DIFFERENT TYPES OF ACCOUNTS

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

Eligibility

Non-resident Indians (NRIs) are permitted to open and maintain these accounts in any form, *e.g.*, savings, current, recurring or fixed deposit account etc with authorised dealers, and with banks (including co-operative banks) authorised by the Reserve Bank to maintain such accounts. The account should be opened by the non-resident account holder himself and not by the holder of the power of attorney in India.

Note: Opening of NRE accounts in the names of individuals/entities of Bangladesh/Pakistan nationality/ownership requires approval of Reserve Bank.

Permitted Credits

Following types of credit are allowed in this Account**:**

- Proceeds of remittances to India in any permitted currency.
- Proceeds of personal cheques drawn by the account holder on his foreign currency account and of travellers cheques, bank drafts payable in any permitted currency including instruments expressed in Indian rupees for which reimbursement will be received in foreign currency, deposited by the account holder in person during his temporary visit to India, provided the authorised dealer/bank is satisfied that the account holder is still resident outside India, the travelers' cheques/drafts are standing/endorsed in the name of the account holder and in the case of travellers' cheques, they were issued outside India.
- Proceeds of foreign currency/bank notes tendered by account holder during his temporary visit to India, provided (i) the amount was declared on a Currency Declaration Form (CDF), where applicable, and (ii) the notes are tendered to the authorised dealer in person by the account holder himself and the authorised dealer is satisfied that account holder is a person resident outside India.
- Transfers from other NRE/FCNR accounts.
- Transfer from NRO account up to overall ceiling of US $ 1 million per financial year subject to payment of tax.
- Interest accruing on the funds held in the account.
- 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.
- Maturity proceeds of Government securities including National Plan/Savings Certificate
- 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 holder's NRE/FCNR account or out of remittances received from outside India in free foreign exchange.
- Refund of share/debenture subscriptions to new issues of Indian companies or portion thereof, if the amount of subscription was paid from the same account or from other NRE/FCNR account of the account holder or by remittance from outside India through normal banking channels.
- Refund of application/earnest money/purchase consideration made by the house building agencies/seller on account of non-allotment of flat/plot/cancellation of bookings/deals for purchase of residential/commercial property, together with interest, if any (net of income-tax payable thereon), provided the original payment was made out of NRE/FCNR account of the account holder or remittance from outside India through normal banking channels and the authorised dealer is satisfied about the genuineness of the transaction.

- Credit of current income like rent, interest, pension, dividend etc. after deduction of tax (IDS) and obtaining CA certificate that the funds are eligible for remittance and applicable tax has been paid/provided for. - RBI circular No. 5 dated 15-7-2002.

- Demand draft/bankers' cheque/account payee cheques issued by FFMC to NRE account holder supported by encashment certificate issued by AD Category I / II - RBI circular No. 45 dated 30-5-2008 as amended vide circular No. 34 dated 10-11-2008 [as per RBI Circular No. 14 dated 17-10-2007, FFMC are permitted to encash foreign currency and make cash payment only up to USD 3,000. Amount exceeding this amount is to be paid by way of DD/bankers' cheque]

- Sale proceeds of Foreign Investment

- Repayment of loans taken by close relatives of the lender concerned subject to the condition that the loan to the resident individual was extended by way of inward remittance in foreign exchange through normal banking channels or by debit to the NRE / FCNR(B) account of the lender and the lender is eligible to open NRE / FCNR(B) account within meaning of the Foreign Exchange Management (Deposit) Regulations, 2000

- Any other credit if covered under general or special permission granted by Reserve Bank.

Permitted Debits

- Local disbursements.

- Remittances outside India.

- Transfer to NRE/FCNR accounts of the account holder or any other person eligible to maintain such account.

- 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.

- Any other transaction if covered under general or special permission granted by the Reserve Bank.

- Repatriation of funds to non-resident nominee is permissible in case of death of account holder.

- Repayment of loan taken from resident close relative.

- Loan to close relatives upto USD 250,000.

Rate of interest

Interest payable on current account is 'Nil'. Interest on savings account shall be same as applicable to domestic savings account w.e.f. 03-05-2011 (which is presently 4%).

NRE deposits can be made for period from one to three years, but Bank can accept for longer period from Asset Liability management point of view. Interest on deposits for one to three years shall not exceed LIBOR/SWAP rates of US dollars for corresponding maturity as on last- date of preceding month (w.e.f. 24-4-2007).

