



RBI/FED/2015-16/9

January 1, 2016

FED Master Direction No. 14/2015-16

(Updated as on June 23, 2016)

(Updated as on May 05, 2016)

(Updated as on April 13, 2016)

(Updated as on February 4, 2016*)

To,

All Authorised Dealer Category – I banks and Authorised banks

Madam / Sir,

Master Direction - Deposits and Accounts

Opening, holding and maintaining foreign currency accounts by a person resident in India is regulated in terms of section 9 of the Foreign Exchange Management Act, 1999 (FEMA) read with Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2015 issued vide ¹ [Notification No. FEMA 10\(R\)/2015-RB dated January 21, 2016](#). Maintenance of deposits/accounts between a person resident in India and a person resident outside India is regulated in terms of sub-section (3) of section 6 of the Foreign Exchange Management Act, 1999 (FEMA) read with Foreign Exchange Management (Deposit) Regulations, 2016 issued vide ² [Notification No. FEMA 5\(R\)/2016-RB dated April 1, 2016](#). These Regulations are amended from time to time to incorporate the changes in the regulatory framework and published through amendment notifications.

2. Within the contours of the Regulations, Reserve Bank of India also issues directions to Authorised Persons under Section 11 of the Foreign Exchange Management Act (FEMA), 1999. These directions lay down the modalities as to how the foreign exchange business has to be conducted by the Authorised Persons with their customers/constituents with a view to implementing the regulations framed.

¹ FEM (Foreign Currency Accounts by a person Resident in India) Regulations, 2000 was repealed and replaced by FEM (Foreign Currency Accounts by a person Resident in India) Regulations, 2015 with effect from January 21, 2016.

² FEM (Deposit) Regulations, 2000 was repealed and replaced by FEM (Deposit) Regulations, 2016 with effect from April 1, 2016

3. Instructions issued on maintenance of deposits and accounts under the Foreign Exchange Management Act, 1999 have been compiled in this Master Direction. The list of underlying circulars/ notifications which form the basis of this Master Direction is furnished in the Appendix. Reporting instructions can be found in Master Directions on reporting ([Master Direction No. 18 dated January 1, 2016](#))

4. It may be noted that, whenever necessary, Reserve Bank shall issue directions to Authorised Persons through A.P. (DIR Series) Circulars in regard to any change in the Regulations or the manner in which relative transactions are to be conducted by the Authorised Persons with their customers/ constituents. The Master Direction issued herewith shall be amended suitably simultaneously.

Yours faithfully

(A K Pandey)
Chief General Manager

*** Since this Master Direction has been significantly amended, it has been replaced rather than showing the changes in track mode for reader convenience. The changes are listed at the end of Master Direction in any case.**

³Master Direction 14/ 2015-16 – Deposits and Accounts

Part I - Opening, holding and maintaining foreign currency accounts by a person resident in India

1. Introduction

1.1 The Foreign Exchange Management Act, 1999 (FEMA) empowers the Reserve Bank to frame regulations to prohibit, restrict and regulate the opening, holding and maintaining of foreign currency accounts and the limits up to which amounts can be held in such accounts by a person resident in India. These regulations are notified under ⁴[Notification No. FEMA 10 \(R\)/2015-RB of January 21, 2016](#), (FEMA 10 (R)) as amended from time to time.

1.2 A person resident in India who held or maintained a Foreign Currency Account before the commencement of FEMA 10(R) with special or general permission of the Reserve Bank, can continue to maintain the account.

1.3 A person resident in India may maintain a foreign currency account outside India if he had maintained it when he was resident outside India or inherited it from a person resident outside India.

2. Definitions

Some key terms used in this part are given below:

2.1 'Authorised Dealer' (AD) means a person authorised as an authorised dealer under sub-section (1) of section 10 of FEMA.

2.2 'Foreign Currency Account' means an account held or maintained in currency other than the currency of India or Nepal or Bhutan.

2.3 'Relative' is a person as defined in ⁵section 2(77) of the Companies Act, 2013.

³ Updated up to April 1, 2016 (cf. [AP \(DIR Series\) circular No 44/2015-16/ \[\(1\)/10\(R\)\] dated February 4, 2016](#) and AP (DIR Series) [circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#)). The Original Master Direction No. 14/2015-16 was issued on January 1, 2016.

