



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/2004-2005/142

DBS.FrMC. No.3/23.04.001/2004-05

August 26, 2004

All Scheduled Commercial Banks
(Other than Regional Rural Banks)

Dear Sir,

Frauds in Non-Resident Accounts

Please refer to para 4.1 (b) and (c) of our circular DBS.FGV(F)No. BC 13/23.04.001/2001-02 dated May 21, 2002 on the above subject. In terms of the said circular, banks were advised as under :

- i) In the case of loans to third parties against NRI deposits, normally the relative documentation should be done at the branch from where the loan is being sought by the NRI depositor. The loan should be granted only when the depositor himself executes the loan documents in the presence of bank officials and a witness acceptable to the bank.
- ii) Advances to third parties against such deposits should not be granted on the basis of Power of Attorney.

2. In this connection, the Committee on Procedures and Performances Audit (Tarapore Committee) has observed that the above instructions have created considerable difficulties to NRO account holders. With a view to facilitating legitimate transactions in NRO accounts in a liberal foreign exchange regime, the matter was examined by us in consultation with Indian Banks Association.

भारतीय रिज़र्व बैंक, नई दिल्ली, भारत

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3. It has now been decided that in order to facilitate legitimate transactions and to reduce the possibility of frauds while sanctioning loans against NRI deposits, the banks may follow the following procedure :

The application may be forwarded through a bank branch situated in the country where the NRI deposit holder resides. It would be preferable if such requests are routed through the bank branch at which the concerned NRI is maintaining his accounts since this would presuppose due diligence / compliance with KYC norms by that branch. A copy of the passport of NRI may also be called for, along with the application for loan against NRI deposits.

Yours faithfully

(K V Subba Rao)
Chief General Manager