 400 001**

**Notification No. FEMA 5(R)/2016-RB** **April 01, 2016**

**Foreign Exchange Management (Deposit) Regulations, 2016**

In exercise of the powers conferred by clause (f) of sub-section (3) of section 6, sub-section (2) of section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in supersession of Notification No. FEMA 5/2000-RB dated May 3, 2000, as amended from time to time, the Reserve Bank makes the following regulations relating to deposits between a person resident in India and a person resident outside India, namely:

**1. Short title and commencement:-**

i) These regulations may be called the Foreign Exchange Management (Deposit) Regulations, 2016.

ii) These regulations shall come into force from the date of their publication in the Official Gazette except sub-regulation (2) of Regulation 7. Sub-regulation (2) of Regulation 7 is deemed to have come into force with effect from 21st January, 2016.

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**2. Definitions:-**

In these Regulations, unless the context otherwise requires, -

i) 'Act' means the Foreign Exchange Management Act, 1999 (42 of 1999);

ii) 'Authorised bank' means a bank including a co-operative bank (other than an authorised dealer) authorised by the Reserve Bank to maintain an account of a person resident outside India;

iii) 'Authorised dealer' means a person authorised as an authorised dealer under subsection (1) of section 10 of the Act;

iv) 'Deposit' includes deposit of money with a bank, company, proprietary concern, partnership firm, corporate body, trust or any other person;

v) 'FCNR (B) account' means a Foreign Currency Non-Resident (Bank) account referred to in clause (ii) of sub-regulation (1) of Regulation 5;

vi) 'Non-Resident Indian (NRI)' means a person resident outside India who is a citizen of India.

vii) 'NRE account' means a Non-Resident External account referred to in clause (i) of sub-regulation (1) of Regulation 5;

viii) 'NRO account' means a Non-Resident Ordinary account referred to in clause (iii) of sub-regulation (1) of Regulation 5;

ix) ‘Permissible currency’ means a foreign currency which is freely convertible;

x) ‘Person of Indian Origin (PIO)’ means 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: for the purpose of this sub-regulation, the expression ‘Person of Indian Origin’ includes an ‘Overseas Citizen of India’ cardholder within the meaning of Section 7(A) of the Citizenship Act, 1955.

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xi) 'Schedule' means schedule to these Regulations;

xii) 'SNRR account' means a Special Non-Resident Rupee account referred to in sub-regulation (4) of Regulation 5;

xiii) The words and expressions used but not defined in these Regulations shall have the same meanings respectively assigned to them in the Act.

**3. Restrictions on deposits between a person resident in India and a person resident outside India:-**

Save as otherwise provided in the Act or Regulations or in rules, directions and orders made or issued under the Act, no person resident in India shall accept any deposit from, or make any deposit with, a person resident outside India:

Provided that the Reserve Bank may, on an application made to it and on being satisfied that it is necessary so to do, allow a person resident in India to accept or make deposit from or with a person resident outside India.

**4. Exemptions:-**

Nothing contained in these Regulations shall apply to the following:

1) Deposits held in rupee accounts maintained by foreign diplomatic missions and diplomatic personnel and their family members in India with an authorised dealer.

2) Deposits held by diplomatic missions and diplomatic personnel in special rupee accounts namely Diplomatic Bond Stores Account to facilitate purchases of bonded stocks from firms and companies who have been granted special facilities by customs authorities for import of stores into bond, subject to following conditions:

a) Credits to the account shall be only by way of proceeds of inward remittances received from outside India through banking channels or by a transfer from a foreign currency account in India of the account holder maintained with an authorised dealer in accordance with clause 3 of this Regulation ;

b) All cheque leaves issued to the account holder shall be superscribed as "Diplomatic Bond Stores Account No.";

c) Debits to the accounts shall be for local disbursements, or for payments for purchases of bonded stocks to firms and companies who have been granted special facilities by customs authorities for import of stores into bond;

d) The funds in the account may be repatriated outside India without the approval of Reserve Bank.

3) Deposits held in accounts maintained in foreign currency by diplomatic missions, diplomatic personnel and non-diplomatic staff, who are the nationals of the concerned foreign countries and hold official passport of foreign embassies in India subject to the following conditions:

a) Credits to the account shall be only by way of:-

(i) proceeds of inward remittances received from outside India through banking channels; and

(ii) transfer of funds, from the rupee account of the diplomatic mission in India, which are collected in India as visa fees and credited to such account;

b) Funds held in such account if converted in rupees shall not be converted back into foreign currency;

c) The account may be held in the form of current or term deposit account, and in the case of diplomatic personnel and non-diplomatic staff, may also be held in the form of savings account;

d) The rate of interest on savings or term deposits shall be such as may be determined by the authorised dealer maintaining the account;

e) The funds in the account may be repatriated outside India without the approval of Reserve Bank.

4) Deposits held in accounts maintained in rupees with an authorised dealer by persons resident in Nepal and Bhutan.