⁴ FEM (Foreign Currency Accounts by a Person Resident in India) Regulations, 2000 was repealed and replaced by FEM (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015 with effect from January 21, 2016.

⁵ Inserted by FEM (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015 with effect from January 21, 2016. Prior to insertion it read as "section 6 of the Companies Act, 1956".

⁶2.4 A 'Startup' is an entity which complies with the conditions laid down in Notification No. GSR 180(E) dated February 17, 2016 issued by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India.

3. Foreign Currency Accounts that can be held in India

3.1 Exchange Earner's Foreign Currency (EEFC) Account – EEFC Account

A person resident in India may open an EEFC account with an AD in India as per the conditions stipulated in Schedule I to FEMA 10(R). The salient features of the scheme are:

- 1) Credits: The credits permitted to this account are:
 - a. 100 percent of the foreign exchange earnings by way of inward remittance through normal banking channel, (other than loans or investments);
 - b. payments received for the purpose of counter trade;
 - c. advance remittance received by an exporter towards export of goods or services;
 - d. professional earnings including director's fees, consultancy fees, lecture fees, honorarium and similar other earnings received by a professional by rendering services in his individual capacity;
 - e. interest earned on the funds held in the account;
 - f. Re-credit of unutilised foreign currency earlier withdrawn from the account;
 - g. repayment of trade related loans/ advances (which were granted to the account holder's importer customer out of balances held in the EEFC accounts);

⁶ Inserted by Amendment [Notification No. FEMA 10\(R\)/\(1\)/2016-RB](#) notified vide G.S.R.No.570(E) dated June 1, 2016 intimated vide [AP \(Dir Series\) Circular No. 77\[\(2\)/10\(R\)\] dated June 23, 2016](#).

- h. disinvestment proceeds received by the resident account holder on conversion of shares held by him to ADRs/ GDRs under the ⁷DR Scheme, 2014; and
 - i. ⁸ Payments received in foreign exchange by an Indian startup arising out of sales/ export made by the startup or its overseas subsidiaries.
- 2) Debits: The debits allowed in these accounts are:
- a. Payment outside India towards capital or current account transactions in accordance with the provisions of Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000 or Foreign Exchange Management (Current Account Transactions) Rules, 2000, respectively;
 - b. payment in foreign exchange towards cost of goods purchased from a 100 percent Export Oriented Unit or a Unit in an Export Processing Zone/ Software Technology Park/ Electronic Hardware Technology Park;
 - c. payment of customs duty in accordance with the provisions of Export Import Policy;
 - d. trade related loans/ advances, by an exporter account holder to his importer customer outside India, subject to complying the provisions of FEMA and the rules/ regulations made thereunder;
 - e. payment in foreign exchange to a person resident in India for supply of goods/ services including payments for air fare and hotel expenditure
- 3) Withdrawal in rupees are permitted from this account, provided the amount so withdrawn cannot be re-credited to the account.
- 4) The account will be in the form of a non-interest bearing account.

⁷ Inserted by FEM (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015 with effect from January 21, 2016. Prior to insertion it read as "ADR/GDR Scheme approved by the Government of India."

⁸ Inserted by Amendment [Notification No. FEMA 10\(R\)/\(1\)/2016-RB](#) notified vide G.S.R.No.570(E) dated June 1, 2016 intimated vide [AP \(Dir Series\) Circular No. 77\[\(2\)/10\(R\)\] dated June 23, 2016](#).

- 5) The claims settled in rupees by ECGC/ insurance companies should not be construed as export realisation in foreign exchange and the claim amount will not be an eligible credit to the EEFC account.
- 6) 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.
- 7) Fund-based/ non-fund based credit facilities should not be granted against the balances held in EEFC Accounts.
- 8) Exporters can repay packing credit advances, whether availed of in Rupee or in foreign currency, from balances in their EEFC account to the extent exports have actually taken place.
- 9) Balances held in the account may be credited to NRE/ FCNR (B) Accounts, at the option/ request of the account holders consequent upon change of their residential status from resident to non-resident.

