

FREQUENTLY ASKED QUESTIONS OF NON RESIDENT INDIAN AND RESIDENT INDIAN

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Introduction:

After the review of the Foreign Exchange Regulations Act, 1973 in 1993, significant developments have taken place, such as substantial increase in country's foreign exchange reserves, growth in foreign trade, rationalization of tariffs, current account convertibility, liberalization of Indian investments abroad, increased access to external commercial borrowings by Indian corporate and participation of foreign institutional investors in country's major stock markets etc. Taking into consideration the above facts, the Central Government decided to introduce the Foreign Exchange Management Act, 1999 and repeal the Foreign Exchange Regulations Act, 1973 with a view to consolidate and amend the law relating to foreign exchange with the objectives of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange markets in India. The FEMA 1999 has come into force from 1st of June 2000 and the erstwhile FERA, 1973 stands repealed.

FOREIGN EXCHANGE MANAGEMENT ACT 1999.

Sl. No	FAQ
1	<p>What is FEMA 1999?</p> <p><u>Ans.</u> FEMA 1999 is an act to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India. This act provides legal framework for administration of exchange control in India. The Foreign Exchange Management Act, 1999(FEMA), has come into force with effective from June 1, 2000 (in place of FERA 1973). The act covers all aspects of foreign exchange business such as Exports, Imports and Remittances etc.</p>
2	<p>What is the extent and application of Foreign Exchange Management Act 1999 (FEMA 1999)?</p> <p><u>Ans.</u> FEMA extends to the whole of India. It shall also apply to all branches, offices and agencies owned or controlled by a person resident of India and also to any contravention there under, committed in or, outside India, by any person to whom the Act applies. This act covers all aspects of foreign exchange business such as Exports, Imports, Remittances etc.</p>
3	<p>What are the Capital Account transactions?</p> <p><u>Ans.</u> Capital account transactions means a transaction which alters the assets or liabilities, including contingent liabilities, outside India of persons resident in India or assets or liabilities in India of persons resident outside India, and includes transactions referred to sub-section (3) of section 6 of FEMA 1999 (those transactions prohibited, restricted or regulated by Government of India/ Reserve Bank of India)</p>
4	<p>What are the Current Account transactions?</p> <p><u>Ans.</u> A transaction other than a capital account transaction is a current account transaction. To be precise, payments in connection with foreign trade, services and other miscellaneous remittances are current account transactions, which are guided by FEMA (current account transactions) rules 2000.</p>

5	<p>Who is an Authorized Dealer in foreign exchange?</p> <p><u>Ans.</u> Authorized dealers in foreign exchange are those Banks/entities in India that are permitted by Reserve Bank of India under section 10 of the Foreign Exchange Management Act, 1999, which alone are entitled to engage in foreign exchange transactions with each other, with non-residents and with resident non banking clients for certain approved purposes.</p> <p>Karnataka Bank is one of the Authorised - Category I Bank in India and is permitted to undertake all types of current account and capital account foreign exchange transaction as permitted by RBI.</p>
6	<p>What are permitted currencies?</p> <p><u>Ans.</u> The foreign currency which is freely convertible i.e. a currency which is permitted by the rules and regulations of the country concerned to be converted into major reserve currencies like US Dollars, Pound Sterling, Euro etc for which a fairly active market exist for dealings against other major currencies.</p>
7	<p>Are Authorized Dealers free to open and maintain Foreign Currency Accounts?</p> <p><u>Ans.</u> Yes. Authorized dealers may freely open and maintain accounts in any permitted currency with their branches and correspondents abroad.</p>

Sl. No	FAQ
1	<p>Where are the terms a 'person resident in India' and a 'person resident outside India' defined? Ans. Section 2 (v) and Section 2 (w) of the FEMA, 1999 define 'person resident in India' and 'person resident outside India'.</p>
2	<p>Who is a person resident in India?</p> <p>Ans: A 'Person resident in India' is defined in Section 2(v) of FEMA, 1999 as:</p> <ol style="list-style-type: none"> 1) A person residing in India for more than one hundred and eight-two days during the course of the preceding financial year but does not include: <ol style="list-style-type: none"> a. A person who has gone out of India or who stays outside India, in either case- <ul style="list-style-type: none"> - for taking up employment outside India, or - for carrying on outside India a business or vocation outside India, or - for any other purpose, in such circumstances as would indicate his intention to stay outside India for an uncertain period. - A Student who has gone abroad for studies. b. A person who has come to or stays in India, in either case, otherwise than- <ul style="list-style-type: none"> - for taking up employment in India, or - for carrying on in India a business or vocation in India, or - for any other purpose, in such circumstances as would indicate his intention to stay in India for an uncertain period; 2) any person or body corporate registered or incorporated in India, 3) an office, branch or agency in India owned or controlled by a person resident outside India, 4) an office, branch or agency outside India owned or controlled by a person resident in India. <p>That is, to qualify as a person resident in India, the person concerned will have to fulfill the criteria of (i) the duration of stay and (ii) the purpose of stay.</p>
3	<p>Who can determine whether a person is resident in India or not?</p> <p>Ans. As per FEMA, residential status is determined by operation of law. Reserve Bank does not determine the residential status. The onus is on an individual to prove his/her residential status, if questioned by any authority.</p>
4	<p>Can foreign nationals resident in India open resident account?</p> <p>Ans. Yes. Foreign nationals resident in India can open and maintain resident Rupee account in India.</p>
5	<p>Can a resident open a foreign currency denominated account in India?</p> <p>Ans. Persons resident in India are permitted to maintain foreign currency accounts in India in the form of Exchange Earners Foreign Currency Accounts, Resident Foreign Currency Accounts (for returning Indians i.e those Indians who were non-resident earlier), and Resident Foreign Currency (Domestic) Accounts.</p>

NON - RESIDENT INDIANS

A Non Resident Indian (NRI) means a person resident outside India who is a citizen of India or is a person of Indian origin. The definition of the terms are as under;

Sl. No	FAQ
1	<p data-bbox="159 284 618 308">Who is a Non Resident Indian (NRI)?</p> <p data-bbox="159 347 1196 371"><u>Ans.</u> Non-Resident Indian nationals generally fall under the following broad categories:</p> <ul data-bbox="210 379 1995 611" style="list-style-type: none"><li data-bbox="210 379 1995 443">a) Indian citizens who stay abroad for employment or for carrying on any business or vocation or for any other purpose, in circumstances indicating an indefinite period of stay outside India.<li data-bbox="210 443 1995 507">b) Indian citizen working abroad on assignment with foreign governments, Government agencies or international/multinational agencies like United Nations Organization (UNO), International Monetary Fund (IMF), World Bank etc.<li data-bbox="210 507 1995 571">c) Officials of central and State Governments and Public sector undertakings deputed abroad on assignments with foreign governments/agencies/organizations or posted to their own offices (including Indian Diplomatic Missions) abroad.<li data-bbox="210 571 1995 611">d) Student who has gone abroad for studies.

Sl. No	FAQ
1	<p>Who is Person of Indian Origin (PIO)?</p> <p>Ans. For the purposes of availing of the facilities of opening and maintenance of bank accounts and investment in shares/securities in India, a foreign citizen (other than a citizen of Pakistan or Bangladesh) is deemed to be a person of India origin, if,</p> <p>a) he/she at any time held an India passport,</p> <p style="text-align: center;">OR</p> <p>b) he/she or either of his/her parents or any of his/her grandparents were a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955).</p> <p style="text-align: center;">OR</p> <p>c) the person is a spouse of an Indian citizen or a person referred to in Sub-clause (a) or (b).</p> <p>Note:</p> <ol style="list-style-type: none"> 1. Spouse (not being a citizen of Pakistan or Bangladesh) of an Indian citizen or a person of Indian origin is also treated as a person of Indian origin for the above purposes provided the bank accounts are opened or investments in share/securities in India are made by such persons only jointly with their NRI spouses. 2. For investments in immovable properties, a foreign citizen (other than a citizen of Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Iran, Nepal or Bhutan), is deemed to be of Indian origin if, (i) He/She held an Indian passport at any time, or (ii) He/She or His/Her father or paternal grand-father was a citizen of India by virtue of the constitution of India or the citizenship Act 1955, (57 of 1955). <p>Example:</p> <p>Mr. Vimal Verma, an Indian citizen on being employed in USA settles there and becomes a “Non-Resident Indian”. Mr Vimal Verma subsequently acquires American citizenship as per American law. He marries Ms Merry an American citizen of non-Indian parentage. Their son Ram Verma also becomes an American citizen. The status of Mr. Vimal Verma and his family shall be as under:</p> <ol style="list-style-type: none"> i. On getting employed in USA till acquiring American citizenship, Mr Vimal Verma was a Non Resident Indian. ii. Mr. Vimal Verma becomes a “Person of Indian Origin” on acquiring American citizenship since he was an Indian citizen earlier. iii. Mrs. Merry shall also be treated as a “Person of Indian Origin” being wife of Mr. Vimal Verma, a Person of Indian Origin (except for the purpose of acquiring or transferring an immovable property in India). iv. Mr. Ram Verma, son of Mr. Vimal Verma will be person of Indian origin since his father was an Indian citizen earlier. v. The grandchildren of Mr. Vimal Verma shall also be treated as “Person of Indian Origin” since their grandfather was an Indian citizen earlier. <p>(*The Government announced / introduced on 31.03.1999 PIO card for Persons of Indian Origin having foreign passports and living abroad.).</p>

OVERSEAS CORPORATE BODIES (OCB)

Sl. No	FAQ
1	<p data-bbox="219 217 763 240">What is an 'Overseas Corporate Body' [OCB]</p> <p data-bbox="219 284 2004 411"><u>Ans.</u> 'Overseas Corporate Body' means a company, partnership firm, society and other corporate body owned directly or indirectly to the extent of at least sixty percent by Non-Resident Indians and includes overseas trust in which not less than sixty percent beneficial interest is held by Non-Resident Indians directly or indirectly but irrevocably. OCBs were debarred from Portfolio Investment Scheme w.e.f November,29 2001. OCBs have been banned as a class of investor w.e.f September 16, 2003.</p> <p data-bbox="219 451 640 475">With effect from September 16,2003</p> <ul data-bbox="266 515 1563 614" style="list-style-type: none">a) No fresh account by whatever name called can be opened or maintained in the name of an OCB.b) No investment in any security shall be made by an OCB.c) No person resident in India shall borrow from, or lend to, an OCB either in foreign exchange or in Rupees.

FACILITIES AVAILABLE TO NON-RESIDENT INDIANS AND RETURNING INDIANS

The facilities available to NRIs, PIOs for making investment in India are as follows.

