

**Full convertibility of Deposit Schemes – Non-Resident Indians – NRNR accounts
& NRSR accounts**

Reserve Bank Of India
Central Office
Department Of Banking Operations And Development
Centre - 1, World Trade Centre
Cuffe Parade, Colaba,
Mumbai - 400 005

Ref No. DBOD.Dir.BC. 93/13.01.09/2001-02

April 29, 2002

All Scheduled Commercial Banks

Dear Sir,

**Full convertibility of Deposit Schemes –
Non-Resident Indians – NRNR accounts & NRSR accounts**

Please refer to our circular DBOD BC. No. 140/13.01.09/92 dated June 11, 1992, read with Para 1(a) of Circular DBOD No. Dir. BC. 98/13.01.09/94 dated August 19, 1994 and Master Directive DBOD No. Dir. BC. 07/13.03.00/2001-02 dated August 11, 2001 in regard to NRNR and NRSR deposits scheme respectively.

2. In this connection, we advise that with a view to providing full convertibility of deposit schemes for non-resident Indians and rationalizing the existing non-resident deposit schemes, it has been decided to discontinue Non-Resident (Non-Repatriable) Rupee Account Scheme (NRNR) and the Non-Resident (Special) Rupee Account Scheme (NRSR) with effect from April 1, 2002. The detailed instructions have already been communicated to the banks by our Exchange Control Department (ECD) vide AP (DIR Series) Circular No. 28 dated March 4, 2002 and subsequent clarification issued vide letter ECD.CO.PCD. No. 49/15.01.14/2001-02 dated 9 March 2002.

3. Accordingly, with effect from April 1, 2002 :

- (a) Banks shall not accept any fresh deposits or open any fresh account, by way of renewal or otherwise, under the above two schemes

- (b) The existing accounts under NRNR account scheme may be continued only upto the date of maturity. The maturity proceeds of the deposits under NRNR Account Scheme shall be credited to the accountholder's Non-Resident (External) Rupee account (NRE account), after giving notice to the accountholder. For this purpose, the banks may give a notice to the accountholder that the maturity proceeds shall be credited to his NRE account. The accountholder may choose to credit the maturity proceeds to his NRE saving bank account or current account or open a fresh NRE term deposit account. The banks may also permit the accountholder, on his request, to credit the maturity proceeds to his NRO account. In case no reply is received from the accountholder, the maturity proceeds of deposits under NRNR account scheme may be credited to his NRE account.
- (c) As regards NRSR accounts, the existing term deposits under the NRSR accounts scheme may be continued till the maturity and the maturity proceeds shall be credited to the Non-Resident (Ordinary) Rupee Account (NRO account) of the accountholder.
- (d) The existing NRSR account, other than term deposit, shall not be continued after September 30, 2002, and may, at the option of the accountholder, be closed or balance thereof be credited to his NRO account on or before that date. For this purpose, a notice to the accountholders may be given and in case no reply is received the said NRSR account may be closed and balance transferred to the NRO account of the accountholder.

4. NRNR account holders have the option to directly credit the maturity proceeds to NRE account but Not to Foreign Currency (Non-Resident) Account (Banks) Scheme [FCNR(B) account]. The proceeds of NRNR Deposits can be credited to NRE account only on maturity and in case of premature withdrawal, the proceeds shall be credited only to Non-Resident Ordinary Rupee (NRO) account.

5. The existing term deposits (both NRNR/NRSR Accounts) will thus carry interest at the contracted rate till the maturity thereof. On maturity of the deposits, the amounts will be credited to the NRE/NRO accounts as the case may be on the lines indicated in paragraph 3 above. Any fresh deposit created by debit to the NRE/NRO

account would be governed by the interest rates applicable in case of such deposits. In the case of premature withdrawal of deposits the banks may be guided by the instructions contained in para 9 of our Master Circular Dir.BC.07/13.03.00/2001-02 dated August 11, 2001. They should ensure that the depositors are made aware of the applicable penal rate along with the deposit rate.

6. The above instructions are issued under Sections 21 and 35A of Banking Regulation Act, 1949.

7. Please acknowledge receipt.

Yours faithfully,

(M.R. Srinivasan)
Chief General Manager-in-Charge