Income from interest on balances standing to the credit of NRE Accounts is exempt from Income Tax to NRI who are individuals. Similarly balances held in such accounts are exempt from wealth tax.

Loans against Security of Funds

- To Account holder - Authorised dealers and banks maintaining such accounts are permitted to grant loans in India to the account holder for—

(a) personal purposes or for carrying on business activities except for the purpose of relending or carrying on agricultural/plantation activities or for investment in real estate business. The authorised dealer/bank should ensure that the advances are fully secured by the fixed deposits and regulations relating to normal margin, interest rate, etc., are complied with. Repayment shall be made either by adjustment of the deposit or by fresh inward remittances from outside India through normal banking channels.

(b) the purpose of making direct investment in India on non-repatriation basis by way of contribution to the capital of Indian firms/companies subject to compliance with the provisions of the Foreign Exchange Management (Transfer of Indian Security by a Person Resident outside India) Regulations, 2000 and Foreign Exchange Management (Investment in Proprietary or a Partnership Firm) Regulations, 2000;

(c) the purpose of acquisition of flat/house in India for his own residential use subject to the provisions of the relevant Regulations made under the Act.

- To Third Parties - Authorised dealers and authorised banks may grant any type of fund based and/or non-fund based facilities to resident individuals/firms/companies in India against the collateral of fixed deposits held in NRE account subject to the following conditions :

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

(b) Regulations relating to margin, interest rate, purpose of loan, etc., as stipulated by Reserve Bank from time to time should be complied with.

(c) The loan should be utilized for personal purposes or for carrying on business activities other than agricultural/plantation activities or real estate business. The loan should not be utilized for relending.

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

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

Change of Resident Status

- NRE accounts should be redesignated as resident accounts or the funds held in these accounts may be transferred to the RFC accounts (if the account holder is eligible for maintaining RFC account) at the option of the account holder immediately upon the return of the account holder to India for taking up employment or for carrying on business or vocation or for any other purpose indicating intention to stay in India for an uncertain period.

- Where the account holder is only on a short visit to India, the account may continue to be treated as NRE account even during his stay in India.

Repatriation of Funds to Non-Resident Nominee

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

Joint Accounts

NRI can open joint account with resident close relative on 'former or survivor' basis (Relative means as defined in the section 6 of the Companies Act, 1956).

Opening of Account during Temporary Visit

An account may be opened in the name of an eligible NRI during his temporary visit to India against tender of foreign currency travellers cheques or foreign currency notes and coins tendered, provided the authorised dealer is satisfied that the person has not ceased to be a non-resident.

Operations by Power of Attorney

The resident close relative shall be eligible to operate the account as a Power of Attorney holder in accordance with extant instructions during the lifetime of the NRI/ PIO account holder.

Tax Exemption

As per section 10(4)(ii) of Income-tax Act , income from interest on balances standing to the credit of NRE Accounts is exempt from income-tax. Likewise balances held in such accounts are exempt from wealth-tax.

Overdrawal from NRE Account

Authorized dealers/authorized banks can allow for a period of not more than two weeks, overdrawing in NRE savings bank accounts, up to a limit of Rs. 50,000 subject to the condition that such overdrawing together with the interest payable thereon are cleared/repaid within the said period of two weeks, out of inward remittances through normal banking channels or by transfer of funds from other NRE/FCNR accounts.

Reporting

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

Foreign Currency (Non-resident) Account (Banks) Scheme - FCNR(B)

Eligibility

- NRIs are eligible to open and maintain these accounts in freely convertible currency with an authorised dealer provided opening of FCNR(B) accounts in the names of NRIs of Bangladesh/Pakistan nationality/ownership requires approval of Reserve Bank.
- These accounts may be opened only in the form of term deposit with maturity upto 5 years.
- Deposit of funds in the accounts may be accepted in such permissible currencies as may be designated by the Reserve Bank from time to time
- The account 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 bank maintained with an authorised dealer in India or funds which are of repatriable nature in terms of the regulations made by the Reserve Bank.
- The Account may also be opened by transfer of funds from existing NRE/FCNR accounts.
- Remittances from outside India for opening of or crediting to these accounts should be made in the designated currency in which the account is desired to be opened/maintained. Without prejudice to this, if the remittance is received in a currency other than the designated currency (including funds received in rupees by debit to the account of the non-resident bank), it should be converted into the latter currency by the authorised dealer at the risk and cost of the remitter and account should be opened/credited in only the designated currency.
- In case the depositor with any convertible currency other than designated currency desires to place a deposit in these accounts, authorised dealers may undertake with the depositor a fully covered swap in that currency against the desired designated currency. Such a swap may also be done between two designated currencies.