Sl. No	FAQ
1	<p>What are the types of Bank accounts** that can be maintained by an NRI/PIO?</p> <p>Ans: An NRI/PIO can maintain following accounts in India:</p> <ul style="list-style-type: none"> • Rupee Accounts <ul style="list-style-type: none"> - Non-Resident Ordinary Rupee Account - (NRO Account). - Non-Resident (External) Rupee Account - (NRE Account). • Foreign Currency Accounts. <ul style="list-style-type: none"> - Foreign Currency Non-Resident (Bank) Account - FCNR (B) Account. <p>** Details on each type of accounts is discussed below;</p>
2	<p>What are the Investments facilities available to NRIs on repatriation basis?</p> <p>Ans: NRI may, without limit, purchase on repatriation basis:</p> <ul style="list-style-type: none"> • Government dated securities/Treasury bills. • Units of domestic mutual funds. • Bonds issued by a public sector undertaking (PSU) in India. • Non-convertible debentures of a company incorporated in India. • Shares in Public Sector Enterprises being dis-invested by the Government of India, provided the purchase is in accordance with the terms and conditions stipulated in the notice inviting bids. • Shares and convertible debentures of Indian companies under FDI scheme (Including automatic route & FIPB), subject to the terms and conditions specified in Schedules 3 and 4 to the FEMA Notification No. 20/2000-RB dated May 3, 2000, as amended from time to time. • Shares and convertible debentures of Indian companies through stock exchange under Portfolio Investment Scheme, subject to the terms and conditions specified in Schedules 3 to the FEMA Notification No. 20/2000-RB dated May 3, 2000, as amended from time to time. • Perpetual debt instruments and debt capital instruments issued by banks in India.
3	<p>What are the Investment facilities available to NRIs on non-repatriation basis?</p> <p>Ans: NRI may, without limit, purchase on non-repatriation basis:</p> <ul style="list-style-type: none"> • Government dated securities /Treasury bills.

	<ul style="list-style-type: none"> • Units of domestic mutual funds. • Units of Money Market Mutual Funds in India. • National Plan/ Savings Certificates. • Non-convertible debentures of a company incorporated in India. • Shares and convertible debentures of Indian companies through stock exchange under Portfolio Investment Scheme, subject to the terms and conditions specified in Schedules 3 and 4 to the FEMA Notification No. 20/2000-RB dated May 3, 2000, as amended from time to time other than under Portfolio Investment Scheme. • Exchange traded derivatives contracts approved by SEBI, from time to time, out of INR funds held in India on non repatriable basis, subject to the limits prescribed by the SEBI
4	<p>Can an NRI Invest in Immovable Property in India?</p> <p>Ans: Yes. However he can not acquire immovable property in India such as agricultural land/plantation property or a farmhouse out of repatriable and non-repatriable funds.</p> <p>(Note: Citizen of Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Iran, Nepal and Bhutan would require prior approval of Reserve Bank of India.)</p>
5	<p>What are the facilities available to returning NRIs/PIO?</p> <p>Ans: Returning NRIs/PIO:</p> <ul style="list-style-type: none"> • May continue to hold, own, transfer or invest in foreign currency, foreign security or any immovable property situated outside India, if such currency, security or property was acquired, held or owned when resident outside India. • The income and sale proceeds of assets held abroad need not be repatriated. • May open, hold and maintain with an authorized dealer in India a Resident Foreign Currency (RFC) Account to transfer balances held in NRE/FCNR (B) accounts. Proceeds of assets held outside India at the time of return, can be credited to RFC account. The funds in RFC accounts are free from all restrictions regarding utilization of foreign currency balances including any restriction on investment in any form outside India.

Sl. No	FAQ
1	<p>Can accounts be maintained by NRIs with any bank in India?</p> <p>Ans: Banks holding authorized dealer’s license (i.e banks authorized to deal in foreign exchange) or banks specifically authorized in this behalf by the Reserve Bank of India(List available on Reserve Bank of India website) can only maintain accounts in the names of NRIs. Certain co-operative / Commercial banks (referred to as authorized banks) have been specifically permitted to maintain accounts of NRIs expressed in rupees even though they are not authorized dealers.</p>
2	<p>Can an existing resident account of an Indian be converted into NRO account once he leaves for Nepal or Bhutan with an intention to stay for uncertain period?</p> <p>Ans: No. When a person resident in India leaves for Nepal and Bhutan for taking up employment or for carrying on business or vocation or for any other purpose indicating his intention to stay in Nepal and Bhutan for an uncertain period, his existing account will continue as a resident account.</p>
3	<p>Can a person resident in Bhutan or Nepal open NRE/FCNR (B) accounts?</p> <p>Ans: In general not permitted. However Authorised Dealers may open and maintain NRE/FCNR (B) accounts of persons resident in Nepal and Bhutan who are citizens of India or of Indian origin, provided the funds for opening these accounts are remitted in free foreign exchange. Interest earned in NRE/FCNR (B) accounts can be remitted only in Indian rupees to NRIs and PIO resident in Nepal and Bhutan.</p>
4	<p>Can NRI account be opened in the name of crewmembers of shipping companies?</p> <p>Ans: Yes. NRI accounts can be opened in the name of crewmembers of shipping companies if their posting is not based in India and they derive their income from abroad in foreign currency. For sea-farers who travel overseas on cruise liners/other vessels, CDC booklet is a continuous discharge Certificate Booklet, which is a mandatory documentary requirement. As this book contains all the records of the exit and entries of the mariner, it can be accepted as a KYC document from a sea-farer who is not holding a Visa.</p>
5	<p>Can NRI maintain multiple accounts with different banks in India, simultaneously?</p> <p>Ans: Yes, there is no prohibition to open and maintain multiple accounts.</p>
6	<p>What are the documents that an NRI have to submit to open a NRE Account?</p> <p>Ans: Following documents need to be submitted by NRI to open an NRE Account:</p> <p>If NRIs visiting the branch personally:</p> <ol style="list-style-type: none"> 1. The photocopy of the relevant pages of the current passport where the name, address, date of birth, date and place of issue, expiry date, photograph, signature and stamp regarding stay outside India appear along with the original passport for verification. 2. Photocopy of valid work permit/employment visa.

	<p>3. Documentary proof for present address.</p> <p>4. Recent passport size photographs.</p> <p>Additional documents required for Minor Accounts.</p> <ul style="list-style-type: none"> • Minor's birth certificate. • Photocopy of guardian's passport and guardians photograph (signed on the front) along with the original passport for verification
7	<p>What are the documents a PIO have to submit to open a NRE Account?</p> <p>Ans: Following documents have to submit by PIO to open NRE Accounts:</p> <p>1. Copy of the relevant pages of the current passport.</p> <p>2. Atleast one of the following:</p> <ul style="list-style-type: none"> - Copy of the PIO Card* - Copy of past Indian Passport of Self/Parent/Grandparent along with a self- declaration about Indian origin: or - Self - declaration for PIO. <p>3. Documentary Proof for present address.</p> <p>4. Recent passport size photograph.</p>
8	<p>Can accounts be opened from abroad or should the NRIs/PIO come in person to open the accounts?</p> <p>Ans: NRI can open accounts from abroad by sending through post/courier duly filled and signed account opening form attested by notary/ Indian consulate / high commission / embassy or bankers where the account is maintained at present abroad, along with attested copies of passport and photographs (passport size).</p>
9	<p>Can NRI open a NRE - savings bank account with Zero balance?</p> <p>Ans: Yes, an individual taking up employment, business, vocation etc, prior to going abroad can open account with zero balance by duly completing account opening formalities viz copies of relevant passport pages, appointment order copy, Air ticket copy, visa copy and an undertaking stating that the funds would be remitted from abroad for crediting to the account with zero balance. Subsequently, he/she must remit funds to make the account operative within a reasonable time, and there after cheque book will be issued.</p>
10	<p>How and where does one open NRI account?</p> <p>Ans: NRI accounts (NRE/FCNR (B)/NRO) are accounts held by Authorised Dealer Banks in India. In order to open an account, the Account Opening Form, duly filled in along with all necessary documents as stated above, must be sent to the authorised dealer bank branch of their choice in India.</p>
11	<p>What is the status of account of a resident Indian becoming a Non-resident?</p> <p>Ans: When a person resident in India leaves for a country (other than Nepal or Bhutan) for taking up employment or for carrying on business or vocation outside India or for any other purpose indicating his intention to stay outside India for an uncertain period, his existing account should be</p>

	<p>designated as a Non-resident (Ordinary)(NRO) account.</p> <p>In case a person resident in India leaves for Nepal or Bhutan for taking up employment or for carrying on business or vocation or for any purposes indicating his intention to stay in Nepal or Bhutan for an uncertain period, his existing account will continue as a resident account. Such account should not be designated as Non-Resident (Ordinary) Account.</p>
12	<p>Is permission of the Reserve Bank required for opening NRE/NRO/FCNR accounts by Bangladesh / Pakistan individuals/entities?</p> <p>Opening of accounts by individuals/entities of Pakistan nationality and entities of Bangladesh nationality requires prior approval of the Reserve Bank. All such requests may be referred to the Chief General Manager-in-Charge, Foreign Exchange Department, Foreign Investment Division, Reserve Bank of India, Central Office, Mumbai - 400 001</p> <p>In the case of Bangladeshi individuals only, Authorised banks are permitted to open NRO accounts subject to certain conditions, as mentioned in AP (DIR) 82 dt. 11/02/2013.</p>

BANK ACCOUNT - Rupee Accounts

Non-Resident Ordinary (NRO) Accounts.

Any person resident outside India defined in Regulation 2 of FEMA Notification No. 5 dated May 3, 2000 may open NRO account in Indian Rupees with an authorized Bank for the purpose of putting through bonafide transactions, not involving any violation of the provisions of FEMA, Rules, Regulations made there under.

Opening of accounts by individuals/entities of Bangladesh/Pakistan nationality/ownership requires prior approval of Reserve Bank of India.

