

SCHEDULE 1
[See Regulation 5(1) (i)]

Non-Resident (External) Rupee Account Scheme – NRE Account

1. Eligibility:

Non-resident Indians (NRIs) and Person of Indian Origin (PIOs) are permitted to open and maintain these accounts with authorised dealers and with banks (including cooperative banks) authorised by the Reserve Bank to maintain such accounts.

The account should be opened by the non-resident account holder himself and not by the holder of the power of attorney in India.

2. Types of accounts:

The accounts may be maintained in any form, e.g. savings, current, recurring or fixed deposit account etc.

3. Permitted Credits:

- a) Proceeds of remittances to India in any permitted currency.
- b) Proceeds of personal cheques drawn by the account holder on his foreign currency account and of travellers cheques, bank drafts payable in any permitted currency including instruments expressed in Indian rupees for which reimbursement will be received in foreign currency, deposited by the account holder in person during his temporary visit to India, provided the authorised dealer/ bank is satisfied that the account holder is still resident outside India, the travellers' cheques/ drafts are standing/ endorsed in the name of the account holder and in the case of travellers' cheques, they were issued outside India.
- c) Proceeds of foreign currency/ bank notes tendered by account holder during his temporary visit to India, provided (i) the amount was declared on a Currency Declaration Form (CDF), where applicable, and (ii) the notes are tendered to the authorised dealer in person by the account holder himself and the authorised dealer is satisfied that account holder is a person resident outside India.
- d) Transfers from other NRE/ FCNR (B) accounts.
- e) Interest accruing on the funds held in the account.
- f) Current income in India due to the account holder, subject to payment of applicable taxes in India
- g) Maturity or sale proceeds of any permissible investment in India which was originally made by debit to the account holder's NRE/ FCNR (B) account or out of remittances received from outside India through banking channels.

Provided that the investment was made in accordance with the foreign exchange regulations in force at the time of making such investment.

- h) Refund of share/ debenture subscriptions to new issues of Indian companies or portion thereof, if the amount of subscription was paid from the same account or from other NRE/ FCNR (B) account of the account holder or by remittance from outside India through banking channels.
- i) Refund of application/ earnest money/ purchase consideration made by the house building agencies/ seller on account of non-allotment of flat/ plot/ cancellation of bookings / deals for purchase of residential/ commercial property, together with interest, if any (net of income tax payable thereon), provided the original payment was made out of NRE/ FCNR(B) account of the account holder or remittance from outside India through banking channels and the authorised dealer is satisfied about the genuineness of the transaction.
- j) Any other credit if covered under general or special permission granted by Reserve Bank.

4. Permitted Debits:

- a) Local disbursements.
- b) Remittances outside India.
- c) Transfer to NRE/ FCNR (B) accounts of the account holder or any other person eligible to maintain such account.
- d) Investment in shares/ securities/ commercial paper of an Indian company or for purchase of immovable property in India provided such investment/ purchase is covered by the regulations made, or the general/ special permission granted by the Reserve Bank.
- e) Any other transaction if covered under general or special permission granted by the Reserve Bank.

5. Rate of Interest:

Rate of interest applicable to these accounts shall be in accordance with the directions/ instructions issued by Reserve Bank from time to time

6. Loans against security of funds held in the account:

- (1) To account holder: Authorised dealers and authorised banks maintaining such accounts are permitted to grant loans in India to the account holder subject to the following conditions:
 - (a) The loan shall be used for:
 - i) personal purposes or for carrying on business activities except for the purpose of relending or carrying on agricultural/ plantation activities or for investment in real estate business.

ii) making direct investment in India on non-repatriation basis by way of contribution to the capital of Indian firms/ companies subject to the provisions of the relevant Regulations made under the Act

iii) acquiring flat/ house in India for his own residential use subject to the provisions of the relevant Regulations made under the Act

(b) Repayment shall be made either by adjustment of the deposit or by fresh inward remittances from outside India through banking channels or out of local rupee resources in the NRO account of the borrower.

(2) To third parties: Authorised dealers and authorised banks may grant loans to resident individuals/ firms/ companies in India against the collateral of fixed deposits held in NRE account subject to the following conditions:

i) The loan should be utilised for personal purposes or for carrying on business activities except for the purpose of relending or carrying on agricultural/ plantation activities or for investment in real estate business.

ii) There should be no direct or indirect foreign exchange consideration for the non-resident depositor agreeing to pledge his deposits to enable the resident individual/ firm/ company to obtain such facilities.

iii) The usual norms and considerations as applicable in the case of advances to trade/ industry shall be applicable to such credit facilities.