Rate of Interest

- The rate of interest on funds held in these deposit accounts will be in accordance with the directives issued by the Reserve Bank from time to time.
- Interest on balances held in these accounts may be paid half-yearly or on an annual basis as desired by the depositor.
- Interest may be credited to a new FCNR(B) account or an existing/new NRE/NRO/NRNR/NRSR account in the name of the account holder, at his option

Permitted Credits

Following types of credit are allowed in this Account **:**

- Proceeds of remittances to India in any permitted currency.

- Proceeds of personal cheques drawn by the account holder on his foreign currency account and of travellers cheques, bank drafts payable in any permitted currency including instruments expressed in Indian rupees for which reimbursement will be received in foreign currency, deposited by the account holder in person during his temporary visit to India, provided the authorised dealer/bank is satisfied that the account holder is still resident outside India, the travelers' cheques/drafts are standing/endorsed in the name of the account holder and in the case of travellers' cheques, they were issued outside India.

- Proceeds of foreign currency/bank notes tendered by account holder during his temporary visit to India, provided (i) the amount was declared on a Currency Declaration Form (CDF), where applicable, and (ii) the notes are tendered to the authorised dealer in person by the account holder himself and the authorised dealer is satisfied that account holder is a person resident outside India.

- Transfers from other NRE/FCNR accounts.

- Interest accruing on the funds held in the account.

- 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.

- Maturity proceeds of Government securities including National Plan/Savings Certificate

- 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 holder's NRE/FCNR account or out of remittances received from outside India in free foreign exchange.

- Refund of share/debenture subscriptions to new issues of Indian companies or portion thereof, if the amount of subscription was paid from the same account or from other NRE/FCNR account of the account holder or by remittance from outside India through normal banking channels.

- Refund of application/earnest money/purchase consideration made by the house building agencies/seller on account of non-allotment of flat/plot/cancellation of bookings/deals for purchase of residential/commercial property, together with interest, if any (net of income-tax payable thereon), provided the original payment was made out of NRE/FCNR account of the account holder or remittance from outside India through normal banking channels and the authorised dealer is satisfied about the genuineness of the transaction.

- Credit of current income like rent, interest, pension, dividend etc. after deduction of tax (IDS) and obtaining CA certificate that the funds are eligible for remittance and applicable tax has been paid/provided for. - RBI circular No. 5 dated 15-7-2002.

- Demand draft/bankers' cheque/account payee cheques issued by FFMC to NRE account holder supported by encashment certificate issued by AD Category I/il - RBI circular No. 45 dated 30-5-2008 as amended vide circular No. 34 dated 10-11-2008 [as per RBI Circular No. 14 dated 17-10-2007, FFMC are permitted to encash foreign currency and make cash payment only up to USD 3,000. Amount exceeding this amount is to be paid by way of DD/bankers' cheque]

- Sale Proceeds of Foreign Investment

- Repayment of loans taken by close relatives of the lender concerned subject to the condition that the loan to the resident individual was extended by way of inward remittance in foreign exchange through normal banking channels or by debit to the NRE / FCNR(B) account of the lender and the lender is eligible to open NRE / FCNR(B) account within meaning of the Foreign Exchange Management (Deposit) Regulations, 2000

- Any other credit if covered under general or special permission granted by Reserve Bank.

Permitted Debits

- Local disbursements.

- Remittances outside India.

- Transfer to NRE/FCNR accounts of the account holder or any other person eligible to maintain such account.

- 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.

- Any other transaction if covered under general or special permission granted by the Reserve Bank.

- Repatriation of funds to non-resident nominee is permissible in case of death of account holder.

- Repayment of Loan taken from resident close relative.

- Loan to close relatives upto USD 250,000.

Inland Movement of Funds

Any inland movement of funds for the purpose of opening these accounts as well as for repatriation outside India of balances held in these accounts will be free of inland exchange or commission for the non-resident depositors. The Authorised Dealer receiving foreign currency remittances in these accounts will also, on request, pass on the foreign currency to another authorised dealer if the account has to be opened with the latter, at no extra cost to the remitter.