Sl. No	FAQ
1	<p>What are the different types of NRO Accounts?</p> <p>NRO Accounts may be opened/ maintained in the form of:</p> <ul style="list-style-type: none"> • NRO Savings Bank Account. • NRO Current Account. • NRO Term Deposits (ACC and Fixed Deposit) • NRO Recurring Deposit
2	<p>What are the permissible credits to NRO accounts?</p> <p><u>Ans:</u> The permissible credits to NRO account are:</p> <ul style="list-style-type: none"> (i) Proceeds of remittances from outside India through normal banking channels received in foreign currency which is freely convertible. (ii) Any foreign currency, which is freely convertible, tendered by the account holder during his temporary visit to India. Foreign currency

	<p>exceeding USD 5000 or its equivalent in the form of cash (currency notes) should be supported by currency declaration form. Rupee funds should be supported by encashment certificate, if they represent funds brought from outside India.</p> <p>(iii) Transfers from rupee accounts of non-resident banks.</p> <p>(iv) Legitimate dues in India of the account holder. This includes current income like rent, dividend, pension, interest, etc.</p> <p>(v) Sale proceeds of assets including immovable property acquired out of rupee/foreign currency funds or by way of legacy/inheritance.</p>
3	<p>What are the permissible debits to NRO accounts?</p> <p>Ans: The permissible debits to NRO account are:</p> <p>(i) All local payments in rupees including payments for investments in India subject to compliance with the relevant regulations made by the Reserve Bank.</p> <p>(ii) Remittance outside India of current income like rent, dividend, pension, interest, etc. in India of the account holder subject to payment of applicable taxes and furnishing of necessary documents as per RBI Guidelines.</p> <p>(iii) Remittance up to USD one million, per financial year (April- March), for all bonafide purposes, to the satisfaction of the Authorised Dealer bank, subject to payment of applicable taxes and furnishing of necessary documents as per RBI Guidelines.</p>
4	<p>Can NRO account be jointly held with Resident Indian?</p> <p>Ans: Yes. Account may be jointly held with Resident and/or Non Residents. Non-Resident can also give authorization to an Indian resident to operate the NRO Savings Bank account by submitting a Power of Attorney or other Authority letter.</p>
5	<p>Is there any restriction to number of joint account holders?</p> <p>Ans: No.</p>
6	<p>Is interest earned on NRO accounts a) repatriable? b) Credited to NRE Account?</p> <p>Ans:</p> <p>a) Yes, Interest earned on NRO accounts is repatriable, subject to payment of applicable taxes and furnishing of necessary documents as per RBI Guidelines.</p> <p>b) Interest earned on NRO deposits (Current Income) can be credited to NRE account subject to furnishing the following documents:</p> <ul style="list-style-type: none"> • Request Letter. • Form A2 & FEMA declaration. • Two originals of 15 CA and CB signed by the Chartered Accountant and the remitter. • Computation of Income along with a detailed bifurcation of the interest earned, given by the Chartered Accountant. • Interest Certificate or a copy of the last ITR filed. • Proof of tax payment.

7	<p>What are the conditions regarding a) Transfer of Funds from Non-Resident Ordinary (NRO) account to Non-Resident External (NRE) Account b) Repatriation of balances held in NRO accounts?</p> <p>Ans:</p> <p>a) A Non-Resident Indian (NRI) or a Person of Indian Origin (PIO) can transfer funds from NRO account to NRE account within the overall ceiling of USD one million per financial year subject to payment of tax, as applicable (i.e. as applicable if funds were remitted abroad). Such credit of funds to NRE account shall be treated as eligible credit in terms of paragraph 3(j) of Schedule-1 of Notification No. FEMA.5/2000-RB dated 3rd May 2000.</p> <p>b) A Non-Resident Indian (NRI) or a Person of Indian Origin (PIO) may remit an amount (net applicable taxes) up to USD one million, per financial year, out of the balances held in his Non- Resident (Ordinary) Rupee (NRO) account / sale proceeds of assets (inclusive of assets acquired by way of inheritance or settlement), for all bonafide purposes, subject to the satisfaction of the Authorized Dealer bank, and on production of an undertaking by the remitter and certificate by a Chartered Accountant in the format prescribed by Central Board of Direct Taxes, Circular No.10/2002 dated October 9, 2002 (Circular)(Certificate Format)</p>
8	<p>What is the rate of Interest applicable on these deposits?</p> <p>Ans: The Interest rates applicable on these deposits are at par with domestic deposits offered to Resident Indians and Interest income earned in NRO Bank accounts attracts income tax in India. The income tax rate may be subjected Double Tax Avoidance Agreement (DTAA) entered between Indian and country in which NRI's is resident. The tax rate is subject to change from time to time.</p>
9	<p>Can resident account (Savings Bank) be allowed to be operated by Non-resident after becoming NRI?</p> <p>Ans: Yes, for local payments. However when customer becomes Non-resident, his/her account should be re-designated into an NRO (Non-Resident Ordinary) account.</p>
10	<p>Whether funds in NRO account can be transferred to NRE/FCNR account?</p> <p>a) Ans: No. Funds from NRO account cannot be transferred to FCNR account since, funds in NRO account are not freely repatriable outside India. However, funds can be transferred from NRO account to NRE account within the overall ceiling of USD one million per financial year subject to payment of tax, as applicable (i.e. as applicable if funds were remitted abroad).</p>
11	<p>Whether nomination allowed in NRO accounts?</p> <p>Ans: Yes, NRIs can nominate either a resident or a non-resident as Nominee. However, only one nominee is permitted per account. Nominee can also be a minor in which case, guardian has to be appointed to receive payment on minor's behalf.</p>
12	<p>When a non resident is visiting India, can he use Travellers Cheques or Foreign Currency to open an account or credit his existing NRO Savings account?</p>

	<p>Ans: Yes. Travellers Cheques can be used to credit/open the account. NRIs bringing Foreign Currency Notes & Travellers Cheques will have to submit a Currency Declaration Form (CDF) to the customs authorities on arrival in India, if the foreign currency notes exceed USD 5,000 or combined value of Travellers Cheques and notes exceed USD 10,000. They must produce the original CDF for endorsement by the Bank.</p>
13	<p>Whether NRI on becoming resident can convert his NRO balance into RFC account?</p> <p>Ans: No. This is not permitted since NRO is non-repatriable account.</p>
14	<p>What is the status of account of a Non-Resident Indian becoming a Resident?</p> <p>Ans: NRO accounts may be re-designated as resident Rupee accounts on return of the account holder to India for taking up employment, or for carrying on business or vocation or for any other purpose indicating his intention to stay in India for an uncertain period. In case if he/she is only on a temporary visit to India, the account should continue to be treated as non-resident ordinary account during such visit.</p>
15	<p>What is the KYC procedure for opening bank accounts of Foreign students studying in India?</p> <p>Ans: The KYC procedure to be followed for opening bank accounts of foreign students studying in India is:</p> <ul style="list-style-type: none"> • NRO account of a foreign student can be opened on the basis of his/her passport(with appropriate visa & immigration endorsement), in the case of student who are unable to provide immediate address proof, as it contains the proof of identity and address in home country, along with a photograph and letter offering admission from the educational institution. • Within 30 days of opening the account, the foreign student should submit to the branch, a valid address proof giving local address, in the form of a rent agreement or letter from the educational institution as proof of living in a facility provided by the educational institution. • During the 30 days period, the account should be operated with a condition of allowing foreign remittances not exceeding \$1000 into the account and a cap of monthly withdrawal of Rs.50,000/-, pending verification of address. • On submission of proof of current address, the account would be treated as normal NRO account. <p>NOTE: Students of Pakistani nationality will need prior approval of the Reserve Bank for opening the account.</p>

NON RESIDENT (EXTERNAL) ACCOUNT: -

The Non-resident Indians (NRIs) and Persons of Indian origin (PIOs) are permitted to open and maintain Non-resident (External) accounts with authorized Banks.

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

Sl. No	FAQ
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1	<p>What are the different types of NRE Accounts?</p> <p>NRE accounts may be opened/maintained in the form of:</p> <ul style="list-style-type: none"> • NRE Savings Bank Account. • NRE Current Account. • NRE Term Deposits (ACC and Fixed Deposit) • NRE Recurring Deposit
2	<p>Can NRE account be held jointly with the residents?</p> <p>Ans: Yes. NRE accounts can be maintained jointly with resident close relative (as defined in section 6 of Company's Act, 1956) on former or survivor basis.</p>
3	<p>Who are eligible to operate the Bank account other than the NRI account holder?</p> <p>Ans: The resident close relative is eligible to operate the NRI's Bank account as a power of attorney holder of the account holder, subject to certain condition, during the life time of the NRI/PIO account holder. (please see Power of Attorney Section in this FAQ for more details)</p>
4	<p>Should all the NRIs desirous of opening joint accounts be residing in the same country?</p> <p>Ans: No, NRIs residing in different countries may open joint accounts.</p>
5	<p>What are the permitted credits to NRE accounts?</p> <p>Ans: The following are the permitted credits to NRE account:</p> <ol style="list-style-type: none"> 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 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 drafts are standing/endorsed in the name of the account holder. c) Proceeds of foreign currency/bank notes/ travellers cheques 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 accounts. e) Interest accruing on the funds held in the account. f) Interest on Government securities and dividend on units of mutual funds, provided the securities/units were purchased by debit to the account holder's NRE/FCNR account or out of inward remittance through normal banking channels. g) Maturity proceeds of Government securities including National Plan/Savings Certificates as well as proceeds of Government securities and units of mutual funds sold on a recognized stock exchange in India and sale proceeds of units received from mutual funds, provided the securities/units were originally purchased by debit to the account holders's NRE/FCNR account or out of remittances received from outside India in free foreign exchange. h) Refund of share/debenture subscriptions to new issues of Indian companies or portion thereof, if the amount of subscription was paid from the

	<p>same account or from other NRE/FCNR account of the account holder or by remittance from outside India through normal banking channels.</p> <p>i) Refund of application/earnest money made by the house building agencies on account of non-allotment of flat/plot, together with interest, if any (net of income tax payable thereon), provided the original payment was made out of NRE/FCNR account of the account holder or remittance from outside India through normal banking channels and the authorized dealer is satisfied about the genuineness of the transaction.</p> <p>j) Travellers Cheques can be used to credit NRE account. NRIs bringing Foreign currency Notes/Travellers cheques will have to submit a Currency Declaration Form (CDF) to the customs authorities on arrival in India, if the foreign currency notes exceeds USD 5,000 or combined value of Travellers Cheques or Foreign Currency notes exceeds USD 10,000 they must produce the original CDF for endorsement.</p> <p>k) Any other credit if covered under general or special permission granted by Reserve Bank.</p>
6	<p>What are the permitted debits to NRE accounts?</p> <p><u>Ans:</u> The following debits are permitted:</p> <p>a) Local disbursements. b) Remittances outside India. c) Transfer to NRE/FCNR account 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.</p>
7	<p>Can funds in NRE accounts be repatriated outside India?</p> <p><u>Ans:</u> Yes. Funds held in NRE accounts are freely repatriable.</p>
8	<p>What is the minimum and maximum period for NRE deposits?</p> <p><u>Ans:</u> The minimum period is one year and the maximum period is left to individual banks and in our case, presently it is 10 years.</p>
9	<p>Can NRE term deposits be value dated?</p> <p><u>Ans:</u> Deposits may be value dated depending on the date on which the funds are received by the Bank in its Nostro Account.</p>
10	<p>Is premature withdrawal of the NRE term deposit allowed?</p> <p><u>Ans:</u> Yes. No interest is payable where premature withdrawal of deposits takes place before completion of twelve months and Bank may levy penalty on such withdrawals as per their discretion. In other cases penalty will be levied as per the discretion of the Bank.</p>
11	<p>What is the rate of interest applicable on these deposits?</p> <p><u>Ans :</u> Banks are free to determine the interest rates of NRE savings bank deposits and NRE term deposits (of maturity one year and above). Interest rates offered by banks on NRE Deposits cannot be higher than those offered by them on comparable Domestic Rupee Deposits</p>
12	<p>Can NRI withdraw funds abroad from his NRE account in India?</p>

