

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.

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.
- E. ⁴A person being a citizen of, Bangladesh or Pakistan belonging to minority communities in those countries, namely, Hindus, Sikhs, Buddhists, Jains, Parsis and Christians who is residing in India and has been granted a Long Term Visa (LTV) by the Central Government is permitted to open with an authorized dealer only one NRO Account. The said NRO account shall be converted to a resident account once the person becomes a citizen of India within the meaning of the Citizenship Act, 1955. Such accounts can be opened by Authorised Dealers only,

⁴ Inserted vide [Notification No. FEMA 5\(R\)\(1\)/2018-RB dated November 09, 2018](#)

F. ⁵A person being a citizen of Bangladesh or Pakistan belonging to minority communities in those countries, namely, Hindus, Sikhs, Buddhists, Jains, Parsis and Christians who is residing in India and has applied for a Long Term Visa (LTV) which is under consideration of the Central Government is permitted to open with an authorised dealer only one NRO Account which will be opened for a period of six months and may be renewed at six monthly intervals subject to the condition that the individual holds a valid visa and valid residential permit issued by Foreigner Registration Office (FRO) / Foreigner Regional Registration Office (FRRO) concerned. Such accounts can be opened by Authorised Dealers only,

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.

4. Remittance of funds held in NRO accounts

⁵ Inserted vide [Notification No. FEMA 5\(R\)\(1\)/2018-RB dated November 09, 2018](#)

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.

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.

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.