5) Deposits held in accounts maintained with an authorised dealer by any multilateral organization and its subsidiary/ affiliate bodies and officials in India of such multilateral organisations, of which India is a member nation.

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**5. Acceptance of deposits by an authorised dealer/ authorised bank from persons resident outside India:-**

1) An authorised dealer in India may accept deposit

i) under the Non-Resident (External) Account Scheme (NRE account), specified in Schedule 1, from a non-resident Indian;

ii) under the Foreign Currency (Non-Resident) Account Banks Scheme, (FCNR(B) account), specified in Schedule 2, from a non-resident Indian;

iii) under the Non-Resident (Ordinary) Account Scheme, (NRO account), specified in Schedule 3, from any person resident outside India;

2) Without prejudice to sub-regulation (1), deposits under NRE and NRO Account Schemes referred to in clauses (i) and (iii) of that sub-regulation, may also be accepted by an authorised bank, in accordance with the provisions contained in the respective Schedules, subject to the conditions prescribed by Reserve Bank in this regard.

3) Without prejudice to sub-regulation (1), deposits under FCNR(B) Account Schemes referred to in clause (ii) of that sub-regulation, may also be accepted by a Regional Rural Bank, in accordance with the provisions contained in the Schedule, subject to the conditions prescribed by Reserve Bank in this regard.

4) Any person resident outside India having a business interest in India may open, hold and maintain with an authorised dealer in India, a Special Non-Resident Rupee Account (SNRR account), specified in Schedule 4.

5) Resident or non-resident acquirers may, subject to the terms and conditions specified in Schedule 5, open, hold and maintain Escrow Account with Authorised Dealers in India

**6. Acceptance of deposits by persons other than authorised dealer/ authorised bank**:-

1) A company registered under Companies Act, 2013 or a body corporate created under an Act of Parliament or State Legislature shall not accept deposits on repatriation basis from a non-resident Indian or a person of Indian origin. The company may, however, renew the deposits which had been accepted on repatriation basis from an NRI or a PIO subject to terms and conditions mentioned in Schedule 6.

2) A company registered under Companies Act, 2013 or a body corporate, a proprietary concern or a firm in India may accept deposits from a non-resident Indian or a person of Indian origin on non-repatriation basis, subject to the terms and conditions mentioned in Schedule 7.

3) An Indian company may accept deposits by issue of Commercial Paper to a non-resident Indian or a person of Indian origin or a foreign portfolio investor registered with the Securities and Exchange Board of India subject to the following conditions, namely:

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a) the issue is in due compliance with the Non-Banking Companies (Acceptance of Deposits through Commercial Paper) Directions, 1989 issued by the Reserve Bank as also any other law, rule, directions, orders issued by the Government or any other regulatory authority, in regard to acceptance of deposits by issue of Commercial Paper;

b) payment for issue of Commercial Paper is received by the issuing company by inward remittance from outside India through banking channels or out of funds held in a deposit account maintained by a Non-Resident Indian or a Person of Indian Origin in accordance with the Regulations made by Reserve Bank in that regard;

c) the amount invested in Commercial Paper shall not be eligible for repatriation outside India; and

d) the Commercial Paper shall not be transferable.

**7. Other deposits made or held by authorised dealer:-**

1) 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, shall be governed by the directions issued by the Reserve Bank in this regard from time to time.

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2) A shipping or airline company incorporated outside India, may 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 that 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.

3) An authorised dealer in India, may subject to the directions issued by the Reserve Bank, 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 a SNRR account as specified in schedule 4 for the purpose of undertaking transactions in the ordinary course of its business. The debits and credits in these accounts shall be incidental to the business requirement of the UJV.

Provided that the tenure of the account is concurrent to the tenure of the contract/ period of operation of the UJV.

Provided further that 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.

Note: Opening of accounts by companies/ entities of Pakistan/ Bangladesh ownership/ nationality would require the prior approval of the Reserve Bank

4) An authorised dealer in India, with the prior approval of Reserve Bank, may open an account expressed in foreign currency in the name of a person resident outside India for the purpose of adjustment of value of goods imported into India against the value of goods exported from India in terms of an arrangement voluntarily entered into by such person with a person resident in India.

**8. Nomination:-**

Authorised dealers may provide nomination facility in respect of the deposits/ accounts in these regulations maintained by individual account holders.

**(Shekhar Bhatnagar)**
**Chief General Manager-in-charge**

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**SCHEDULE 1**

**[See Regulation 5(1) (i)]**

**Non-Resident (External) Rupee Account Scheme – NRE Account**

**1. Eligibility:**

Non-resident Indians (NRIs) and Person of Indian Origin (PIOs) are permitted to open and maintain these accounts with authorised dealers and with banks (including cooperative banks) authorised by the Reserve Bank to maintain such accounts.

The account should be opened by the non-resident account holder himself and not by the holder of the power of attorney in India.

**2. Types of accounts:**

The accounts may be maintained in any form, e.g. savings, current, recurring or fixed deposit account etc.