3.2 Resident Foreign Currency (RFC) Account – RFC Account

- 1) A person resident in India is permitted to open a RFC account with an AD bank in India out of foreign exchange received or acquired by him:
 - a) as pension or superannuation benefits or other monetary benefits from his overseas employer;
 - b) by converting assets which were acquired by him when he was a non-resident or inherited from or gifted by a person resident outside India and repatriated to India;
 - c) before July 8, 1947 or any income arising or accruing thereon which is held outside India in pursuance of a general or special permission granted by the Reserve Bank;
 - d) received as proceeds of LIC claims/ maturity/ surrendered value settled in forex from an Indian insurance company permitted to undertake life

insurance business by the Insurance Regulatory and Development Authority.

- 2) The balances in the RFC account are free from all restrictions regarding utilisation of foreign currency balances outside India.
- 3) Such accounts can be held jointly with resident relative as joint holder on 'former or survivor' basis. However, such resident Indian relative joint account holder cannot operate the account during the life time of the resident account holder.
- 4) The balances in the Non-Resident External (NRE) Account and Foreign Currency Bank [FCNR (B)] Account can be credited to the RFC account when the residential status of the non-resident Indian (NRI) ⁹or person of Indian origin (PIO) changes to that of a Resident.

3.3 Resident Foreign Currency (Domestic) Account – RFC (D) Account

- 1) A resident individual may open an RFC(D) account to retain in a bank account in India the foreign exchange acquired in the form of currency notes, bank notes and travellers cheques from overseas sources such as:
 - a) payment while on a visit abroad for services not arising from any business or anything done in India;
 - b) honorarium or gift or for services rendered or in settlement of any lawful obligation from any person not resident in India and who is on a visit to India;
 - c) honorarium or gift while on a visit to any place outside India;
 - d) gift from a relative;
 - e) unspent foreign exchange acquired from an authorised person for travel abroad;

⁹ Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#) vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#). Prior to this, PIOs were covered within the definition of NRIs.

- f) representing the disinvestment proceeds received by the resident account holder on conversion of shares held by him to ADRs/ GDRs under the ¹⁰DR Scheme, 2014;
 - g) by way of earnings 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
- 2) This facility is in addition to that provided under RBI [Notification No.FEMA.11\(R\)/ 2015-RB dated December 29, 2015](#), as amended from time to time.
 - 3) 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.
 - 4) Balances in the account can be used for any current or capital account transactions in accordance with the provisions of the Foreign Exchange Management (Current Account Transactions) Rules, 2000 or the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000, respectively.
 - 5) Balances may be credited to NRE/ FCNR (B) Accounts, at the option/ request of the account holders consequent upon change of their residential status from resident to non-resident.

3.4 Diamond Dollar Account (DDA) Scheme – DDA Account

Firms and companies which comply with the eligibility criteria stipulated in the Foreign Trade Policy of the Government of India may open DDA accounts, details of which are laid down in Schedule II of FEMA 10(R), as amended from time to time, with an AD in India. The salient features of the Scheme are:

¹⁰ Inserted by FEM (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015 with effect from January 21, 2016. Prior to insertion it read as “ADR/GDR Scheme approved by the Government of India.”

- 1) Realisation of export proceeds and local sales (in USD) of rough, cut, polished diamonds; and pre and post shipment finance availed in USD can be credited to such account.
- 2) Payments for purchase of rough, cut and polished diamonds can be made from DDA account. Funds can also be transferred to rupee account of the exporter.
- 3) The account should be maintained in the form of a non-interest bearing current account.
- 4) 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.

3.5 Indian agent of shipping or airline companies incorporated outside India can maintain foreign currency account in India for meeting the local expenses of the overseas company. The credits permitted to such accounts are freight or passage fare collections in India or from his principal outside India.

3.6 Ship-manning/ crew managing agencies in India may maintain non-interest bearing foreign currency account in India for the purpose of undertaking transactions in the ordinary course of their business, as detailed:

- 1) *Credits*: Only by way of inward remittances through normal banking channels from the overseas principal.
- 2) *Debits*: Towards various expenses in connection with the management of the ships/ crew in the ordinary course of its business.
- 3) No credit facility (fund based or non-fund based) should be granted against security of funds held in the account.
- 4) The bank should meet the prescribed Reserve Requirements in respect of such accounts.
- 5) No EEFC facility should be allowed in respect of the remittances received in the account.