Loans against Security of Funds

- To Account holder - Authorised dealers and banks maintaining such accounts are permitted to grant loans in India to the account holder for—

(a) personal purposes or for carrying on business activities except for the purpose of relending or carrying on agricultural/plantation activities or for investment in real estate business. The authorised dealer/bank should ensure that the advances are fully secured by the fixed deposits and regulations relating to normal margin, interest rate, etc., are complied with. Repayment shall be made either by adjustment of the deposit or by fresh inward remittances from outside India through normal banking channels.

(b) the purpose of making direct investment in India on non-repatriation basis by way of contribution to the capital of Indian firms/companies subject to compliance with the provisions of the Foreign Exchange Management (Transfer of Indian Security by a Person Resident outside India) Regulations, 2000 and Foreign Exchange Management (Investment in Proprietary or a Partnership Firm) Regulations, 2000;

(c) the purpose of acquisition of flat/house in India for his own residential use subject to the provisions of the relevant Regulations made under the Act.

- To Third Parties - Authorised dealers and authorised banks may grant any type of fund based and/or non-fund based facilities to resident individuals/firms/companies in India against the collateral of fixed deposits held in FCNR (B) account subject to the following conditions :

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

(b) Regulations relating to margin, interest rate, purpose of loan, etc., as stipulated by Reserve Bank from time to time should be complied with.

(c) The loan should be utilized for personal purposes or for carrying on business activities other than agricultural/plantation activities or real estate business. The loan should not be utilized for relending.

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

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

Change of Resident Status

- When an account holder becomes a person resident in India, deposits may be allowed to continue till maturity at the contracted rate of interest, if so desired by him. However, except the provisions relating to rate of interest and reserve requirements as applicable to FCNR(B) deposits, for all other purposes such deposits shall be treated as resident deposits from the date of return of the account holder to India.
- Authorised dealers should convert the FCNR(B) deposits on maturity into resident rupee deposit accounts or RFC account (if the depositor is eligible to open RFC account), at the option of the account holder and interest on the new deposit (rupee account or RFC account) shall be payable at the relevant rates applicable for such deposits.

Joint Accounts

NRI can open joint account with resident close relative on 'former or survivor' basis (Relative means as defined in the section 6 of the Companies Act, 1956).

Opening of Account during Temporary Visit

An account may be opened in the name of an eligible NRI during his temporary visit to India against tender of foreign currency travellers cheques or foreign currency notes and coins tendered, provided the authorised dealer is satisfied that the person has not ceased to be a non-resident.

Operations by Power of Attorney

The resident close relative shall be eligible to operate the account as a Power of Attorney holder in accordance with extant instructions during the lifetime of the NRI/ PIO account holder.

Reporting

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

Non-resident Ordinary (NRO) Rupee Account Scheme

Eligibility

(a) Any person resident outside India may open NRO account in the form of current, savings, recurring or fixed deposit accounts with an authorised dealer or an authorised bank for the purpose of putting through bona fide transactions in rupees not involving any violation of the provisions of the Act, rules and regulations made thereunder provided opening of accounts by individuals/entities of Bangladesh/Pakistan nationality/ownership requires approval of Reserve Bank.

(b) The operations on the accounts should not result in the account holder making available foreign exchange to any person resident in India against reimbursement in rupees or in any other manner.

(c) At the time of opening of the account, the account holder should furnish an undertaking to the authorised dealer/authorised bank with whom the account is maintained that in cases of debits to the account for the purpose of investment in India and credits representing sale proceeds of investments, he will ensure that such investments/disinvestments will be in accordance with the regulations made by Reserve Bank in this regard.

(d) NRO accounts may be opened/maintained in the form of current, savings, recurring or fixed deposit accounts. The requirements laid down in the directives issued by Reserve Bank in regard to resident accounts shall apply to NRO accounts.

