

Foreign Exchange Management (Deposit) Regulations, 2000

Notification No.FEMA 5 /2000-RB dated 3rd May 2000

RESERVE BANK OF INDIA (EXCHANGE CONTROL DEPARTMENT) CENTRAL OFFICE Mumbai 400 001

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), 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, 2000.
- ii) They shall come into force on 1st day of June, 2000

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 sub-section (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 or is a person of Indian origin; 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) 'NRNR account' means a Non-Resident Non-Repatriable account referred to in clause (iv) of sub-regulation (1) of Regulation 5;
- x) 'NRSR account' means a Non-Resident (Special) Rupee account referred to in clause (v) of sub-regulation (1) of Regulation 5;

- xi) 'Overseas Corporate Body (OCB)' means a company, partnership firm, society and other corporate body owned directly or indirectly to the extent of at least sixty per cent by Non-Resident Indians and includes overseas trust in which not less than sixty percent beneficial interest is held by Nonresident Indians directly or indirectly but irrevocably;
- xii) 'Person of Indian Origin' means a citizen of any country other than Bangladesh or Pakistan, if
 - a) he at any time held Indian passport;
 - or
 - b) he or either of his parents or any of his grand- parents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955);
 - or
 - c) the person is a spouse of an Indian citizen or a person referred to in sub-clause (a) or (b);
- xiii) 'Schedule' means schedule to these Regulations;
- xiv) 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 normal 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 and diplomatic personnel in India subject to the following conditions:
- a) Credits to the account shall be only by way of proceeds of inward remittances received from outside India through normal banking channels;
 - 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, 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 the United Nations Organisation and its subsidiary/affiliate bodies in India, and its or their officials in India.

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

- iii) under the Non-Resident (Ordinary) Account Scheme, (NRO account), specified in Schedule 3, from any person resident outside India;
 - iv) under the Non-Resident (Non-Repatriable) Rupee Account scheme, (NRNR account), specified in Schedule 4, from any person resident outside India;
 - v) under the Non-Resident (Special) Rupee Account Scheme, (NRSR account), specified in Schedule 5, from a non-resident Indian.
- (2) Without prejudice to sub-regulation (1), deposits under NRE, NRO and NRSR Account Schemes referred to in clauses (i), (iii) and (v) of that sub-regulation, may also be accepted by an authorised bank, in accordance with the provisions contained in the respective Schedules.

6. Other deposits made or held by authorised dealer :-

A deposit made by an authorised dealer with his 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 his books in India, shall be governed by the directions issued by the Reserve Bank in this regard from time to time.

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

- 1) A company registered under Companies Act, 1956 or a body corporate or created under an act of Parliament or State Legislature may accept deposits from a nonresident Indian on repatriation basis, subject to the terms and conditions mentioned in Schedule 6.
- 2) An Indian company, a proprietorship concern or a firm in India may accept deposits from a non-resident Indian on non-repatriation basis, subject to the terms and conditions mentioned in Schedule 7.

8. Deposits in certain other cases :-

- 1) Subject to compliance with the conditions in regard to raising of external commercial borrowings or raising of resources through American Depository Receipts (ADRs) or Global Depository Receipts (GDRs), the funds so raised may, pending their utilisation or repatriation to India, be held in deposits in foreign currency accounts with a bank outside India.
- 2) Deposits accepted by an Indian company by issue of Commercial Paper to a Non-Resident Indian or an Overseas Corporate Body shall be subject to the following conditions, namely:
 - 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 normal banking channels or out of funds held in a deposit account maintained by a Non-Resident Indian or an Overseas Corporate Body 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.

9. Acceptance of deposits by authorised dealer with the prior approval of Reserve Bank :-

With the prior approval of Reserve Bank, an authorised dealer 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.