	<u>Ans:</u> Yes. NRI can withdraw permissible amount abroad from his NRE account by using International ATM cum debit card.
13	Whether funds held in NRE account are subject to any tax? <u>Ans:</u> No. Balances held in NRE account and interest there on are exempted from Income Tax in India.
14	Whether rupee loans can be availed in India against security of the funds held by way of NRE deposits to the account holder? <u>Ans:</u> Yes. Loans can be availed by the depositor without any ceiling, subject to usual margin requirements.
15	Whether rupee loans can be availed in India against security of the funds held by way of NRE deposits to the third party? <u>Ans:</u> Yes, loans can be availed by the third party without any ceiling, subject to usual margin requirements.
16	Whether funds from one NRE account to other NRE account is allowed? <u>Ans:</u> Yes. Funds can be freely transferred from one NRE account to another NRE account.
17	Whether NRI on becoming resident can convert his NRE balances into RFC account? <u>Ans:</u> Yes. It is allowed.
18	What is the distinction between NRE account and NRO account? <u>Ans:</u> The basic distinction between NRE & NRO accounts are as under; <ul style="list-style-type: none"> • Balances held in NRE account are freely repatriable, whereas funds in NRO account are not freely repatriable. Consequently, funds remitted from abroad or local funds which can otherwise be remitted abroad to the account holder can only be credited to NRE accounts. Funds which do not qualify, under the Exchange control regulations, for remittance outside India are required to be credited to NRO accounts. • Principal and interest of NRE account are exempted from income tax in India whereas tax is applicable on all NRO funds as per the prevailing guidelines (DTAA). • NRE account holders can use the funds either for domestic or for any purpose abroad whereas NRO account holders can use the funds only for domestic purposes. • NRE accounts can be opened jointly with resident close relative only on Former or Survivor basis with the former being the NRI and NRO accounts can be opened & operated jointly with resident Indian, on Either or Survivor basis.
19	Whether nomination allowed in NRE accounts? <u>Ans:</u> Yes, NRIs can nominate either a resident or a non-resident as Nominee. However, only one nominee is permitted per account. Nominee can also be a minor in which case, guardian has to be appointed to receive payment on minor's behalf.

20	<p>What is the status of Non Resident accounts on the return of the account holder to India?</p> <p>Ans: A returning Indian's NRE/FCNR (B) deposit accounts will continue till maturity and after maturity, (a) proceeds from NRE/FCNR (B) deposit can be kept in RFC account; (b) NRE-SB account has to be re-designated as General Savings Bank account and proceeds from above mentioned NRE/FCNR (B) deposit can also be credited in this re-designated General Savings Bank account.</p>
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FOREIGN CURRENCY (NON-RESIDENT) ACCOUNT (BANK) SCHEME:

NRIs/PIOs are eligible to open and maintain these accounts with an authorized bank. These accounts may be opened with funds remitted from outside India through normal banking channels or funds received in rupees by debit to the account of a non-resident (external) account or funds which are repatriable in nature in terms of the regulations made by Reserve Bank of India. Accounts may also be opened by transfer of funds from existing NRE/FCNR accounts.

Sl. No	FAQ
1	<p>What is FCNR (B) scheme and what are the types of accounts available under FCNR (B) scheme?</p> <p>Ans: FCNR (B) scheme is a term deposit account in foreign currency.</p> <p>There are two types of FCNR (B) scheme:</p> <ul style="list-style-type: none"> • FD Account (Fixed Deposit account): It is a scheme where interest is calculated and paid on half yearly basis (180 days). • ACC Account (Abhyudaya Cash Certificate Account): It is a cumulative deposit account scheme where interest is calculated on half yearly basis (180 days), and interest is reinvested along with principal amount until the maturity of the term deposit.
2	<p>What are the foreign currencies in which FCNR (B) accounts can be maintained?</p> <p>Ans: Can be maintained in any freely convertible currency (Subject to terms and conditions of the Bank and as per guidelines issued by FEDAI and RBI). At present FCNR accounts can be maintained in eight currencies with us viz. U.S. Dollars, Pound Sterling, Euro, Canadian Dollars, Australian Dollars, Japanese Yen, Swiss Francs and Swedish Kroner.</p>
3	<p>What is the minimum and maximum period for FCNR (B) deposits?</p> <p>Ans: The minimum period is one year and the maximum period is five years</p>
4	<p>Is premature withdrawal of the FCNR (B) term deposit allowed?</p> <p>Ans: Yes, However no interest is payable, where premature withdrawal of deposits takes place before completion of the minimum period prescribed and Bank may levy penalty on such withdrawals as per their discretion. In other cases subject to penalty at the discretion of the Bank</p>

5	<p>Are funds in FCNR (B) accounts freely repatriable?</p> <p>Ans: Yes. FCNR (B) accounts are freely repatriable.</p>
6	<p>What is meant by “Repatriation outside India”?</p> <p>Ans: 'Repatriation outside India' means the buying or drawing of foreign exchange from an authorised dealer in India and remitting it outside India through normal banking channels or crediting it to an account denominated in foreign currency or to an account in Indian currency maintained with an authorised dealer from which it can be converted into foreign currency</p>
7	<p>What is meant by “Repatriation to India”?</p> <p>Ans: 'Repatriate to India' means bringing into India the realized foreign exchange and :</p> <ul style="list-style-type: none"> (i) the selling of such foreign exchange to an authorized person in India in exchange for rupees, or (ii) the holding of realized amount in an account with an authorized person in India to the extent notified by the Reserve Bank, and includes use of the realized amount for discharge of a debt or liability denominated in foreign exchange and the expression "repatriation" shall be construed accordingly
8	<p>Can proceeds of FCNR (B) account be withdrawn in the form of Foreign Currency/Foreign Currency Travellers Cheques?</p> <p>Ans: Yes. However NRI can withdraw up to USD 2,000 in currency notes and balance in TCs or the entire amount in Travellers Cheques/Drafts or a part or the entire amount maybe repatriated by Telegraphic Transfers.</p>
9	<p>Are there any charges while remitting the FCNR (B) proceeds abroad?</p> <p>Ans: No.</p>
10	<p>Can FCNR (B) deposit in one currency be converted to a deposit in another currency?</p> <p>Ans: Yes. However, it would be prudent to do so only on maturity of the deposit so that there is no loss of interest.</p>
11	<p>Can FCNR (B) deposits be value dated?</p> <p>Ans: Deposits may be value dated depending on the date on which the funds are received by the Bank in its Nostro Account.</p>

12	<p>What is the interest payable on these deposits?</p> <p>Ans: The interest rates on these deposits are regulated by Reserve Bank of India and at present banks are allowed to quote interest rate linked to LIBOR (London Interbank offered Rate) as on last working day of the previous month for the respective currencies of corresponding maturities.</p>
13	<p>Whether joint account of two or more NRIs is permitted?</p> <p>Ans: Yes. Permitted.</p>
14	<p>Whether joint account with another resident in India is permitted?</p> <p>Ans: Yes. FCNR (B) accounts can be maintained jointly with resident close relative (as defined in section 6 of Company's Act, 1956) on former or survivor basis.</p>
15	<p>Whether nomination allowed in FCNR account?</p> <p>Ans: Yes, NRIs can nominate either a resident or a non-resident as Nominee. However, only one nominee is permitted per account. Nominee can also be a minor in which case, guardian has to be appointed to receive payment on minor's behalf.</p>

LOANS AGAINST PLEDGE OF NRI'S DEPOSITS:

Sl. No	FAQ
1	<p>Are FCNR (B)/NRE account holder eligible for loans/overdrafts against their fixed deposits?</p> <p>Ans Yes, without any ceiling, subject to usual margin requirements.</p>
2	<p>For what purpose can these loans be availed?</p> <p>Ans: Loans can be availed for the following activities.</p> <ol style="list-style-type: none"> 1. For personal purposes or for carrying on business activities. 2. For direct investment in India on non-repatriation basis by way of contribution of the capital of Indian firms/companies. 3. For acquisition of a flat/house in India for own residential use.
3	<p>Are there any prohibitions for the purpose for which the loan is availed?</p>

	<u>Ans:</u> The loan cannot be availed for the purpose of re-lending, carrying on agriculture or plantation activities or for investment in real estate business.
4	Can loan be granted against NRO Deposits? <u>Ans:</u> Yes, Loan can be granted against NRO Deposits, provided the loan/overdraft can be used domestically for personal purposes or for carrying on business activities other than (a) Re-lending (b) Agricultural/Plantation activities. (c) Real Estate Business.
5	Can Rupee loans be availed against NRE/FCNR (B) deposits in India by the depositor himself? <u>Ans.</u> Yes, without any ceiling, subject to usual margin requirements.
6	Can a loan be granted to third parties in India on the security of NRE/FCNR (B) deposits? <u>Ans:</u> Yes, without any ceiling, subject to usual margin requirements.
7	Can loans be availed abroad against the security of these deposits by the depositor? <u>Ans:</u> Yes. Provided no funds are remitted back to India and the loan proceeds are used abroad only.
8	Can the loans be availed abroad by third parties against the security of these deposits? <u>Ans:</u> Yes. Provided no funds are remitted back to India and the loan proceeds are used abroad only.
9	Can foreign currency loans be availed by third parties in India against the security of NRE/FCNR deposits? <u>Ans:</u> Yes.
10	What are the rates of interest charged on loans against NRE deposit? <u>Ans:</u> The rate of interest to be charged on NRE deposit loans is 2% above the interest rate allowed on deposits. (subject to change from time to time)
11	What are the rates of interest charged on loans against NRE \FCNR deposit to third parties? <u>Ans:</u> In case of deposit loans against third party deposits, interest rate is charged at Base Rate + 6.00% , presently at 17.00% p.a. (subject to change from time to time)
12	What is the interest rate on loans against FCNR to the depositors himself? <u>Ans:</u> The interest on loans against FCNR deposit to the depositor himself in India is charged at Base rate + 1.50%, presently at 12.50% p.a. (subject to change from time to time)

13	<p>Can loans raised against NRE/FCNR fixed deposits be repaid out of funds in NRO accounts?</p> <p>Ans: The loans raised against NRE deposits can be repaid out of NRO funds, but in such cases, the interest would be charged at commercial rate as in force from time to time.</p>
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INVESTMENT IN SECURITIES AND SHARES

