

**FEMA 1999 – Grant of Rupee Loans to
NRI/PIO Employees of Indian Body Corporate
A.P.(DIR Series) Circular No.27 (October 10, 2003)**

**Reserve Bank of India
Exchange Control Department
Central Office
Mumbai**

A.P.(DIR Series) Circular No.27

October 10, 2003

To

All Authorised Dealers in Foreign Exchange
Madam/Sirs,

**FEMA 1999 – Grant of Rupee Loans to
NRI/PIO Employees of Indian Body Corporate**

Attention of Authorised Dealers is invited to Regulation 8 of Notification No.FEMA 4/2000 RB dated May 3, 2000, in terms of which an Authorised Dealer or a housing finance institution in India approved by the National Housing Bank may provide housing loan to a Non-Resident Indian or a Person of Indian Origin resident outside India for acquisition of a residential accommodation in India subject to conditions indicated therein.

2. On a review, it has been decided to grant general permission to Indian companies, viz. a body corporate registered or incorporated in India, to grant rupee loans to its employees who are Non-Resident Indians or Persons of Indian Origin, subject to the following conditions :

- (i) The loan shall be granted only for personal purposes including purchase of housing property in India;
- (ii) The loan shall be granted in accordance with the lender's Staff Welfare Scheme/Staff Housing Loan Scheme and subject to other terms and conditions applicable to its staff resident in India;
- (iii) The lender shall ensure that the loan amount is not used for the purposes specified in sub-clauses (i) to (iv) of clause (1) and in clause (2) of Regulation 6 of Notification No.FEMA.4/2000-RB dated May 3, 2000, referred to above;
- (iv) The lender shall credit the loan amount to the borrower's NRO account in India or shall ensure credit to such account by specific indication on the payment instrument;

- (v) The loan agreement shall specify that the repayment of loan shall be by way of remittance from outside India or by debit to NRE/NRO/FCNR Account of the borrower and the lender shall not accept repayment by any other means.

Accordingly, Notification No.FEMA.67/2000-RB dated August 20, 2002 has been issued. A copy of the said Notification is enclosed. Necessary amendments to Notification No.FEMA.4/2000 RB dated May 3, 2000 may please be made.

3. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
4. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the FEMA, 1999 (42 of 1999).

Yours faithfully,
Grace Koshie
Chief General Manager

Reserve Bank of India
(Exchange Control Department)
Central Office
Mumbai 400 001

Notification No.FEMA.67/2002-RB

dated August 20, 2002

Foreign Exchange Management (Borrowing and Lending in Rupees) (Amendment) Regulations, 2002

In exercise of the powers conferred by clause (e) of sub-section (3) of Section 6 and sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in partial modification of its Notification No.FEMA.4/RB-2000, dated May 3, 2000, Reserve Bank of India makes the following Regulations to amend the Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000, as amended from time to time namely :

Short title and commencement

1. (a) These Regulations may be called the Foreign Exchange Management (Borrowing and Lending in Rupees) (Amendment) Regulations, 2002.
- (b) They shall come into force from the date of their publication in the Official Gazette.

Amendment of the Regulations

2. In the Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000, after Regulation 8, the following Regulation shall be inserted, namely :

"8A Rupee Loans to NRI/PIO employees of Indian body corporate

A body corporate registered or incorporated in India may grant rupee loan to its employees who is a non-resident Indian or a Person of Indian Origin, subject to the following conditions, namely :

- (i) The loan shall be granted only for personal purposes including purchase of housing property in India;
- (ii) The loan shall be granted in accordance with the lender's Staff Welfare Scheme/Staff Housing Loan Scheme and other terms and conditions applicable to its staff resident in India;
- (iii) The lender shall ensure that the loan amount is not used for the purposes specified in sub-clauses (i) to (iv) of clause (1) and in clause (2) of Regulation 6;
- (iv) The lender shall credit the loan amount to the borrower's NRO Account in India or shall ensure credit to such Account by specific indication on the payment instrument;
- (v) It shall be a term of the loan agreement that the repayment of loan shall be made by way of remittance from outside India or from NRE/NRO/FCNR Account of the borrower; and the lender shall not accept repayment made from any other source.

Sd/-
K.J.Udeshi
Executive Director