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**3. Permitted Credits:**

a) Proceeds of remittances to India in any permitted currency.

b) Proceeds of personal cheques drawn by the account holder on his foreign currency account and of travellers cheques, bank drafts payable in any permitted currency including instruments expressed in Indian rupees for which reimbursement will be received in foreign currency, deposited by the account holder in person during his temporary visit to India, provided the authorised dealer/ bank is satisfied that the account holder is still resident outside India, the travellers' cheques/ drafts are standing/ endorsed in the name of the account holder and in the case of travellers' cheques, they were issued outside India.

c) Proceeds of foreign currency/ bank notes tendered by account holder during his temporary visit to India, provided (i) the amount was declared on a Currency Declaration Form (CDF), where applicable, and (ii) the notes are tendered to the authorised dealer in person by the account holder himself and the authorised dealer is satisfied that account holder is a person resident outside India.

d) Transfers from other NRE/ FCNR (B) accounts.

e) Interest accruing on the funds held in the account.

f) Current income in India due to the account holder, subject to payment of applicable taxes in India

g) Maturity or sale proceeds of any permissible investment in India which was originally made by debit to the account holder's NRE/ FCNR (B) account or out of remittances received from outside India through banking channels.

Provided that the investment was made in accordance with the foreign exchange regulations in force at the time of making such investment.

h) Refund of share/ debenture subscriptions to new issues of Indian companies or portion thereof, if the amount of subscription was paid from the same account or from other NRE/ FCNR (B) account of the account holder or by remittance from outside India through banking channels.

i) Refund of application/ earnest money/ purchase consideration made by the house building agencies/ seller on account of non-allotment of flat/ plot/ cancellation of bookings / deals for purchase of residential/ commercial property, together with interest, if any (net of income tax payable thereon), provided the original payment was made out of NRE/ FCNR(B) account of the account holder or remittance from outside India through banking channels and the authorised dealer is satisfied about the genuineness of the transaction.

j) Any other credit if covered under general or special permission granted by Reserve Bank.

**4. Permitted Debits:**

a) Local disbursements.

b) Remittances outside India.

c) Transfer to NRE/ FCNR (B) accounts of the account holder or any other person eligible to maintain such account.

d) Investment in shares/ securities/ commercial paper of an Indian company or for purchase of immovable property in India provided such investment/ purchase is covered by the regulations made, or the general/ special permission granted by the Reserve Bank.

e) Any other transaction if covered under general or special permission granted by the Reserve Bank.

**5. Rate of Interest:**

Rate of interest applicable to these accounts shall be in accordance with the directions/ instructions issued by Reserve Bank from time to time

**6. Loans against security of funds held in the account:**

(1) To account holder: Authorised dealers and authorised banks maintaining such accounts are permitted to grant loans in India to the account holder subject to the following conditions:

(a) The loan shall be used for:

i) personal purposes or for carrying on business activities except for the purpose of relending or carrying on agricultural/ plantation activities or for investment in real estate business.

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ii) making direct investment in India on non-repatriation basis by way of contribution to the capital of Indian firms/ companies subject to the provisions of the relevant Regulations made under the Act

iii) acquiring flat/ house in India for his own residential use subject to the provisions of the relevant Regulations made under the Act

(b) Repayment shall be made either by adjustment of the deposit or by fresh inward remittances from outside India through banking channels or out of local rupee resources in the NRO account of the borrower.

(2) To third parties: Authorised dealers and authorised banks may grant loans to resident individuals/ firms/ companies in India against the collateral of fixed deposits held in NRE account subject to the following conditions:

i) The loan should be utilised for personal purposes or for carrying on business activities except for the purpose of relending or carrying on agricultural/ plantation activities or for investment in real estate business.

ii) There should be no direct or indirect foreign exchange consideration for the non-resident depositor agreeing to pledge his deposits to enable the resident individual/ firm/ company to obtain such facilities.

iii) The usual norms and considerations as applicable in the case of advances to trade/ industry shall be applicable to such credit facilities.

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(3) Loans outside India - Authorised dealers may allow their branches/ correspondents outside India to grant loans to or in favour of non-resident depositor or to third parties at the request of depositor for bona fide purpose except for the purpose of relending or carrying on agricultural/ plantation activities or for investment in real estate business, against the security of funds held in the NRE accounts in India and also agree for remittance of the funds from India, if necessary, for liquidation of the outstanding.

(4) The authorised dealer/ bank should ensure that the advances are fully secured by the fixed deposits and regulations relating to normal margin, interest rate, etc. are complied with.

(5) The loans granted under this paragraph shall be subject to such directions as may be issued by the Reserve Bank from time to time.

(6) The term “loan” shall include all types of fund based/ non-fund based facilities.

**7. Change of residential status of the account holder:**

NRE accounts should be re-designated as resident accounts or the funds held in these accounts may be transferred to the RFC accounts (if the account holder is eligible for maintaining RFC account) at the option of the account holder immediately upon the return of the account holder to India for taking up employment or for carrying on business or vocation or for any other purpose indicating intention to stay in India for an uncertain period. Where the account holder is only on a short visit to India, the account may continue to be treated as NRE account even during his stay in India.