- 6) The account will be maintained only during the validity period of the agreement.

3.7 Project Offices of foreign companies can open non-interest bearing one or more foreign currency accounts in India for the project to be executed in India. Such accounts will be subject to the following conditions:

- 1) 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,
- 2) The contract under which the project has been sanctioned, specifically provides for payment in foreign currency,
- 3) Each Project has only one Foreign Currency Account.
- 4) Debits:
 - a. Payment of project related expenditure.
- 5) Credits:
 - a. Foreign currency receipts from the Project Sanctioning Authority, and
 - b. Remittances from parent/ Group Company abroad or bilateral/ multilateral international financing agency.
- 6) The Foreign Currency account should be closed at the completion of the Project.
- 7) Inter-project transfer of funds will be permitted with the prior permission of the Regional Office of the Reserve Bank under whose jurisdiction the project office is situated.
- 8) In case of disputes between the Project Office and the project sanctioning authority or other Government/ Non-Government agencies etc., the balance held in such account shall be converted into INR and credited to a special account which shall be dealt with as per the settlement of the dispute.

3.8 Organisers of international Seminars, Conferences, Conventions, etc. – can open temporary foreign currency accounts in India subject to the following conditions:

- 1) Credits: All inward remittances in foreign currency towards registration fees payable by overseas delegates, grant, sponsorship fees and donations, received from abroad, in connection with the conference, convention, etc
- 2) Debits: (i) Payment to foreign/ special invitees attending the conference, etc., on the specific invitation of the organisers, towards travel, hotel charges, etc., and honorarium to foreign guest speakers; (ii) Remittance towards refund of registration fees to foreign delegates and unutilised sponsorship/grant amount, if any; (iii) Bank charges, if any; (iv) Conversion of funds into rupees.
- 3) All other credits/ debits would require the prior approval of the Reserve Bank.
- 4) The account should be closed immediately, after the conference/event is over.

3.9 An exporter who has undertaken a construction contract or a turnkey project outside India or who is exporting services or engineering goods from India on deferred payment terms may open, hold and maintain a Foreign Currency Account with a bank in India, provided that approval as required under the Foreign Exchange Management (Export of goods and services) Regulations, 2015, as amended from time to time has been obtained for undertaking the contract/ project/ export of goods or services, and the terms and conditions stipulated in the letter of approval have been duly complied with.

3.10 A unit located in a Special Economic Zone (SEZ) - may open hold and maintain a foreign currency account with an authorized dealer in India to credit all foreign exchange funds received by the unit.

- 1) The account can be used for bona fide trade transactions between the unit and a person resident in/ outside India.
- 2) Foreign exchange purchased in India against rupees cannot be credited to the account without prior permission from the Reserve Bank.
- 3) The balances in the accounts are from the restrictions imposed under Rule 5, of Foreign Exchange Management (Current Account Transaction) Rules, as amended from time to time, except for the use of the balances for gift etc.

- 4) The funds held in these accounts cannot be lent or made available to any person or entity resident in India not being a unit in Special Economic Zones.

¹¹3.11 An Indian company receiving foreign investment under FDI route in terms of Foreign Exchange Management (Transfer or Issue of security by a Person Resident outside India) Regulations, 2000 dated May 3, 2000, as amended from time to time, may open and maintain a foreign currency account with an Authorized Dealer in India provided the Indian investee company has impending foreign currency expenditure and the account is closed immediately after the requirements are completed or within six months from the date of opening of such account, whichever is earlier.

4. Foreign Currency Accounts that can be held outside India

4.1 The following persons can open a foreign currency account with a bank outside India for carrying on normal business and incidental transactions.