(3) ⁶Loans outside India - Authorised dealers may allow their branches/correspondents outside India to grant loans to or in favour of non-resident depositor or to third parties at the request of depositor for bona fide purpose against the security of funds held in the NRE accounts in India and also agree for remittance of the funds from India, if necessary, for liquidation of the outstanding..

(4) The authorised dealer/ bank should ensure that the advances are fully secured by the fixed deposits and regulations relating to normal margin, interest rate, etc. are complied with.

(5) The loans granted under this paragraph shall be subject to such directions as may be issued by the Reserve Bank from time to time.

(6) The term “loan” shall include all types of fund based/ non-fund based facilities.

7. Change of residential status of the account holder:

NRE accounts should be re-designated as resident accounts or the funds held in these accounts may be transferred to the

⁶ Inserted by a Corrigendum with effect from [April 01, 2016 vide G.S.R 869\(E\) dated September 8, 2016](#). Prior to insertion it read as: “Loans outside India - Authorised dealers may allow their branches/ correspondents outside India to grant loans to or in favour of non-resident depositor or to third parties at the request of depositor for bona fide purpose except for the purpose of relending or carrying on agricultural/ plantation activities or for investment in real estate business, against the security of funds held in the NRE accounts in India and also agree for remittance of the funds from India, if necessary, for liquidation of the outstanding.”

RFC accounts (if the account holder is eligible for maintaining RFC account) at the option of the account holder immediately upon the return of the account holder to India for taking up employment or for carrying on business or vocation or for any other purpose indicating intention to stay in India for an uncertain period. Where the account holder is only on a short visit to India, the account may continue to be treated as NRE account even during his stay in India.

8. Repatriation of funds to non-resident nominee:

Authorised dealers/ authorised banks may allow remittance of funds lying in the NRE account of the deceased account holder to his non-resident nominee.

9. Miscellaneous:

(a) Joint accounts – Joint accounts may be permitted to be opened in the following cases:

- i) In the names of two or more NRIs and/or PIOs
- ii) With resident relative(s) on 'former or survivor' basis. However, the said resident relative shall be eligible to operate the account as a Power of Attorney holder in accordance with the extant instructions during the life time of the account holder.

Explanation – For the purpose of this regulation, 'relative' means relative as defined in section 2(77) of the Companies Act, 2013.

- b) Opening of account during temporary visit: An account may be opened in the name of an eligible NRI or PIO during his temporary visit to India against tender of foreign currency travellers cheques or foreign currency notes and coins tendered, provided the authorised dealer is satisfied that the person has not ceased to be a non-resident.
- c) Operations by Power of Attorney: Authorised dealers/ authorised banks may allow operations on an NRE account in terms of Power of Attorney or other authority granted in favour of a resident by the non-resident account holder, provided such operations are restricted to withdrawals for local payments or remittance to the account holder himself through banking channels. In cases where the account holder or a bank designated by him is eligible to make investments in India, the Power of Attorney holder may be permitted by the authorised dealers/ banks to operate the account to facilitate such investment. The resident Power of Attorney holder shall not, however, be allowed to repatriate outside India funds held in the account under any circumstances other than to the account holder himself, nor to make payment by way of gift to a resident on behalf of the account holder nor to transfer funds from the account to another NRE account.
- d) Special Series of Cheques: For easy identification and quicker processing of cheques drawn on NRE accounts, authorised dealers/ banks shall issue cheque books containing a special series of cheques to their constituents holding NRE accounts.
- e) Temporary overdrawings: Authorised dealers/ authorised banks may at their discretion/ commercial judgement allow for a period of not more than two weeks, overdrawings in NRE savings bank accounts, up to a limit of Rs.50,000

subject to the condition that such overdrawings together with the interest payable thereon are cleared/ repaid within the said period of two weeks, out of inward remittances through banking channels or by transfer of funds from other NRE/ FCNR(B) accounts.

f) Remittances abroad by Resident nominee: Application from a resident nominee for remittance of funds outside India for meeting the liabilities, if any, of the deceased account holder or for similar other purposes, should be forwarded to the Reserve Bank for consideration.

g) Tax Exemption: Income from interest on balances standing to the credit of NRE Accounts is exempt from Income Tax. Likewise balances held in such accounts are exempt from wealth tax.

h) Reporting: The transactions in these accounts shall be reported to the Reserve Bank in accordance with the directions issued by it from time to time.