10. Nomination :-

Authorised dealers may provide nomination facility in respect of the following deposit accounts:

- a) accounts maintained by individual account holders under the NRE, FCNR(B), NRO, NRNR and NRSR Account Schemes; and
- b) accounts maintained by diplomatic personnel under sub-regulations (1),(2) and (3) of Regulation 4.

(P.R. GOPALA RAO)
Executive Director

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

Non-Resident (External) Rupee Account Scheme

1. Eligibility:

The Non-resident Indians(NRIs) and Overseas Corporate Bodies(OCBs) 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.

Note: Opening of NRE accounts in the names of individuals/entities of Bangladesh/Pakistan nationality/ownership requires approval of Reserve Bank.

2. Types of accounts:

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

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 accounts.
- e) Interest accruing on the funds held in the account.
- f) Interest on Government securities and dividend on units of mutual funds, provided the securities/units were purchased by debit to the account holder's NRE/FCNR account or out of inward remittance through normal banking channels.

- g) Maturity proceeds of Government securities including National Plan/Savings Certificates as well as proceeds of Government securities and units of mutual funds sold on a recognised stock exchange in India and sale proceeds of units received from mutual funds, provided the securities/units were originally purchased by debit to the account holders's NRE/FCNR account or out of remittances received from outside India in free foreign exchange.
- 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 account of the account holder or by remittance from outside India through normal banking channels.
- i) Refund of application/earnest money made by the house building agencies on account of non-allotment of flat/plot, together with interest, if any (net of income tax payable thereon), provided the original payment was made out of NRE/FCNR account of the account holder or remittance from outside India through normal 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 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 :

a) To account holder:

Authorised dealers and banks maintaining such accounts are permitted to grant loans in India to the account holder 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.. 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. Repayment shall be made either by adjustment of the deposit or by fresh inward remittances from outside India through normal banking channels. The loan can also be repaid out of local rupee resources in the NRO account of the borrower. The interest on such loans shall be in accordance with directives issued by Reserve Bank from time to time ;
- ii) the purpose of making direct investment in India on non-repatriation basis by way of contribution to the capital of Indian firms/companies subject to compliance with the provisions of the Foreign Exchange Management (Transfer of Indian security by a person resident outside India) Regulations, 2000 and Foreign Exchange Management (Investment in proprietary or a partnership firm) Regulations, 2000.
- iii) the purpose of acquisition of flat/house in India for his own residential use subject to the provisions of the relevant Regulations made under the Act.

(b) To third parties:

Authorised dealers and authorised banks may grant any type of fund based and/or non-fund based facilities to resident individuals/firms/ companies in India against the collateral of fixed deposits held in NRE account subject to the following conditions:

- i) There should be no direct or indirect foreign exchange consideration for the nonresident depositor agreeing to pledge his deposits to enable the resident individual/firm/company to obtain such facilities.
- ii) Regulations relating to margin, interest rate, purpose of loan, etc., as stipulated by Reserve Bank from time to time should be complied with.
- iii) The loan should be utilised for personal purposes or for carrying on business activities other than agricultural/plantation activities or real estate business. The loan should not be utilised for relending.
- iv) The usual norms and considerations as applicable in the case of advances to trade/industry shall be applicable to such credit facilities.

(c) Loans outside India

Authorised dealers may allow their branches/correspondents outside India to grant any type of fund based and/or non-fund based facilities to or in favour of non-resident depositor or to third parties at the request of depositor for bona fide purpose against the security of funds held in the NRE accounts in India and also agree to remittance of the funds from India, if necessary, for liquidation of the outstandings.

7. Change of resident status of the account holder:

NRE accounts should be redesignated 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 in the names of two or more non-resident individuals may be opened provided all the account holders are persons of Indian nationality or origin. When one of the joint holders becomes resident, the authorised dealer may either delete his name and allow the account to continue as a NRE account or redesignate the account as a resident account, at the option of the account holders. Opening of these accounts by a non-resident jointly with a resident is not permissible.
- b) **Opening of account during temporary visit** : An account may be opened in the name of an eligible NRI 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. 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 authorised dealers 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 or make payment by way of gift to a resident on behalf of the account holder or 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, upto 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 normal banking channels or by transfer of funds from other NRE/FCNR 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.