	Company Shares and Debentures.
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A	Direct Investment without repatriation benefits
1	<p>Is permission of Reserve Bank required for NRIs to invest in proprietary/partnership concerns on non-repatriation basis?</p> <p>Ans:No. Reserve Bank has granted general permission to non-resident individuals of Indian nationality/origin to invest by way of capital contribution in any proprietary or partnership concern in India on non-repatriation basis provided the investee concern is not engaged in any agricultural/plantation activity/real estate business/ chit fund or is not a Nidhi company.</p>
2	<p>Is permission of Reserve Bank required for making investments in new issues of Indian companies on non-repatriation basis?</p> <p>Ans: No. Indian companies have been granted general permission to accept investments on non-repatriation basis, in shares/convertible debentures by way of new/rights issue provided the investee company does not carry on agricultural/plantation activity and/or real estate business or chit fund or is not a Nidhi company.</p>
3	<p>Is income/interest earned on investments held in India by NRIs on non- repatriation basis allowed to be repatriated?</p> <p>Ans: Yes. Only income/interest earned on investments can be repatriated subject to payment of Taxes and submission of necessary documents.</p>
B	Direct Investment with repatriation benefits
1	<p>Will repatriation of the original investment and/ or dividend income be freely permitted in case of investment with repatriation benefits?</p> <p>Ans: Yes. Repatriation of original investment will be permitted. Annual dividend/interest on equity shares/debentures can, also, be freely remitted subject to payment of taxes and on submission of necessary documents.</p>
2	<p>Can NRIs acquire shares of Public Sector Enterprises (PSEs) disinvested by Government of India and reissued to investors by inviting sealed tenders?</p> <p>Ans: Yes. Reserve Bank has granted general permission to NRIs to acquire shares of PSEs according to the terms and conditions stipulated in the notice inviting bids. The purchase consideration/bid money should be paid by way of remittance from abroad or by debit to their NRE/FCNR (B) accounts.</p>

(C)	Company Deposits
1	<p>Can NRIs keep deposits with companies in India with repatriation benefits?</p> <p>Ans: No. A company registered under Companies Act, 1956 or a body corporate created under an Act of Parliament or State Legislature shall not accept deposits on repatriation from a non-resident Indian.</p>
2	<p>Can NRIs keep deposits with companies in India on non-repatriation basis?</p> <p>Ans: Yes. A company registered under Companies Act, 1956 or a body corporate, a proprietary concern or a firm in India may accept deposits from a non-resident Indian on non-repatriation basis.</p>
3	<p>What is the period of deposits?</p> <p>Ans: The period of the deposits accepted by a proprietorship/ firm/companies from NRIs/PIOs should not exceed 3 years.</p>
4	<p>Are NRIs permitted to invest in Commercial Paper (CP) issued by Indian companies?</p> <p>Ans: Yes. General permission has been granted by the Reserve Bank to Indian companies to issue CP to NRI individuals subject to the conditions that the amount invested will not be repatriated outside India and such CPs are not transferable.</p>

MISCELLANEOUS

1	<p>What is a Nostro account?</p> <p>Ans: It is an account maintained with bank outside India (say Bank of New York, USA) by a bank in India (say KBL). It is maintained in different currencies with different banks in different countries. All transactions in Foreign Exchange are routed through the Nostro account with respect to the denominated currencies.</p>
2	<p>What is Vostro account?</p> <p>Ans: When a foreign bank (say Bank of New York, USA) opens a rupee account with a bank in India (say KBL), KBL would refer this account as Vostro account.</p>
3	<p>What is a Loro account?</p> <p>Ans: If a bank in India (say KBL) has an account with Bank of New York and another Indian bank (say SBI) wants to refer to that account while corresponding with Bank of New York, New York, then it would refer KBL's account as a Loro account.</p>

4	<p>What is spot transaction or spot rate?</p> <p><u>Ans:</u> When the payment in rupee & US \$ takes place after two business days after the transaction i.e on second day (T+2), it is called spot transaction or the rate quoted for the said transaction is called sport rate. (A spot transaction is an arrangement between buyer and seller to transact today and exchange assets and funds on following 2nd business day). This is due to the time involved in administration of the transactions, market practice and convention. In view of this, rates quoted in Indian market are generally on spot basis.</p>
5	<p>What is a Cash transaction or value Today?</p> <p><u>Ans:</u> A cash transaction is an arrangement between buyer and seller to transact and exchange of assets and funds immediately, on the same day.</p>
6	<p>What is a forward transaction?</p> <p><u>Ans:</u> A forward transaction is an arrangement between buyer and seller to transact today and exchange assets and funds at some future business day.</p>
7	<p>What is meant by Premium or Discount in forward transaction?</p> <p><u>Ans:</u> The forward rate (rate for forward transactions) of a currency is normally either costlier or cheaper than its Spot Rate (rate for spot transactions) depending on demand and supply. If the forward rate is more than the spot rate, then the currency is said to be under premium. If the forward rate is less than the spot rate, then the currency is said to be under discount.</p>
8	<p>What are the modes to remit funds from abroad?</p> <p><u>Ans:</u> The modes to remit funds from abroad are:-</p> <ul style="list-style-type: none"> ➤ SWIFT ➤ Draft/Cheque drawn on foreign centre or payable on local banks. ➤ Foreign currency/Traveller's cheque tendered by the NRI during temporary visit to India. ➤ Demand Draft issued by Exchange house in Gulf countries.
9	<p>How to remit funds from abroad to an account in India?</p> <p>Funds can be remitted by means of SWIFT through Nostro accounts maintained by us with our correspondent Banks as per details furnished below. Please give the instructions as " Please credit USD_____ to the USD account number 8033166096 of Karnataka Bank Ltd,(Swift - KARBINBB) held with Bank of New York, New York, USA (Swift- IRVTUS3N) for further credit to Account Number _____ of Mr./Mrs._____ with Karnataka Bank Ltd, _____ branch".</p>
10	<p>Can the Bank account with us be accessed through Internet?</p> <p><u>Ans:</u> Yes. Your Bank account with us can be access through Internet.</p>

11	<p>Whether Minors are eligible for - Internet Banking, Cheque Book and Debit card ?</p> <p>Ans: Internet Banking “Money click” facility is not available for accounts of Minors below 12 years of age. Money Click – Cyber Kids is a facility available to Minors between 12 and 18 years – Here the Minors can access their banking accounts online to view their account details. Above 18years can get access to all facilities available online.</p> <p>Cheque Book – Cheque book cannot be issued to Minors account.</p> <p>Debit Card – Not below 14 years.</p>
12	<p>What is IFS Code?</p> <p>Ans: IFS Code is Indian Financial System Code, which is an eleven digit alphanumeric code assigned by RBI to identify every bank branches uniquely, that are participating in RTGS/NEFT system in India.</p>
13	<p>What is Financial Year?</p> <p>Ans: A financial year (or fiscal year, or sometimes budget year) is a period used for calculating annual ("yearly") financial statements in businesses and other organizations.</p> <p>In India presently the Financial Year is reckoned as April – March.</p>
14	<p>Whether Debit Card can be issued to NRO account?</p> <p>Ans: Yes, Debit cards can be issued to NRO account only for domestic use and withdrawals abroad is not permitted from NRO account.</p>
15	<p>What is DTAA and who can avail the DTAA benefits?</p> <p>DTAA refers to a Double Taxation Avoidance agreement that India has with another country.</p> <p>A customer of the Bank currently qualifying as a tax resident of a country with a Double Taxation Avoidance Agreement with India may be eligible to avail himself of the benefit of reduced rates of tax deduction at source in India as compared with the standard rate of Indian tax deduction in respect of the interest on their NRO (Non Resident Ordinary) Deposits.</p>

OPERATIONS OF POWER OF ATTORNEY HOLDER

1.	<p>Can bank allow operations by Power of Attorney Holders?</p> <p>Ans: 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.</p>
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2.	<p>Can accounts be opened by the power of attorney holder in India on behalf of a non-resident?</p> <p>Ans: No.</p>
3	<p>Can NRI give Power of Attorney to a resident to operate his account and for making investments on his behalf?</p> <p>Ans: Yes, NRI can appoint a resident as his Power of Attorney holder to make all his local payment in rupees from his NRE/NRO accounts, including payments for eligible investments subject to compliance with relevant regulations made by Reserve Bank of India from time to time. A Power of Attorney holder can repatriate back the funds invested on repatriable basis only to the NRI account holder.</p>
4	<p>What are the restrictions imposed on the Power of Attorney holder?</p> <p>Ans: A Power of Attorney holder of NRI account cannot do the following acts:</p> <ul style="list-style-type: none"> • Open and close NRI accounts in the name of NRI. • Repatriate funds from accounts in the form of Demand draft/Telegraphic Transfer to persons other than account holder himself. • Make payment by way of gifts. • Transfer funds to other NRE accounts. • Cannot raise deposit loans/execute documents on behalf of NRI/OCB.(other loans may be permitted in case of Specific Power of Attorney issued to close relatives and loan applications being signed by the NRI account holder himself.) • Cannot tender Foreign Currency/Foreign Currency Travellers Cheques for credit of account.
5	<p>Can an NRI authorize a close relative to operate his NRE account?</p> <p>Ans: Yes, by giving a Letter of Authority in the specified format to the Branch where he maintains his account. The authority to operate the account is only for local disbursements. The close relative who is authorized will not have the power to make gifts, transfer funds to other NRE account or close the account.</p>

NOMINATION FACILITIES

1	<p>Is nomination allowed in NRO/NRE/FCNR accounts?</p> <p>Ans: Yes, NRIs can nominate either a resident or a non-resident as Nominee. However, only one nominee is permitted per account. Nominee can also be a minor in which case, guardian has to be appointed to receive payment on minor's behalf.</p>
2	<p>What is the benefit of nomination?</p>

	<p>Ans: According to the rules under Banking Regulation Act 1949 banks can pay the amount standing to the credit of the deceased depositors to his/her nominee.</p>
3	<p>Is repatriation of funds belonging to non-resident nominees permitted?</p> <p>Ans: Repatriation of funds from the deceased person's NRE\FCNR (B) account to the non-resident nominee is permitted. Funds held in the NRO account of the deceased NRI will be allowed to be credited to the non-resident nominee's NRO account only and no repatriation is permitted.</p>
4	<p>What happens when there is change of status from Resident to Non-Resident?</p> <p>Ans: When an Indian resident leaves India for a country (other than Nepal or Bhutan) for taking up employment, business or vacation outside India or for any other purpose indicating his intention to stay outside India permanently or for an uncertain period, he becomes a Non Resident Indian. On receipt of such information, domestic account of such person has to be designated as Non-Resident Ordinary(NRO) account</p>
5	<p>What happens when there is change of status from Non-Resident to Resident?</p> <p>Ans: Non Resident accounts may be re-designated as resident Rupee accounts on return of the account holder to India for taking up employment, or for carrying on business or vacation or for any other purpose indicating his intention to stay in India for an uncertain period. A returning Indian's NRE/FCNR (B) deposit accounts will continue till maturity and after maturity, (a) proceeds from NRE/FCNR (B) deposit can be kept in RFC account; (b) NRE-SB account has to be re-designated as General Savings Bank account. Where the account holder is only on a temporary visit to India, the account should continue to be treated as non-resident during such visit.</p>
6	<p>When is a non-resident is treated as resident?</p> <p>Ans: Immediately upon return of the account holder to India for taking up employment or for carrying on business or vocation or for any other purpose indicating his/her intention to stay in India for an uncertain period, a non-resident becomes resident.</p>
7	<p>Does the account holder suffer any loss of interest on such re-designation of accounts?</p> <p>Ans: No. Banks have been advised to continue to pay interest at the contacted rate till the maturity of the deposit if the deposit is held for the full term even after conversion into resident rupee account.</p>
8	<p>On return to India, can the NRI retain his assets abroad?</p> <p>Ans: Yes, on return to India, NRI need not declare or surrender their foreign currency assets and the income earned thereon.</p>
9	<p>Can NRIs hold funds acquired overseas in foreign currency account in India?</p> <p>Ans: Yes. They can be held in RFC (Resident Foreign Currency) Accounts in the form of Current/Savings/Fixed deposit accounts.</p>