**8. Repatriation of funds to non-resident nominee:**

Authorised dealers/ authorised banks may allow remittance of funds lying in the NRE account of the deceased account holder to his non-resident nominee.

**9. Miscellaneous:**

(a) Joint accounts – Joint accounts may be permitted to be opened in the following cases:

i) In the names of two or more NRIs and/or PIOs

ii) With resident relative(s) on 'former or survivor' basis. However, the said resident relative shall be eligible to operate the account as a Power of Attorney holder in accordance with the extant instructions during the life time of the account holder.

*Explanation* – For the purpose of this regulation, 'relative' means relative as defined in section 2(77) of the Companies Act, 2013.

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b) Opening of account during temporary visit: An account may be opened in the name of an eligible NRI or PIO during his temporary visit to India against tender of foreign currency travellers cheques or foreign currency notes and coins tendered, provided the authorised dealer is satisfied that the person has not ceased to be a non-resident.

c) Operations by Power of Attorney: Authorised dealers/ authorised banks may allow operations on an NRE account in terms of Power of Attorney or other authority granted in favour of a resident by the non-resident account holder, provided such operations are restricted to withdrawals for local payments or remittance to the account holder himself through banking channels. In cases where the account holder or a bank designated by him is eligible to make investments in India, the Power of Attorney holder may be permitted by the authorised dealers/ banks to operate the account to facilitate such investment. The resident Power of Attorney holder shall not, however, be allowed to repatriate outside India funds held in the account under any circumstances other than to the account holder himself, nor to make payment by way of gift to a resident on behalf of the account holder nor to transfer funds from the account to another NRE account.

d) Special Series of Cheques: For easy identification and quicker processing of cheques drawn on NRE accounts, authorised dealers/ banks shall issue cheque books containing a special series of cheques to their constituents holding NRE accounts.

e) Temporary overdrawings: Authorised dealers/ authorised banks may at their discretion/ commercial judgement allow for a period of not more than two weeks, overdrawings in NRE savings bank accounts, up to a limit of Rs.50,000 subject to the condition that such overdrawings together with the interest payable thereon are cleared/ repaid within the said period of two weeks, out of inward remittances through banking channels or by transfer of funds from other NRE/ FCNR(B) accounts.

f) Remittances abroad by Resident nominee: Application from a resident nominee for remittance of funds outside India for meeting the liabilities, if any, of the deceased account holder or for similar other purposes, should be forwarded to the Reserve Bank for consideration.

g) Tax Exemption: Income from interest on balances standing to the credit of NRE Accounts is exempt from Income Tax. Likewise balances held in such accounts are exempt from wealth tax.

h) Reporting: The transactions in these accounts shall be reported to the Reserve Bank in accordance with the directions issued by it from time to time.

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**SCHEDULE 2**

**[See Regulation 5(1) (ii)]**

**FOREIGN CURRENCY (NON-RESIDENT) ACCOUNT (BANKS) SCHEME – FCNR (B) Account**

**1. Eligibility:**

(a) NRIs and PIOs are eligible to open and maintain these accounts with an authorised dealer.

(b) These accounts may be opened with funds remitted from outside India through banking channels or funds received in rupees by debit to the account of a non-resident bank maintained with an authorised dealer in India or funds which are of repatriable nature in terms of the regulations made by Reserve Bank. Accounts may also be opened by transfer of funds from existing NRE/ FCNR (B) accounts.

(c) Remittances from outside India for opening of or crediting to these accounts should be made in the designated currency in which the account is desired to be opened/ maintained.

Without prejudice to this, if the remittance is received in a currency other than the designated currency (including funds received in rupees by debit to the account of a non-resident bank), it should be converted into the latter currency by the authorised dealer at the risk and cost of the remitter and account should be opened/ credited in only the designated currency.

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(d) In case the depositor with any currency other than designated currency desires to place a deposit in these accounts, authorised dealers may undertake with the depositor a fully covered swap in that currency against the desired designated currency. Such a swap may also be done between two designated currencies.

**2. Designated Currencies**: Deposit of funds in the account may be accepted in such permissible currencies as may be designated by the Reserve Bank from time to time.

**3. Type of account:**

These accounts may be opened only in the form of term deposit with maturity of such period as may be specified by the Reserve Bank from time to time.

**4. Rate of Interest:**

The rate of interest on funds held in these deposit accounts will be in accordance with the directives issued by the Reserve Bank from time to time.

**5. Permissible Debits/ Credits:**

All debits/ credits permissible in respect of NRE accounts as specified in Schedule 1 shall be permissible in respect of these accounts also.