SCHEDULE 2
[See Regulation 5(1) (ii)]

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

1. Eligibility :

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

NOTE : Opening of FCNR(B) accounts in the names of NRIs/OCBs of Bangladesh/Pakistan nationality/ownership requires approval of Reserve Bank.

- (b) These accounts may be opened with funds remitted from outside India through normal 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 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.
- (d) In case the depositor with any convertible 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 accounts may be accepted in Pound Sterling, US Dollar, Deutsche Mark, Japanese Yen, Euro and such other currencies as may be designated by Reserve Bank from time to time.

3. Type of account :

These accounts may be opened only in the form of term deposit for any of the three maturity periods, viz. one year and above but less than two years, two years and above but less than three years and three years only.

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 :

- (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/NRNR/NRSR 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 resident 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. :

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.

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.

NOTE :

Premature withdrawal of FCNR(B) deposits for the purpose of opening NRNR Rupee Deposit accounts with an authorised dealer other than the one with whom the account FCNR(B) is maintained will attract penalty as per the directions issued by Reserve Bank from time to time.

SCHEDULE 3
[See Regulation 5(1)(iii)]

NON-RESIDENT ORDINARY RUPEE(NRO) ACCOUNT SCHEME

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 Bangladesh/Pakistan nationality/ ownership requires approval of Reserve Bank.

B. 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 normal banking channels or any permitted currency tendered by the account-holder during his temporary visit to India or transfers from rupee accounts of nonresident banks.
- (ii) Legitimate dues in India of the account holder.

(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.

4. Remittance of funds held in NRO accounts

Balances in NRO accounts are not eligible for remittance outside India without the 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 into 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 his 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 with Residents

The accounts may be held jointly with residents.

8. 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 re-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.

9. 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.

10. 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.

SCHEDULE 4
[See Regulation 5(1)(iv)]

Non-Resident (Non-Repatriable) Rupee Deposit Scheme

1. Eligibility :

Any person resident outside India (except individuals/entities of Pakistan/Bangladesh nationality/ownership) may open NRNR accounts with an authorised dealer.

Accounts should be opened in Indian rupees out of the funds remitted from outside India through normal banking channels (in freely convertible currency). In the case of NRIs/OCBs, such accounts may also be opened by transfer of funds from their existing NRE/FCNR deposit accounts. Premature withdrawal of NRE/FCNR deposits for opening NRNR deposits with an authorised dealer other than the one with whom the NRE/FCNR account is maintained will attract penalty, if any, as per the directions issued by Reserve Bank from time to time.

2. Period of deposit :

The deposits may be held for periods ranging from 6 months to 3 years.

3. Rate of interest :

Banks are free to determine the rate of interest on deposits under this scheme and on advances against funds held in such deposits.

4. Repatriability :

Only Interest accrued on the deposits is repatriable.

5. Renewal/Transfer :

The principal amount of deposit together with interest accrued thereon may be renewed for a further period ranging from 6 months to 3 years . If the interest accrued on an existing deposit is invested under the Scheme, the amount of interest so invested, will not be eligible for repatriation. The account can also be shifted from one authorised dealer to another.

6. Gift :

In the case of individual deposit holder, the amount of deposit can be gifted to any resident/ non-resident or to any Charitable Trust in India recognised under the Income Tax Act, 1961.

7. Joint Accounts with residents :

Account may be held jointly with residents.

8. Loans/overdrafts :

Loans/overdrafts in India, against the security of these deposits may be granted by the authorised dealer to account holders/third parties for personal purposes or for carrying on business activities and not for carrying on agricultural/plantation activities or real estate business, or for relending, subject to their normal commercial judgement. Repayment of loans/liquidation of overdraft to the account holder shall be by way of inward remittance from outside India through normal banking channels or by debit to NRE/FCNR/NRO/NRNR/NRSR account of the depositor or by adjustment against maturity proceeds of deposit. Repayment of loans availed by third parties may be made out of their own resources.