10	<p>Who is Resident but Not Ordinarily Resident? Ans: An Individual is treated to be Not Ordinarily Resident in India in any previous year if he/she-</p> <p>a) Has been a non-resident in India in 9 out of the 10 previous years preceding the previous year, or b) Has during the seven previous years preceding that year, been in India for a period of or periods amounting in all to 729 days or less.</p>
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FEATURES AT A GLANCE OF VARIOUS DEPOSIT SCHEMES AVAILABLE TO NON-RESIDENT INDIANS (NRIS)

Particulars	FCNR (B)	NRE Account	NRO Account
(1)	(2)	(3)	(4)
Who can open an account	All NRIs except Individuals /entities of Bangladesh/Pakistan nationality/ownership who require prior approval of RBI	All NRIs except Individuals, entities of Bangladesh /Pakistan nationality /ownership who require prior approval of RBI.	Any person resident outside India (other than a person resident in Nepal and Bhutan). (Individuals / Pakistan nationality /ownership as well as erstwhile OCBs require prior approval of RBI)
Joint Account	In the names of two or more non-resident individuals provided all the account holders are persons of Indian nationality or origin; Resident close relative (relative as defined in Section 6 of the Companies Act, 1956) on 'former or survivor' basis.	In the names of two or more non-resident individuals provided all the account holders are persons of Indian nationality or origin; Resident close relative (relative as defined in Section 6 of the Companies Act, 1956) on 'former or survivor' basis.	May be held jointly with residents
Nomination	Permitted	Permitted	Permitted
Currency in which accounts denominated	Any permitted currency i.e. a foreign currency which is freely convertible, presently, you can open with us FCNR(B) accounts denominated in Pound Sterling, US Dollar, Japanese Yen, Euro, Canadian Dollar and Australian Dollar, Swiss Francs and Swedish Kroner.	Indian Rupees	Indian Rupees
Repatriability	Repatriable	Repatriable	Not repatriable except for the following: 1) Current Income 2) Up to USD 1 million per financial year (April-March), for any bonafide purpose out of the balance in the account/sale proceeds of assets in India acquired by way of inheritance/legacy inclusive of assets acquired out of settlement subject to certain conditions.
Type of Account	Term Deposits only	Savings, Current, Term Deposit (FD & ACC), Recurring Deposit (CDs).	Savings, Current, Term Deposit (FD & ACC), Recurring Deposit (CDs).

Period for fixed deposits	For terms not less than 1 year and not more than 5 years	At the discretion of the Bank, but for term not less than 1 year and not more than 10 years	As applicable to resident accounts.
Rate of Interest	Linked to LIBOR/SWAP rates (London Interbank offered rate).	Deregulated and left to the discretion of the bank. However interest rates offered by banks on NRE deposits cannot be higher than those offered on Domestic Deposits.	Banks are free to determine interest rates for term deposits.

TAX AT A GLANCE

Type of Income	Tax Incidence in case of		
	Resident	Resident but not Ordinarily Resident	Non-Resident
Income received or deemed to be received in India, wherever accrued, unless exempted	Taxable	Taxable	Taxable
Income accrued or arisen or deemed to be accrued or arisen in India, wherever received, unless exempted	Taxable	Taxable	Taxable
Income received and accrued outside India from a business/profession controlled in India	Taxable	Taxable	Exempt
Income received and accrued outside India from a business/profession outside India	Taxable	Exempt	Exempt
Income earned and received outside India, subsequently remitted to India (At the time of remittance)	Exempt	Exempt	Exempt

FOREIGN CORRESPONDENT BANKS OF KARNATAKA BANK, ABROAD

SI No	Currency	Name of the Bank		Nostro A/C No	Swift Code
1	USD	Bank of New York, Mellon	New York	8033166096	IRVTUS3N
2	USD	Wells Fargo Bank, N.A (Formerly known as Wachovia Bank)	New York	2000193003637	PNBPUS3NNYC
3	USD	Citi Bank, N.A	New York	36252322	CITIUS33
4	USD	HSBC Bank, USA	New York	000-033-839	MRMDUS33
5	EURO	The Royal Bank of Scotland N.V (Formerly known as ABN Amro Bank AG)	Frankfurt	56.02.233/008	ABNADEFFRA
6	EURO	Commerz Bank, Frankfurt	Germany	400-87-50960-00	COBADEFFXXX
7	GBP	Barclays Bank PLC	London	80414042	BARCGB22
8	GBP	National Westminster Bank PLC	London	0445-6009	NWBKGB2L
9	GBP	Standard Chartered Bank,	London	01252498801	SCBLGB2L
10	CAD	Citi Bank, Canada	Toronto	2017608003	CITICATT
11	CHF	UBS AG, Zurich	Switzerland	0230-94863,05Q	UBSWCHZH80A
12	JPY	The Bank of New York, Tokyo	Japan	5340053950	IRVTJPJX
13	SEK	Skandinaviska Enskilda Banken, Stockholm	Sweden	5201 85 45507	ESSESESS
14	SGD	Bank of India	Singapore	3618320001	BKIDSGSG
15	AUD	Hongkong Bank of Australia, Melbourne	Australia	001-795699-041	HKBAAU2SMEL
16	HKD	Standard Chartered Bank	Hong Kong	447-094-355-79	SCBLHKHH
17	AED	Mashreq Bank PSC,	Dubai	0195511404	BOMLAEAD

FOREIGN INWARD REMITTANCE - TIPS

For transferring funds from a foreign country through our Nostro account, for crediting an account with any of our branches, the remitter abroad is required to fill up the particulars in the funds transfer application for smooth transfer of funds to the ultimate beneficiary.

1. Pay to (Field 56 : Intermediary Bank)	<ul style="list-style-type: none">- Name and Address of our Correspondent Bank for the respective currency- Swift Code : (here mention the swift code of the correspondent bank)- Bank Clearing Code : (here FEDWIRE Routing No/ CHIPS ABA No of the correspondent, for remittance in USD and CHAPS SORT code of the correspondent for remittance in Pound Sterling and IBAN No of correspondent for remittance in EURO)
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2.For Credit of (Field 57)	- Beneficiary Bank: here they have to give Karnataka Bank SWIFT BIC : KARBINBB - Account No..... (our Nostro account number with the correspondent Bank)
3. Beneficiary Customer. (Field 59: Ultimate beneficiary)	- Karnataka Bank ofBranch -Name..... (beneficiary account holder name) -Account Number..... (beneficiary 16 digit account number)
4. Remittance Information. (Field 72)	They have to mention purpose of remittance – eg. For opening FCNR for....years / for NRE deposit for... years / for crediting NRE/NRO SB account..... etc.

The remittance information should be clearly indicated to avoid wrong conversion of funds meant for depositing in FCNR (B) deposits into Indian Rupees. The conversion and re-conversion to foreign currency may entail loss to the depositor due to rate change

PART - B

FACILITIES AVAILABLE TO RESIDENT INDIANS

Introduction:

The legal framework for administration of foreign exchange transactions in India is provided by the Foreign Exchange Management Act, 1999. Under the act, all transactions involving foreign exchange has been classified either a Capital or Current Account transactions. All transactions undertaken by the resident that do not alter his assets or liabilities outside India are current account transactions. In terms of Section 5 of the FEMA, persons resident in India are free to buy or sell foreign exchange for any current account transaction except for those transactions for which drawal of foreign exchange has been prohibited by Central Government.

1	<p>Who is a resident? Ans:A 'Person resident in India' is defined in Section 2(v) of FEMA, 1999 as: A person residing in India for more than one hundred and eight-two days during the course of the preceding financial year but does not include:</p> <p>c. A person who has gone out of India or who stays outside India, in either case-</p> <ul style="list-style-type: none"> - for taking up employment outside India, or - for carrying on outside India a business or vocation outside India, or - for any other purpose, in such circumstances as would indicate his intention to stay outside India for an uncertain period. - A Student who has gone abroad for studies. <p>d. A person who has come to or stays in India, in either case, otherwise than-</p>
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	<p>5) for taking up employment in India, or 6) for carrying on in India a business or vocation in India, or 7) for any other purpose, in such circumstances as would indicate his intention to stay in India for an uncertain period; any person or body corporate registered or incorporated in India, an office, branch or agency in India owned or controlled by a person resident outside India, an office, branch or agency outside India owned or controlled by a person resident in India.</p> <p>That is to qualify as a resident the person concerned will have to fulfill the criterion regarding (a) the duration of stay and (b) the purpose of stay.</p>
2	<p>From where one can buy foreign exchange? <u>Ans:</u> Foreign exchange can be purchased from any authorized dealer. Besides authorized dealers, full-fledged money changers are also permitted to release exchange for business and private visits.</p>
3	<p>Who is an Authorized Dealer in foreign exchange? <u>Ans.</u> Authorized dealers in foreign exchange are those Banks/entities in India permitted by Reserve Bank of India under section 10(1) of the Foreign Exchange Management Act, 1999, which alone are entitled to engage in foreign exchange transactions with each other, with non-residents and with resident non banking clients for certain approved purposes.</p>
4	<p>How much exchange is available for a business trip? <u>Ans:</u> For business trips abroad to countries, other than to Nepal and Bhutan, a person can avail of foreign exchange up to USD 25,000 per visit. Visits in connection with attending of an international conference, seminar, specialised training, study tour, apprentice training, etc., are treated as business visits. Release of foreign exchange exceeding USD 25,000 for business travel abroad (other than to Nepal and Bhutan), irrespective of the period of stay, requires prior permission from the Reserve Bank.</p>
5	<p>How much foreign exchange can be drawn for medical treatment abroad? <u>Ans:</u> Authorized dealers, may release foreign exchange up to USD 100,000 or its equivalent to resident Indians for medical treatment abroad on self declaration basis, without insisting on any estimate from a hospital/doctor in India/abroad. A person visiting abroad for medical treatment can obtain foreign exchange exceeding the above limit, provided the request is supported by an estimate from a hospital/doctor in India/abroad. An amount up to USD 25,000 is allowed for maintenance expenses of a patient going abroad for medical treatment or check-up abroad, or to a person for accompanying as attendant to a patient going abroad for medical treatment/check-up. The amount of USD 25,000 allowed to the patient going abroad is in addition to the limit of USD 100,000 mentioned above.</p>
6	<p>What are the facilities available to students for pursuing their studies abroad? <u>Ans:</u> For studies abroad the estimate received from the institution abroad or USD 100,000, per academic year, whichever is higher, may be availed of from Authorized dealers. Students going abroad for studies are treated as Non-Resident Indians (NRIs) and are eligible for all the facilities available to NRIs under FEMA, 1999. Educational and other loans availed of by students as residents in India can be allowed to continue. A student holding NRO account</p>