**6. Rate for Conversion of Rupees into Designated Currencies and vice versa:**

i) Remittances received in Indian rupees for opening these accounts shall be converted by the authorised dealer into the designated foreign currency at the clean T.T. selling rate for that currency ruling on the date of conversion.

ii) For the purpose of payment in rupees, funds held in these accounts shall be converted into rupees at the authorised dealer's clean T.T. buying rate for the concerned currency ruling on the date of withdrawal.

**7. Inland Movement of Funds:**

Any inland movement of funds for the purpose of opening these accounts as well as for repatriation outside India of balances held in these accounts will be free of inland exchange or commission for the non-resident depositors. The Authorised dealer receiving foreign currency remittances in these accounts will also, on request, pass on the foreign currency to another authorised dealer if the account has to be opened with the latter, at no extra cost to the remitter.

**8. Manner of Payment of Interest:**

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(i) Interest on balances held in these accounts may be paid half-yearly or on an annual basis as desired by the depositor.

(ii) Interest may be credited to a new FCNR (B) account or an existing/ new NRE/ NRO account in the name of the account holder, at his option.

**9. Loans/ overdrafts against security of funds held in the account:**

(1) The terms and conditions as applicable to NRE deposits (cf. Schedule 1) in respect of loans and overdrafts in India to depositor and to third parties as also loans outside India against security of deposits, shall apply mutatis mutandis to FCNR(B) deposits.

(2) The margin requirement shall be notionally calculated on the rupee equivalent of the deposits.

**10. Change of residential status of the account holder:**

When an account holder becomes a person resident in India, deposits may be allowed to continue till maturity at the contracted rate of interest, if so desired by him. However, except the provisions relating to rate of interest and reserve requirements as applicable to FCNR (B) deposits, for all other purposes such deposits shall be treated as resident deposits from the date of return of the accountholder to India. Authorised dealers should convert the FCNR(B) deposits on maturity into resident rupee deposit accounts or RFC account (if the depositor is eligible to open RFC account), at the option of the accountholder and interest on the new deposit (rupee account or RFC account) shall be payable at the relevant rates applicable for such deposits.

**11. Joint account, repatriation of balances, etc.:**

(1) Terms and conditions as applicable to NRE accounts (cf. Schedule 1) in respect of joint accounts, repatriation of funds, opening account during temporary visit, operation by power of attorney, loans/ overdrafts against security of funds held in accounts, shall apply mutatis mutandis to FCNR (B) accounts.

(2) Authorised dealer may permit remittance of the maturity proceeds of FCNR (B) deposits to third parties outside India, provided the transaction is specifically authorised by the account holder and the authorised dealer is satisfied about the bona fides of the transaction.

**12. Reporting**:

The transactions in these accounts shall be reported to Reserve Bank in accordance with the directions issued by it from time to time.

**13. Other features:**

(a) Reserve Bank will not provide exchange rate guarantee to authorised dealers for deposits of any maturity in these accounts.

(b) Lending of resources mobilised by authorised dealers under these accounts are not subject to any interest rate stipulations.

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**SCHEDULE 3**

**[See Regulation 5(1) (iii)]**

**NON-RESIDENT ORDINARY RUPEE ACCOUNT SCHEME – NRO Account**

**1. Eligibility**

(a) Any person resident outside India may open NRO account with an authorised dealer or an authorised bank for the purpose of putting through bona fide transactions in rupees not involving any violation of the provisions of the Act, rules and regulations made thereunder.

(b) The operations on the accounts should not result in the account holder making available foreign exchange to any person resident in India against reimbursement in rupees or in any other manner.

(c) At the time of opening of the account, the account holder should furnish an undertaking to the authorised dealer/ authorised bank with whom the account is maintained that in cases of debits to the account for the purpose of investment in India and credits representing sale proceeds of investments, he will ensure that such investments/ disinvestments will be in accordance with the regulations made by Reserve Bank in this regard.

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**NOTES**:

A. Opening of accounts by individuals/ entities of Pakistan nationality/ ownership requires approval of Reserve Bank.

B. Opening of accounts by entities of Bangladesh ownership requires approval of Reserve Bank.

C. Opening of accounts by individual/s of Bangladesh nationality may be allowed by authorised dealer or authorised bank, subject to satisfying itself that the individual/s hold a valid visa and valid residential permit issued by Foreigner Registration Office (FRO)/ Foreigner Regional Registration Office (FRRO) concerned;

D. Post Offices in India may maintain savings bank accounts in the names of persons resident outside India and allow operations on these accounts subject to the same terms and conditions as are applicable to NRO accounts maintained with an authorised dealer/ authorised bank.

**2. Types of Accounts**

NRO accounts may be opened/ maintained in the form of current, savings, recurring or fixed deposit accounts. The requirements laid down in the directives issued by Reserve Bank in regard to resident accounts shall apply to NRO accounts.

**3. Permissible Credits/ Debits**

(A) Credits

(i) Proceeds of remittances received in any permitted currency from outside India through banking channels or any permitted currency tendered by the account-holder during his temporary visit to India or transfers from rupee accounts of non-resident banks.