Permitted Credits

Following types of credit are allowed in this Account **:**

- Remittance from outside India in freely convertible foreign currency through the normal banking channels;

- Freely convertible foreign currency tendered by the account holder during his temporary visit to India subject to the condition that transaction should be accompanied by currency declaration form in case amount of transaction exceeds USD 5000 or its equivalent.
- Transfer from rupee accounts of Non Resident Banks;
- Legitimate dues of the account holders in India.
- Sale proceeds of assets including immovable property acquired out of rupee/foreign currency funds or by way of legacy/inheritance.
- Gift in rupees from resident close relatives
- Loan in rupees taken from resident close relatives

Permitted Debits

Following types of debit are allowed in this Account **:**

- All local payments including investment payments in India in Indian rupees.
- Remitting outside India all the current income of account holder.
- Remittance upto USD 1 million per financial year for all bonafide purposes to the satisfaction of authorized dealer.
- Repayment of loan taken from resident close relative
- Transfer to NRE account up to overall ceiling of US $ 1 million per financial year subject to payment of tax.

Remittance of Funds held in NRO Accounts

- NRIs can repatriate their current incomes like rent, dividend, interest, pensions etc. by debit to their NRO Account. They should produce a certificate of Chartered Accountant that the amount is eligible for remittance and applicable taxes have been paid/provided for
- Funds received by way of remittances from outside India in foreign exchange which have not lost their identity as remittable funds will only be considered by Reserve Bank for remittance outside India.
- Where an account (current/savings) is opened by a foreign tourist visiting India, with funds remitted from outside India in a specified manner or by sale of foreign exchange brought by him to India, authorised dealers may convert the balance in the account at the time of departure of the tourist from India to foreign currency for payment to the account holder 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.
- Foreign Nationals can remit amount upto USD 1 million per financial year from their NRO account or from sale proceeds of assets, including sale of immovable property - RBT circular No. 1 dated 2-7-2902, as amended by No. 67 dated 13-1-2003 a amended vide RBI circular No. 12 dated 16-11-2006. This facility is not available to citizens of Pakistan, Bangladesh, Sri Lanka, China, Afghanistan, Iran, Nepal and Bhutan [paras 6.2 and 6.3 of RBI Master Circular No: 03/2010-l1 dated 1-7-2010 - earlier RBI master circular No.03/2009-10 dated 1-7-2009

Interest

Interest payable on current account is Nil while interest on savings account is 4%. Interest on term deposits of 7 days and above is free i.e. can be decided by individual bank - RBI Master circular DBOD No. Dir. BC. No. 9/13.03.00/2011-12 dated 1-7-2011.

Grant of Loans/Overdrafts

- **To Account holders**

(a) Loans to non-resident account holders may be granted in rupees against the security of fixed deposits subject to usual norms as are applicable to resident accounts, for personal purposes or for carrying on business activities except for the purpose of relending or carrying on agricultural/plantation activity or for investment in real estate business.

(b) Authorised dealer/bank may permit overdraft in the account of the account holder subject to his commercial judgment and compliance with the interest rate etc. directives.

- **To Third Parties** - Loans/overdrafts to resident individuals/firms/companies in India may be granted against the security of deposits held in NRO accounts, subject to the following terms and conditions :

(a) The loans shall be utilised only for meeting borrower's personal requirements and/or business purpose and not for carrying on agricultural/plantation activities or real estate business or for relending.

(b) Regulations relating to margin and rate of interest as stipulated by Reserve Bank from time to time shall be complied with.

(c) The usual norms and considerations as applicable in the case of advances to trade/industry shall be applicable for such loans/facilities.

Joint Accounts

The accounts may be held jointly with residents.

Operations by Power of Attorney

Authorised dealers/authorized banks may allow operations on an NRO account in terms of a Power of Attorney, provided such operations are restricted to:

- all local payments in rupees including payments for eligible investments subject to compliance with relevant regulations made by the Reserve Bank; and

- Remittance outside India of current income in India of the non-resident individual account holder, net of applicable taxes.

The resident Power of Attorney-holder shall not repatriate outside India funds held in the account under any circumstances other than to the non-resident individual account-holder himself nor shall make payment by way of gift to a resident on behalf of the non-resident account holder or transfer funds from the account to another NRO account. Any remittance outside India shall be within the ceiling of USD one million for financial year as may be prescribed by the bank from and subject to tax compliance.

Change of Resident Status

- **From Resident to Non-resident** - When a person resident in India leaves India 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 designated as a Non-Resident (Ordinary) Account.

- **From Non-Resident to Resident** - NRO accounts may be re-designated as resident rupee accounts on the return to 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. 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.