	<p>may withdraw and repatriate up to USD 1 million per financial year from his NRO account. The student may avail of an amount of USD 10,000 or its equivalent for incidental expenses out of which USD 3000 or its equivalent may be carried in the form of foreign currency while going for study abroad.</p>
7	<p>How much foreign exchange can one buy when traveling abroad on private visits to a country outside India?</p> <p>Ans: For private visits abroad, other than to Nepal and Bhutan, viz., for tourism purposes, etc., any resident can obtain foreign exchange up to an aggregate amount of USD 10,000, from an Authorised Dealer, in any one financial year, on self-declaration basis, irrespective of the number of visits undertaken during the year. This limit of USD 10,000 or its equivalent per financial year for private visits can also be availed of by a person who is availing of foreign exchange for travel abroad for any purposes, such as, for employment or immigration or studies.</p>
8	<p>How much foreign exchange is available to a person going abroad on employment?</p> <p>Ans: A person going abroad for employment can draw foreign exchange up to USD 100,000 from any Authorised Dealer in India on the basis of self-declaration.</p>
9	<p>How much foreign exchange is available to a person going abroad on emigration?</p> <p>Ans: A person going abroad on emigration can draw foreign exchange from Authorized dealer up to the amount prescribed by the country of emigration or USD 100,000. He can draw foreign exchange up to USD 100,000 on self- declaration basis from an Authorised Dealer in India This amount is only to meet the incidental expenses in the country of emigration. No amount of foreign exchange can be remitted outside India to become eligible or for earning points or credits for immigration. All such remittances require prior permission of the Reserve Bank. If requirement exceeds USD 100,000, the person is to obtain the prior approval from the Reserve Bank.</p>
10	<p>Is there any category of visit which requires prior approval from the Reserve Bank or Govt of India?</p> <p>Ans: Dance troupes, artistes, etc., who wish to undertake cultural tours abroad, should obtain prior approval from the Ministry of Human Resources Development (Department of Education and Culture), Government of India, New Delhi.</p>
11	<p>How much foreign exchange can be purchased in foreign currency notes while buying exchange for travel abroad?</p> <p>Ans: Travellers going to all countries other than (a) and (b) below are allowed to purchase foreign currency notes / coins only up to USD 3000. Balance amount can be carried in the form of travellers cheque or banker's draft. Exceptions to this are (a) travellers proceeding to Iraq and Libya who can draw foreign exchange in the form of foreign currency notes and coins not exceeding USD 5000 or its equivalent; (b) travellers proceeding to the Islamic Republic</p>

	of Iran, Russian Federation and other Republics of Commonwealth of Independent States who can draw entire foreign exchange in the form of foreign currency notes or coins.
12	<p>Can an individual resident Indian borrow money from his close relatives outside India?</p> <p>Yes, an individual resident Indian can borrow sum not exceeding USD 250,000 or its equivalent from his close relatives(relative as defined in Section 6 of the Companies Act, 1956) staying outside India, subject to the conditions that:</p> <ul style="list-style-type: none"> i. the minimum maturity period of the loan is one year; ii. the loan is free of interest; and iii. the amount of loan is received by inward remittance in free foreign exchange through normal banking channels or by debit to the NRE/FCNR(B) account of the NRI.
13	<p>Can an individual resident lend money to his close relative NRI / PIO?</p> <p>Yes, an individual resident can lend money by way of crossed cheque /electronic transfer within the overall limit of USD 75,000per financial year under the Liberalised Remittance Scheme, to meet the borrower’s personal or business requirements in India, subject to conditions. The loan should be interest free and have a maturity of minimum one year and cannot be remitted outside India.</p>
14	<p>Can an individual resident repay loans of close relative NRIs to banks in India?</p> <p>Yes, where an authorised dealer in India has granted loan to a non-resident Indian such loans may also be repaid by resident close relative (relative as defined in Section 6 of the Companies Act, 1956), of the Non-Resident Indian by crediting the borrower's loan account through the bank account of such relative.</p>
15	<p>Can Exchange Earners Foreign Currency (EEFC) accounts be held jointly with a -resident Indian?</p> <p>Yes, EEFC account of a resident individual can be held jointly with a resident close relative on a ‘former or survivor’ basis.</p> <p>However, such resident Indian close relative will not be eligible to operate the account during the life time of the resident account holder.</p>
16	<p>Can a resident individual gift shares/securities/convertible debentures etc to NRI close relative?</p> <p>Yes, a resident individual is permitted to gift shares/securities/convertible debentures etc to NRI close relative up to USD 50,000 per financial year subject to certain conditions.</p>
17	<p>Can a resident individual give rupee gifts to his visiting NRI/PIO close relatives?</p> <p>Yes, a resident individual can give rupee gifts to his visiting NRI/PIO close relatives by way of crossed cheque/electronic transfer within the overall limit of</p>

	USD 75,000 per financial year for the resident individual and the gifted amount should be credited to the beneficiary's NRO account.
18	<p>What types of services can be provided by a resident individual to his / her non-resident close relatives?</p> <p>A resident may make payment in rupees towards meeting expenses on account of boarding, lodging and services related thereto or travel to and from and within India of a person resident outside India who is on a visit to India. Further, where the medical expenses in respect of NRI close relative are paid by a resident individual, such a payment being in the nature of a resident to resident transaction may also be covered under the term "services".</p>
19	<p>Do the same Rules apply to persons going for studies abroad?</p> <p>Ans: For the purpose of studies abroad, foreign exchange for maintenance expenses is released in the form of (i) currency notes upto USD 2,000 (ii) the balance can be taken in the form of traveler's cheques or bank draft payable abroad.</p>
20	<p>Can one pay by cash full rupee equivalent of foreign exchange being purchased for travel abroad?</p> <p>Ans: Foreign exchange for travel abroad can be purchased from an authorized person against rupee payment in cash only up to Rs.50,000/-. However, if the Rupee equivalent exceeds Rs.50,000/-, the entire payment should be made by way of a crossed cheque/ banker's cheque/ pay order/ demand draft/ debit card / credit card / prepaid card only.</p>
21	<p>Is there any time frame for a traveler who has returned to India to surrender foreign exchange?</p> <p>Ans: On return from a foreign trip, travellers are required to surrender unspent foreign exchange held in the form of currency notes and travellers cheques within 180 days of return. However, they are free to retain foreign exchange up to USD 2,000, in the form of foreign currency notes or TCs for future use or credit to their Resident Foreign Currency (Domestic) [RFC (Domestic)] Accounts.</p>
22	<p>How much foreign exchange can a resident individual send as gift / donation to a person resident outside India?</p> <p>Ans: Any resident individual, if he so desires, may remit the entire limit of USD 75,000 in one financial year under LRS as gift to a person residing outside India or as donation to a charitable/educational/ religious/cultural organization outside India. Remittances exceeding the limit of USD 75,000 will require prior permission from the Reserve Bank.</p>
23	<p>How much foreign exchange can be brought in while visiting India?</p> <p>Ans: A person coming into India from abroad can bring with him foreign exchange without any limit. However, if the aggregate value of the foreign exchange in the form of currency notes, bank notes or travellers cheques brought in exceeds USD 10,000 or its equivalent and/or the value of foreign currency alone exceeds USD 5,000 or its equivalent, it should be declared to the Customs Authorities at the Airport in the Currency Declaration Form (CDF), on arrival in India.</p>

24	<p>Can a resident open a foreign currency denominated account in India?</p> <p>Ans: Yes. Persons resident in India are permitted to maintain foreign currency accounts in India under the following three schemes:</p> <ul style="list-style-type: none"> A. Exchange Earners Foreign Currency Accounts. B. Resident Foreign Currency Accounts. C. Resident Foreign Currency (Domestic) Accounts.
25	<p>What is Exchange Earners Foreign Currency (EEFC) Account?</p> <p>Ans: Exchange Earners' Foreign Currency Account (EEFC) is an account maintained in foreign currency with an Authorised Dealer bank. It is a facility provided to the foreign exchange earners, including exporters, to credit 100 per cent of their foreign exchange earnings to the account, so that the account holders do not have to convert foreign exchange into Rupees and vice versa, thereby minimizing the transaction costs. All categories of resident foreign exchange earners can credit up to 100 % of their foreign exchange earnings to their EEFC account with an authorized dealer in India, subject to the condition that the sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments. Accordingly, balances outstanding in an EEFC account as on July 31, 2012 and those balances that would accrue in the account with effect from August 1, 2012 shall get converted to Rupee balances on or before close of business on September 30, 2012. Similar procedure may be followed for accruals during the subsequent months. Funds held in EEFC account can be utilized for all permissible current account transactions and also for approved capital account transactions as specified by the extant Rules/Regulations/ Notifications/ Directives issued by the Government/RBI from time to time. The account is maintained in the form of a non-interest bearing current account. The above stipulations would also apply to RFC (Domestic) and Diamond Dollar accounts.</p> <p>(Q26 & 27 give information on RFC accounts).</p>
26	<p>What is Resident Foreign Currency (RFC) Accounts?</p> <p>Ans: A person resident in India may open, hold and maintain with an Authorised Dealer in India a Resident Foreign Currency (RFC) Account to keep their foreign currency assets which were held outside India and at the time of return can be credited to such accounts. The foreign exchange received as (i) pension of any other superannuation or other monetary benefits from the employer outside India; (ii) received or acquired as gift or inheritance from a person referred to sub-section (4) of section 6 of FEMA, 1999 or (iii) referred to in clause (c) of section 9 of the Act or acquired as gift or inheritance there from or (iv) received as the proceeds of life insurance policy claims/maturity/ surrender values settled in foreign currency from an insurance company in India permitted to undertake life insurance business by the Insurance Regulatory and Development Authority; may also be credited to this account. RFC account can be maintained in the form of current or savings or term deposit accounts. The funds in RFC account are free from all restrictions regarding utilisation of foreign currency balances including any restriction on investment outside India.</p>
27	<p>What is Resident Foreign Currency (Domestic) Account?</p>