(ii) Legitimate dues in India of the account holder.

(iii) Transfers from other NRO accounts.

(iv) Any amount received by the account holder in accordance with the rules or regulations made under the Act

(B) Debits

(i) All local payments in rupees including payments for investments subject to compliance with the relevant regulations made by the Reserve Bank.

(ii) Remittance outside India of current income in India of the account holder net of applicable taxes.

(iii) Transfers to other NRO accounts.

(iv) Settlement of charges on International Credit Cards issued by authorised dealer banks in India to NRIs or PIOs, 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.

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**4. Remittance of funds held in NRO accounts**

Balances in NRO accounts are not eligible for remittance outside India without the general or specific approval of Reserve Bank. Funds received by way of remittances from outside India in foreign exchange which have not lost their identity as remittable funds will only be considered by Reserve Bank for remittance outside India. Where an account (current/ savings) is opened by a foreign tourist visiting India, with funds remitted from outside India in a specified manner or by sale of foreign exchange brought by him to India, authorised dealers may convert the balance in the account at the time of departure of the tourist from India to foreign currency for payment to the account holder provided the account has been maintained for a period not exceeding six months and the account has not been credited with any local funds, other than interest accrued thereon.

**5. Grant of Loans/ Overdrafts**

*A. To Account holders*

(i) Loans to non-resident account holders may be granted in rupees against the security of fixed deposits subject to usual norms as are applicable to resident accounts, for personal purposes or for carrying on business activities except for the purpose of relending or carrying on agricultural/ plantation activity or for investment in real estate business.

(ii) Authorised dealer/ bank may permit overdraft in the account of the account holder subject to its commercial judgement and compliance with the interest rate etc. directives.

*B. To Third parties*

Loans/ overdrafts to resident individuals/ firms/ companies in India may be granted against the security of deposits held in NRO accounts, subject to the following terms and conditions.

(i) The loans shall be utilised only for meeting borrower's personal requirements and/ or business purpose and not for carrying on agricultural/ plantation activities or real estate business, or for relending.

(ii) Regulations relating to margin and rate of interest as stipulated by Reserve Bank from time to time shall be complied with.

(iii) The usual norms and considerations as applicable in the case of advances to trade/ industry shall be applicable for such loans/ facilities.

**6. Treatment of Loans/ Overdrafts in the event of change in the resident status of the borrower**

In case of person who had availed of loan or overdraft facilities while resident in India and who subsequently becomes a person resident outside India, the authorised dealer may at their discretion and commercial judgement allow continuance of the loan/ overdraft facilities. In such cases, payment of interest and repayment of loan may be made by inward remittance or out of legitimate resources in India of the person concerned.

**7. Joint Accounts**

The accounts may be held jointly with residents on ‘former or survivor’ basis.

NRIs and/or PIOs may hold NRO account jointly with other NRIs and/or PIOs.

**8. Operations by Power of Attorney**

Authorised dealers/ authorized banks may allow operations on an NRO account in terms of 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. The resident Power of Attorney holder shall not repatriate outside India funds held in the account under any circumstances other than to the non-resident individual account holder himself nor shall make payment by way of gift to a resident on behalf of the non-resident account holder nor transfer funds from the account to another NRO account.

Any remittance outside India shall be within the ceiling as may be prescribed by the Bank from time to time and subject to tax compliance.

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**9. Change of Resident Status of Account holder**

(a) From Resident to Non-resident

When a person resident in India leaves India for a country (other than Nepal or Bhutan) for taking up employment, or for carrying on business or vocation outside India or for any other purpose indicating his intention to stay outside India for an uncertain period, his existing account should be designated as a Non-Resident (Ordinary) account.

(b) From Non-resident to Resident

NRO accounts may be designated as resident rupee accounts on the return of the account holder to India for taking up employment, or for carrying on business or vocation or for any other purpose indicating his intention to stay in India for an uncertain period. Where the account holder is only on a temporary visit to India, the account should continue to be treated as non-resident during such visit.

**10. Payment of funds to Non-resident Nominee**

The amount due/ payable to non-resident nominee from the account of a deceased account holder, shall be credited to NRO account of the nominee with an authorised dealer/ authorised bank in India.

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**11. Reporting of transactions**

(i) The transaction in the account which may appear to represent reimbursement in rupees against foreign exchange made available to a person resident in India other than authorised dealer, as well as any other transaction of suspicious nature, should be reported to Reserve Bank.

(ii) The transactions in these accounts shall be reported to the Reserve Bank in accordance with the directions issued by it from time to time.

(iii) The accounts opened by an authorised dealer or an authorised bank in respect of individual/s of Bangladesh nationality shall be reported by the authorised dealer/ authorised bank branch to its Head Office and the Head Office of such authorised dealer/ authorised bank shall forward a quarterly report containing details of Name of the Individual(s), Passport Number, Issuing Country/State, Name of the FRO/ FRRO, Date of issue of Residential Permit and validity thereof, to the Ministry of Home Affairs (Foreigners Division) on Quarterly basis".