Tax Exemption

Interest income is investment income u/s 115C of Income-tax Act and will attract TDS at rates specified in section 11 SE (which is 20% at present), as it is income from foreign exchange asset - VRavi Narayanan, In re [2008] 168 Taxman 65 (AAR - New Delhi).

Reporting of Transactions

(i) The transaction in the account which may appear to represent reimbursement in rupees against foreign exchange made available to a person resident in India other than authorised dealer, as well as any other transaction of suspicious nature, should be reported to Reserve Bank.

(ii) The transaction in these accounts shall be reported to the Reserve Bank in accordance with the directions issued by it from time to time.

Account by Branch/Liaison Office

Branch/Liaison Office established in accordance with the provisions of FEMA, may open non-interest bearing INR current accounts in India. Such Office is required to approach their Authorised Dealers for opening the accounts

Account by Project Office

Project Office established in accordance with the provisions of FEMA, may open non-interest bearing Foreign Currency Account subject to the following:

- The Project Office has been established in India, with the general / specific permission of Reserve Bank, having the requisite approval from the concerned Project Sanctioning Authority concerned.
- The contract, under which the project has been sanctioned, specifically provides for payment in foreign currency.
- Each Project Office can open two Foreign Currency Accounts, usually one denominated in USD and other in home currency, provided both are maintained with the same AD category–I bank.
- The permissible debits to the account shall be payment of project related expenditure and credits shall be foreign currency receipts from the Project Sanctioning Authority, and remittances from parent/group company abroad or bilateral / multilateral international financing agency.
- The responsibility of ensuring that only the approved debits and credits are allowed in the Foreign Currency Account shall rest solely with the branch concerned of the AD. Further, the Accounts shall be subject to 100 per cent scrutiny by the Concurrent Auditor of the respective AD banks.
- The Foreign Currency accounts have to be closed at the completion of the Project.

Escrow Account for FDI Transactions

A non-resident can open and maintain a non interest bearing escrow account with AD Category – I, banks towards payment of share purchase consideration and / or provide Escrow facilities for keeping securities to facilitate FDI transactions subject to the terms and conditions mentioned below.

- The Escrow account in INR would be maintained only with an AD Category – I bank in India.
- The Escrow account may be opened jointly and severally. Further, securities kept / linked with such Escrow accounts may be linked with demat account maintained with SEBI authorised Depository Participants.
- The account shall be non-interest bearing.
- No fund or non-fund based facilities would be permitted against the balances in the Escrow account.
- Permitted credits:

i) Receipt of foreign inward remittance as consideration towards issue or transfer of shares through normal banking channels; or

ii) Receipt of rupee consideration through the normal banking channels from India by the resident acquirers of shares who proposes to acquire them from non-resident holders by way of transfer

- Permitted debits:

i) Remittance of consideration for issue of shares or transfer of shares directly into the bank accounts of the beneficiary (issuer in India or transferor of shares in India or abroad); or

ii) Remittance of consideration for refund to the initial remitter of funds in case of failure / non-materialization of the FDI transaction for which the Escrow account was opened.

- The underlying FDI transaction for which the Escrow account is opened should be compliant with extant FEMA provisions. Further, for the purposes of FDI reporting, date of transfer of funds into the bank account of the issuer or transferor of shares, shall be the relevant date of remittance.

- Where the transaction is governed by SEBI guidelines/regulations, operation of the Escrow accounts shall also be in accordance with the relevant SEBI regulations.

- Balance in the Escrow account, if any, may be repatriated at the then prevailing exchange rate (i.e., the exchange rate risk will be borne by the person resident outside India acquiring the shares), after all the formalities in respect of the said acquisition are completed. In cases, where proposed acquisition/ transfer does not materialise, the AD Category – I bank may allow repatriation/ refund of the entire amount lying to the credit of the Escrow account on being satisfied with the bonafides of such remittances.

- The Escrow account shall remain operational for a maximum period of six months only and the account shall be closed immediately after completing the requirements as outlined above or on completion of six months from the date of opening of such account, whichever is earlier. In case the Escrow account is required to be maintained beyond six months, specific permission from the Reserve Bank has to be sought.

- Requirement of compliance with KYC guidelines issued by the Reserve Bank /SEBI shall rest with the AD Category – I bank/ SEBI authorised Depository Participants.

- The terms of the Escrow account shall be laid down strictly in the Escrow agreement, Share purchase agreement, conditions of issue of shares, etc.