	<p>Ans: A resident Individual may open, hold and maintain with an Authorized Dealer in India, a Resident Foreign Currency (Domestic) Account, up to 100 % of their foreign exchange earnings, out of foreign exchange acquired in the form of currency notes, Bank notes and travellers cheques, from any of the sources like, payment for services rendered abroad, as honorarium, gift, services rendered or in settlement of any lawful obligation from any person not resident in India. The account may also be credited with/opened out of foreign exchange earned abroad like proceeds of export of goods and/or services, royalty, honorarium, etc., and/or gifts received from close relatives (as defined in the Companies Act) and repatriated to India through normal banking channels. The account shall be maintained in the form of Current Account and shall not bear any interest and is subject to the condition that the sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments There is no ceiling on the balances in the account. The account may be debited for payments made towards permissible current and capital account transactions.</p>
28	<p>Can a person resident in India hold, own, transfer or invest in foreign currency, foreign security or any immovable property situated outside India if such currency, security or property was acquired, held or owned by such person when he was resident outside India or inherited from a person who was resident outside India?</p> <p>Ans: Yes. A person resident in India may freely utilise all their eligible assets abroad as well as income on such assets or sale proceeds thereof received after their return to India for making any payments or to make any fresh investments abroad without approval of Reserve Bank, provided the cost of such investments and/ or any subsequent payments received therefore are met exclusively out of funds forming part of eligible assets held by them and the transaction is not in contravention to extant FEMA provisions.</p>
29	<p>Can a Resident (general) account be jointly held with NRI?</p> <p>Ans. NRI close relative (relatives as defined in Section 6 of the Companies Act, 1956) can be a joint holder with the resident account holder, in existing / new resident bank accounts, on “Either or Survivor” basis subject to certain conditions.</p>

LIBERALISED REMITTANCE SCHEME (LRS) OF USD 75000

1	<p>What is the Liberalised Remittance Scheme (LRS) of USD 75,000?</p> <p>Ans: Under the Liberalised Remittance Scheme, all resident individuals, including minors, are allowed to freely remit up to USD 75,000per financial year (April – March) for any permissible current or capital account transaction or a combination of both.</p>
2	<p>What are the purposes for which remittance can be made under the scheme?</p> <p>Ans: This facility is available for making remittances for any permissible current or capital account transaction or a combination of both. It is not available for purposes specifically prohibited under Foreign Exchange Management Rules, 2000.</p>
3	<p>Who is eligible to avail of this Liberalised Remittance Facility?</p>

	Ans: The facility is available to resident individuals only.
4	<p>What are the lists of capital account transactions permitted under the LRS scheme?</p> <p>Ans.: Under the Scheme, resident individuals can acquire and hold immovable property or shares or debt instruments or any other assets outside India, without prior approval of the Reserve Bank. Individuals can also open, maintain and hold foreign currency accounts with banks outside India for carrying out transactions permitted under the Scheme.</p>
5	<p>What are the prohibited items under the LRS Scheme?</p> <p>Ans: The remittance facility under the Scheme is not available for the following:</p> <ul style="list-style-type: none"> i) Remittance for any purpose specifically prohibited under Schedule-I (like purchase of lottery tickets/sweep stakes, proscribed magazines, etc.) or any item restricted under Schedule II of Foreign Exchange Management (Current Account Transactions) Rules, 2000; ii) Remittance from India for margins or margin calls to overseas exchanges / overseas counterparty; iii) Remittances for purchase of FCCBs issued by Indian companies in the overseas secondary market; iv) Remittance for trading in foreign exchange abroad; v) Remittance by a resident individual for setting up a company abroad; vi) Remittances directly or indirectly to Bhutan, Nepal, Mauritius and Pakistan; vii) Remittances directly or indirectly to countries identified by the Financial Action Task Force (FATF) as “non co-operative countries and territories”, from time to time; and viii) Remittances directly or indirectly to those individuals and entities identified as posing significant risk of committing acts of terrorism as advised separately by the Reserve Bank to the banks.
6	<p>Whether LRS facility is in addition to existing facilities detailed in Schedule III under remittances?</p> <p>Ans: Yes, The facility under the Scheme is in addition to those already available for private travel, business travel, studies, medical treatment, etc., as described in Schedule III of Foreign Exchange Management (Current Account Transactions) Rules, 2000. The Scheme can also be used for these purposes.</p> <p>However, remittances for gift and donation can not be made separately and have to be made under the Scheme only. Accordingly, resident individuals can remit towards gifts and donations up to USD 75,000per financial year under the Scheme.</p> <p>Further, a resident individual can give rupee gifts to his visiting NRI/PIO close relatives [means relative as defined in Section 6 of the Companies Act, 1956] by way of crossed cheque/electronic transfer within the overall limit of USD 75,000per financial year for the resident individual and the gifted amount should be credited to the beneficiary’s NRO account. An individual resident can lend money by way of crossed cheque /electronic transfer to a Non resident Indian (NRI)/ Person of Indian Origin (PIO) close relative [means relative as defined in Section 6 of the Companies Act, 1956] within the overall limit of USD 75,000per financial year under the Liberalised Remittance Scheme, to meet the borrower’s personal or business requirements in India, subject to conditions. The loan should be interest free and have a maturity of minimum one year and cannot be remitted outside India.</p>
7	Whether minors can also avail of the remittance facility?

	Ans: The facility is available to all the resident individuals including minors, However the LRS declaration form should be countersigned by the minor's natural guardian.
8	Whether remittances under the facility can be consolidated in respect of family members? Ans: Remittances under the facility can be consolidated in respect of family members subject to the individual family members complying with the terms and conditions of the Scheme.
9	Whether small value remittance of USD 5000 (gift, donations, etc) is in addition to LRS of USD 75,000? Ans: No, Remittance against gifts and donations cannot be made separately and have to be made under the Scheme only and therefore, no separate limits for gift and donations are available.
10	Is the AD required to check permissibility of remittances based on nature of transaction or allow the same based on remitters declaration? Ans. AD will be guided by the nature of transaction as declared by the remitter and will certify that the remittance is in conformity with the instructions issued by the Reserve Bank, in this regard from time to time
11	Whether it is mandatory for resident individual to have PAN number for sending outward remittances under the Scheme? Ans: Yes, It is mandatory to have PAN number to make remittances under the LRS scheme.
12	Can an individual, who has availed of a loan abroad while as a non-resident Indian can repay the same on return to India, under this Scheme as a resident? Ans: Yes, permissible.
13	In case a resident individual requests for an outward remittance by way of issuance of a demand draft (either in his own name or in the name of the beneficiary with whom he intends to putting through the permissible transactions) at the time of his private visit abroad, whether the remitter can effect such an outward remittance against self-declaration? Ans: Such outward remittance in the form of a DD can be effected against the declaration by the resident individual in the format prescribed under the Scheme
14	Are there any restrictions on the frequency of the remittance? Ans: There is no restriction on the frequency. However, the total amount of foreign exchange purchased from or remitted through, all sources in India during a financial year should be within the cumulative limit of USD 75,000.
15	Can an individual, who has repatriated the amount remitted during the financial year, avail of the facility once again? Ans: Once a remittance is made for an amount up to USD 75,000 during the financial year , he would not be eligible to make any further remittances under this scheme, even if the proceeds of the investments have been brought back into the country.
16	Can remittances be made only in US Dollars?

	Ans: The remittances can be made in any freely convertible foreign currency equivalent to USD 75,000 in a financial year .
17	<p>What are the requirements to be complied with by the remitter?</p> <p>Ans: The individual will have to designate a branch of an AD through which all the remittances under the Scheme will be made. The applicants should have maintained the bank account with the bank for a minimum period of one year prior to the remittance. If the applicant seeking to make the remittance is a new customer of the bank, Authorised Dealers should carry out due diligence on the opening, operation and maintenance of the account. Further, the AD should obtain bank statement for the previous year from the applicant to satisfy themselves regarding the source of funds. If such a bank statement is not available, copies of the latest Income Tax Assessment Order or Return filed by the applicant may be obtained. He has to furnish an application-cum-declaration in the specified format prescribed mentioning the purpose of the remittance and declare that the funds belong to him and will not be used for the purposes prohibited or regulated under the Scheme.</p>

ACCOUNTS OPENED BY FOREIGN NATIONALS AND FOREIGN TOURISTS

1.	<p>Can foreign tourists open a bank account in India during their short visit?</p> <p>Ans: Yes. Foreign tourists during their short visit to India can open a Non-Resident (Ordinary) Rupee (NRO) account (Current / Savings) with any Authorised Dealer bank dealing in foreign exchange. Such account can be opened up to a maximum period of 6 months.</p>
2.	<p>What are the documents required for opening such accounts?</p> <p>Ans: Passports and other valid identification proofs are required for opening the accounts. Authorised Dealer banks are also required to follow the Know Your Customer norms while opening of the accounts.</p>

3.	<p>What credits can be made to such accounts?</p> <p>Ans: Funds remitted from outside India through banking channel or those obtained by sale of foreign exchange brought by the tourists to India can be credited to the NRO account.</p>
4.	<p>Can the NRO account be used for making local payments?</p> <p>Ans: Yes. Tourists can freely make local payments through the NRO account. All payments to residents exceeding INR 50,000 can be made only by means of cheques / pay orders / demand drafts.</p>
5.	<p>Can foreign tourists repatriate the balance held in their NRO account at the time of departure from India?</p> <p>Ans: Authorised Dealer banks have been allowed to convert the balance in the account for payment to the account holder at the time of departure from India into foreign currency, provided the account has been maintained for a period not exceeding six months and the account has not been credited with any local funds, other than interest accrued thereon.</p>
6.	<p>What can be done to repatriate the proceeds of an account that has been maintained for more than six months?</p> <p>Ans: In such cases, applications for repatriation of balance may be made on plain paper to the Foreign Exchange Department of the Regional Office concerned of the Reserve Bank through the Authorised Dealer bank maintaining the account.</p>
7.	<p>Can foreign nationals resident in India open resident account?</p> <p>Ans: Yes. Foreign nationals resident in India can open and maintain a resident Rupee account in India time.</p>
8.	<p>Can AD Category-I banks remit proceeds of such accounts on closure?</p> <p>Ans: Yes. But AD Category-I banks should ensure that the funds to be repatriated outside India were either received from abroad or they are repatriable in nature or permissible.</p>

Disclaimer

This FAQ is prepared based on understanding of FEMA regulations. While utmost care has been exercised while developing the FAQs, The readers are requested to keep abreast of the changes taking place in the underlying provisions of RBI. The changes, if any, may be viewed in Reserve Bank of India web site: www.rbi.org.in under notification.

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