

Borrowing from Close Relatives Abroad
A.P. (DIR Series) Circular No.24 (Sept 27, 2003)

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

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

September 27, 2003

To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Borrowing from Close Relatives Abroad

Attention of Authorised Dealers is invited to paragraph (iv) of the Schedule to Regulation 6 of Notification No.FEMA 3/2000-RB dated May 3, 2000 in terms of which an individual resident in India is allowed by Reserve Bank, on application, to borrow a sum not exceeding USD 2,50,000 or its equivalent in foreign exchange from a close relative resident outside India, subject to the conditions indicated therein.

2. With a view to further liberalising and simplifying the existing regulations, Reserve Bank has issued Notification No.FEMA 75/2002-RB dated November 1, 2002 (copy enclosed). Accordingly, an individual resident may borrow a sum not exceeding USD 2,50,000 or its equivalent from close relatives residing outside India, subject to the conditions that :

- a) the minimum maturity period of the loan is one year;
- b) the loan is free of interest; and
- c) the amount of loan is received by way of inward remittances in free foreign exchange through normal banking channels or by debit to the NRE/FCNR(B) account of the non-resident lender.

Explanation :

'Close relative' means relative as defined in Section 6 of the Companies Act, 1956'.

3. Authorised Dealers may bring the contents of the 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/ 75 /2002-RB

November 1, 2002

In exercise of the powers conferred by clause (d) 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 3/2000-RB dated May 3, 2000, as amended from time to time, the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, namely :-

1. (1) These Regulations may be called the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) (Second Amendment) Regulations, 2002.
- (2) They shall come into force with effect from their publication in the Official Gazette.
2. In the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulation, 2000.
 - (i) In Regulation 5, after sub-regulation (5), the following sub-regulation shall be added, namely : -

"(6) An individual resident in India may borrow a sum not exceeding US\$.250,000/- or its equivalent from his close relatives outside India, subject to the conditions that -

 - a. the minimum maturity period of the loan is one year;
 - b. the loan is free of interest; and
 - c. the amount of loan is received by inward remittance in free foreign exchange through normal banking channels or by debit to the NRE/FCNR account of the non-resident lender.

Explanation :

'Close relative' means relative as defined in Section 6 of the Companies Act, 1956".

- (ii) In the Schedule, clause (iv) with the heading "Scheme for raising loans from NRIs on repatriation basis", shall be omitted.

Sd/-
K.J. UDESHI
Executive Director.