Explanation: 'Quarterly basis' means, quarter as at end of March/ June/ September and December of every year.

## SCHEDULE 4

**[See Regulation 5(4)]**

**Special Non-Resident Rupee Account - SNRR account**

1. Any person resident outside India, having a business interest in India, may open Special Non-Resident Rupee Account (SNRR account) with an authorised dealer for the purpose of putting through bona fide transactions in rupees, not involving any violation of the provisions of the Act, rules and regulations made thereunder.
2. The SNRR account should carry the nomenclature of the specific business for which it is in operation.
3. The operations in the SNRR account should not result in the account holder making available foreign exchange to any person resident in India against reimbursement in rupees or in any other manner.
4. The SNRR account shall not bear any interest.
5. The debits and credits in the SNRR account should be specific/ incidental to the business proposed to be done by the account holder.
6. Authorised dealers should ensure that the balances are commensurate with the business operations of the account holder.
7. All the operations in the SNRR account should be in accordance with the provisions of the Act, rules and regulations made thereunder.
8. The tenure of the SNRR account should be concurrent to the tenure of the contract/ period of operation/ the business of the account holder and in no case should exceed seven years. No operations are permissible in the account after seven years from the date of opening of the account.
9. The balances in the SNRR account shall be eligible for repatriation.
10. Transfers from any NRO account to the SNRR account are prohibited.
11. All transactions in the SNRR account will be subject to payment of applicable taxes in India.
12. SNRR account may be designated as resident rupee account on the account holder becoming a resident.
13. The amount due/ payable to non-resident nominee from the account of a deceased account holder, shall be credited to NRO account of the nominee with an authorised dealer/ authorised bank in India.
14. The transactions in the SNRR accounts shall be reported to the Reserve Bank in accordance with the directions issued by it from time to time.
15. Opening of SNRR accounts by Pakistan and Bangladesh nationals and entities incorporated in Pakistan and Bangladesh requires prior approval of Reserve Bank.

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## Schedule 5

**(See Regulation 5(5))**

**Terms and conditions for opening of Escrow Account**

An Escrow account in INR can be opened jointly and severally with an Authorised Dealer in India as an Escrow Agent in the following cases subject to the terms and conditions specified in this schedule.

1. By non-resident corporates for acquisition/ transfer of shares/ convertible debentures through open offers/ delisting/ exit offers.
    a. Permitted Credits in the Escrow account are:
        i. Foreign Inward remittance through banking channels
    b. Permitted debits in the Escrow account are:
        i. As per SEBI (SAST) Regulations or any other regulations issued by the Security Exchange Board of India (SEBI).
    c. The resident mandatee empowered by the overseas acquirer for this purpose, may operate the Escrow account in accordance with SEBI (SAST) Regulations or any other regulations issued by the SEBI.
    d. The Escrow account shall be closed immediately after completing the requirements as outlined above.
2. By resident and non-resident acquirers for acquisition/ transfer of shares
    a. Permitted Credits in the Escrow account are:
        i. Foreign Inward remittance through banking channels;
        ii. Receipt of rupee consideration through banking channels by the resident acquirer of shares who proposes to acquire from non-resident holders by way of transfer.
    b. Permitted debits in the Escrow account are:
        i. Remittance of consideration for issue/ transfer of shares directly into the bank account of the beneficiary (issuer in India or transferor of shares in India or abroad);
        ii. Remittance of consideration for refund to the initial remitter of funds in case of failure/ non-materialisation of FDI transaction for which the Escrow account was opened.
    c. The securities kept/ linked with the Escrow account may be linked with demat account maintained with SEBI authorised Depositary Participants as Escrow agents.
    d. The Escrow account shall remain operational for a maximum period of six months only and the account shall be closed immediately after completing the requirements as outlined above or on completion of six months from the date of opening of such account, whichever is earlier. In case the Escrow account is required to be maintained beyond six months, specific permission from the Reserve Bank has to be sought.
    e. Notwithstanding what has been stated in paragraph d. above, in case of transfer of shares between a resident buyer and a non-resident seller or vice-versa, if so agreed between the buyer and the seller, an escrow arrangement may be made between the buyer and the seller for an amount not

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more than twenty five per cent of the total consideration for a period not exceeding eighteen months from the date of the transfer agreement.

3. Acquisition/ transfer shall be in accordance with the provisions of Foreign Exchange Management (Transfer or Issue of Security by a person resident Outside India) Regulation 2000, as amended from time to time and Security Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 [SEBI (SAST) Regulations] or any other regulations issued by the SEBI.
4. The Escrow account shall be non-interest bearing.
5. No fund or non-fund based facilities would be permitted against the balances in the Escrow account.
6. Requirement of compliance with KYC guidelines issued by the Reserve Bank shall rest with the Authorised Dealer.
7. Balance in the Escrow account, if any, may be repatriated at the then prevailing exchange rate (i.e., the exchange rate risk will be borne by the person resident outside India acquiring the shares), after all the formalities in respect of the said acquisition are completed.
8. In cases, where proposed acquisition/ transfer does not materialise, the authorised dealer may allow repatriation/ refund of the entire amount lying to the credit of the Escrow account on being satisfied with the bonafides of such remittances.
9. For the purpose of FDI reporting, date of transfer of funds into the bank account of the issuer or transferor of shares, as the case may be, shall be the relevant date of remittance.