9. Nomination :

An authorised dealer may register nomination in favour of either a resident or nonresident. However, nomination in favour of a non-resident may be registered subject to the condition that the amount standing to the credit of the depositor, in the event of his death, will be paid to the non-resident nominee only in Indian rupees by credit to the nominee's NRO/NRNR/NRSR account and will not be allowed to be remitted outside India.

10. Reporting :

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

SCHEDULE 5
[See Regulation 5(1)(v)]

Non-resident (Special) Rupee (NRSR) Account Scheme

1. Eligibility :

- i) NRIs (other than nationals of Bangladesh/Pakistan) who voluntarily undertake not to seek remittance of funds held in these accounts as also income earned thereon are eligible to maintain NRSR accounts with an authorised dealer.
- ii) These accounts shall carry the same facilities and restrictions as are applicable to domestic accounts of residents in respect of repatriation of funds held in the account and/or income accrued thereon with an exception of investment in shares/securities or immovable property or agricultural/plantation activities or real estate business in India which shall be governed by the regulations applicable to such investments by non-residents.
- iii) The directives issued by Reserve Bank in regard to domestic accounts shall be applicable to these accounts.

2. Application Form :

For the purpose of opening of these accounts, an application shall be submitted to an authorised dealer in Form NRSR appended to this Schedule.

3. Type of accounts :

These accounts may be maintained in the form of current, savings, recurring or fixed deposit account.

4. Joint accounts :

These accounts may be held jointly with residents.

5. Rate of interest :

The interest rates as applicable to resident accounts shall apply to these accounts.

6. Change of resident status of the account holder :

When a person resident in India becomes a person resident outside India (other than Nepal and Bhutan) on account of his taking up employment, or carrying on business or vocation outside India or for any other purpose indicating his intention to stay outside India permanently or for an uncertain period, the person concerned will have the option of designating his existing domestic account as NRO account or NRSR account.

7. Nomination facility :

An authorised dealer may register nomination in favour of either a resident or a non-resident. However, a non-resident nominee will not be entitled to any remittance facility out of funds held in NRSR account of the deceased account holder or income/interest accrued thereon.

8. Overdrafts in NRSR account:

Authorised dealer/authorised bank may permit overdraft in the account of the account holder subject to his/its commercial judgement

9. Miscellaneous :

- i) The operations on these accounts may be allowed freely as in the case of domestic accounts maintained by resident individuals.
- ii) The account holders are also permitted to freely transfer funds from NRO/NRE/FCNR accounts to NRSR accounts but not vice versa.

SCHEDULE 6
[See Regulation 7(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 or a person of Indian origin resident outside India.

A company incorporated in India (including a non-banking finance company registered with the Reserve Bank) may accept deposits from NRIs, 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 normal banking channels or by debit to the Non-Resident (External) Account or Foreign Currency (Non-Resident) (Bank) 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, 1975.
- 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)/NRNR/NRO/NRSR 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 nonresident 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 normal 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 NRNR/NRO or NRSR account, at the depositor's option.

SCHEDULE 7
[See Regulation 7(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 Indians and persons of Indian origin resident outside India

A proprietorship concern or a firm in India, may accept deposits on non-repatriation basis from NRIs, 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/OCBs, 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, 1975
- v) The amount of deposit shall be received either by inward remittance from outside India through normal banking channels or by debit to NRE/FCNR(B)/NRO/NRNR or NRSR account. Where, however, the deposit is made out of funds held in NRSR account of the depositor, payment of interest as also the repayment of deposit shall be made only by credit to NRSR account of the depositor concerned. In all other cases, the maturity proceeds/interest shall be credited to 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.