

Foreign Currency Loans in India to holders of FCNR(B) Deposits

**Reserve Bank of India
Exchange Control Department
Central Office
Mumbai - 400 001**

A.P. (DIR Series) Circular No.24

September 25, 2002

To
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Foreign Currency Loans in India to holders of FCNR(B) Deposits

Attention of authorised dealers is invited to sub-regulation 1(v) of regulation 4 of Reserve Bank Notification No.FEMA.3/2000-RB dated May 3, 2000 in terms of which a branch outside India of an authorised dealer is empowered to extend foreign currency loans against the security of funds held in NRE/FCNR deposit accounts maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2000.

2. With a view to extend the above facility in India to the account holders, it has now been decided to permit authorised dealers to grant foreign currency loans in India against the security of funds held in FCNR (B) deposit accounts to the account holders only, subject to the guidelines given in the Annexure. Further, authorised dealers should also comply with the instructions for grant of loans against non-resident deposits contained in the Circular DBS.FGV (F) No.BC.13/23.04.001/2001-02 dated May 21, 2002 issued by the Department of Banking Supervision, Reserve Bank of India, prescribing inter alia, precautions to be taken by banks while granting loans against non-resident deposits.

3. The Notification to amend the regulations referred to above is being issued separately.

4. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in the circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie
Chief General Manager**

ANNEXURE

[A.P. (DIR Series) Circular No.24
dated 25.9.2002]

**Guidelines for grant of foreign currency loans
in India to holders of FCNR (B) Deposits**

- (a) Loans should be against own FCNR (B) deposits and not against the deposits of third parties.
- (b) Loans should be granted only to the deposit holder and not to any third party/ies. The documents should be executed by the deposit holders themselves and not by their Power of Attorney holders.
- (c) The maturity of the loan shall not exceed the maturity of the deposit under any circumstances.
- (d) Loans shall be sanctioned to the account holders for purposes other than investments in India.
- (e) Advances shall be fully secured by the deposit and regulations, if any, relating to margin shall be complied with.
- (f) Repayment is to be effected by fresh remittances in foreign exchange or by adjustment of the deposit.
- (g) The bank should put in place adequate monitoring system for the purpose.
- (h) Extension of this facility should have the approval of the Board of the bank.