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## SCHEDULE 6

**[See Regulation 6(1)]**

**Acceptance of deposits by a company incorporated in India (including a non-banking finance company registered with Reserve Bank) on repatriation basis from a Non-resident Indian (NRI) or a Person of Indian origin (PIO)**

A company incorporated in India (including a non-banking finance company registered with the Reserve Bank) may accept deposits from NRIs or PIOs, on repatriation basis subject to the following conditions.

i) The deposits are received under a public deposit scheme.

ii) If the deposit accepting company is a non-banking finance company, it should be registered with the Reserve Bank and should have obtained the required credit rating as stipulated under the guidelines issued by Reserve Bank for such companies.

iii) The amount representing the deposit is received by inward remittance from outside India through banking channels or by debit to the NRE or FCNR (B) Account maintained with an authorised dealer/ authorised bank in India.

iv) If the deposit accepting company is a non-banking finance company, the rate of interest payable on deposits shall be in conformity with the guidelines/ directions issued by Reserve Bank for such companies. In other cases the rate of interest payable on deposits shall not exceed the ceiling rate prescribed from time to time under the Companies (Acceptance of Deposit) Rules, 2014.

v) The maturity period of deposits shall not exceed 3 years.

vi) The company accepting the deposits shall comply with the provisions of any other law, rules, regulations, orders issued by the Government of India or any other competent authority, as are applicable to it in regard to acceptance of deposits.

vii) The amount of aggregate deposits accepted by the company shall not exceed 35% of its net owned funds.

viii) The payment of interest net of taxes may be made by the company to the depositor by remittance through an authorised dealer or by credit to the depositor's NRE/ FCNR(B)/ NRO/ account as desired by him.

ix) The amount of deposits so collected shall not be utilised by the company for re-lending (not applicable to a Non-Banking Finance Company) or for undertaking agricultural/ plantation activities or real estate business or for investing in any other concern, firm or a company engaged in or proposing to engage in agricultural/ plantation activities or real estate business.

x) The repayment of the deposit may be made by the company to the depositor by remittance from India through an authorised dealer or by credit to the depositor's NRE/ FCNR(B) account maintained with an authorised dealer in India, provided the depositor continues to be a non resident at the time of repayment. While applying to the authorised dealer

for remittance of maturity proceeds of deposit or credit thereof to NRE/ FCNR(B) account, the company should certify that the amount of deposit was received either by inward remittance from outside India through banking channels or by debit to the depositor's NRE/ FCNR(B) account, as the case may be.

xi) The amount representing repayment of deposit may also be credited to the depositor's NRO account, at the depositor's option.

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## SCHEDULE 7

**[See Regulation 6(2)]**

**Acceptance of deposits by Indian proprietorship concern/firm or company (including non-banking finance company registered with Reserve Bank) on non-repatriation basis from Non-resident Indian (NRI) or a Person of Indian Origin (PIO)**

A proprietorship concern or a firm in India and a company incorporated in India (including a non-banking finance company registered with Reserve Bank) may accept deposits on non-repatriation basis from NRIs or PIOs subject to the following conditions:

i) In the case of a company, the deposits may be accepted either under private arrangement or under a public deposit scheme.

ii) If the deposit accepting company is a non-banking finance company, it should be registered with the Reserve Bank and should have obtained the required credit rating as stipulated under the guidelines issued by Reserve Bank for such companies.

iii) The maturity period of deposit shall not exceed 3 years.

iv) If the deposit accepting company is a non-banking finance company the rate of interest payable on deposits shall be in conformity with the guidelines/ directions issued by Reserve Bank for such companies. In other cases the rate of interest payable on deposits shall not exceed the ceiling rate prescribed from time to time under the Companies (Acceptance of Deposit) Rules, 2014.

v) The amount of deposit shall be received by debit to NRO account only, provided that the amount of the deposit shall not represent inward remittances or transfer of funds from NRE/ FCNR (B) accounts into the NRO account.

vi) The proprietorship concern/ firm/ company accepting the deposit should comply with the provisions of any other law, rules, regulations or orders made by Government or any other competent authority, as are applicable to it in regard to acceptance of deposits.

vii) The proprietorship concern, firm or company accepting the deposit shall not utilise the amount of deposits for relending (not applicable to a Non-Banking Finance Company) or for undertaking agricultural/ plantation activities or real estate business or for investing in any other concern or firm or company engaged in or proposing to engage in agricultural/ plantation activities or real estate business.

viii) The amount of deposits accepted shall not be allowed to be repatriated outside India.

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