- a) An authorized dealer in India with its branch/ head office/ correspondent outside India.
- b) A branch outside India of a bank incorporated in India.
- c) An Indian shipping or airline company.
- d) ¹²Insurance/ reinsurance companies registered with Insurance Regulatory and Development Authority of India (IRDA) to carry out insurance/ reinsurance business.
- e) An India firm/ company/ body corporate in the name of its foreign office/ branch or its representative posted outside India.
- f) An exporter who is exporting services and engineering goods on deferred payment terms or executing a turnkey project or a construction contract abroad.

¹¹ Inserted by FEM (Foreign Currency Accounts by a Person resident in India) Regulations, 2015 with effect from January 21, 2016.

¹² Inserted by Amendment [Notification No. FEMA 10\(R\)/\(1\)/2016-RB](#) notified vide G.S.R.No.570(E) dated June 1, 2016 intimated vide [AP \(Dir Series\) Circular No. 77\[\(2\)/10\(R\)\] dated June 23, 2016](#). Prior to insertion it read as “Life Insurance Corporation (LIC) of India or General Insurance Corporation (GIC) of India and its subsidiaries.”

4.2 A person resident in India who has gone abroad for studies may open a foreign currency account with a bank outside India during his stay abroad. All credits to the account from India should be made in accordance with FEMA and the rules and regulations made thereunder. ¹³On the student's return to India after completion of studies, the account will be deemed to have been opened under the Liberalised Remittance Scheme.

4.3 A person resident in India who is on a visit to a foreign country may open a foreign currency account with a bank outside India during his stay abroad. The balance in the account should be repatriated to India on return of the account holder to India.

4.4 A person going abroad to participate in an exhibition/ trade fair may open a foreign currency account with a bank outside India for crediting the sale proceeds of goods. The balance should be repatriated to India within one month from the date of closure of the exhibition/ trade fair.

4.5 The following persons can open a foreign currency account outside India for remitting/ receiving their entire salary payable to him in India.

- a) A foreign citizen resident in India, ¹⁴being an employee of a foreign company, on deputation to the office/ branch/ subsidiary/ joint venture/ group company in India;
- b) An Indian citizen, being an employee of a foreign company, on deputation to the office/ branch/ subsidiary/ joint venture/ group company in India
- c) A foreign citizen resident in India employed with an Indian company;

4.6 An Indian Party [as defined in Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004, as amended from time to time] may open a foreign currency account abroad for making overseas direct investment provided the overseas regulator mandates opening of such an account.

¹³ Inserted by FEM (Foreign Currency Accounts by a person Resident in India) Regulations, 2015 with effect from January 21, 2016. Prior to this it read as "the balance in the account should be repatriated to India on return of the account holder to India."

¹⁴ Inserted by [AP \(DIR\) Series Circular 44 dated February 4, 2016](#)

4.7 A resident individual can open a foreign currency account with a bank outside India for the purpose of sending remittances under the Liberalized Remittance Scheme.

4.8 Subject to compliance with the conditions in regard to raising of External Commercial Borrowings (ECB) or raising of resources through American Depository Receipts (ADRs) or Global Depository Receipts (GDRs), the funds so raised may, pending their utilisation or repatriation to India, be held in deposits in foreign currency accounts with a bank outside India.

¹⁵4.9 Indian startup, having an overseas subsidiary, may open a foreign currency account with a bank outside India for the purpose of crediting to the account the foreign exchange earnings out of exports/ sales made by the said startup or its overseas subsidiary. The balances held in such accounts, to the extent they represent exports from India, shall be repatriated to India within the period prescribed for realization of exports, in Foreign Exchange Management (Export of Goods and Services) Regulations, 2015 dated January 12, 2016, as amended from time to time.

5. Miscellaneous

5.1 Unless otherwise specifically stated, a foreign currency account maintained by a person resident in India with an authorized dealer in India under the Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2015, dated January 21, 2016 as amended from time to time, may be opened, held and maintained in the form of current or savings or term deposit account in cases where the account holder is an individual, and in the form of current account or term deposit account in all other cases.

5.2 The account can be held singly or jointly in the name of person eligible to open, hold and maintain such account.

5.3 On the death of a foreign currency account holder -

¹⁵ Inserted by Amendment [Notification No. FEMA 10\(R\)/\(1\)/2016-RB](#) notified vide G.S.R.No.570(E) dated June 1, 2016 intimated vide [AP \(Dir Series\) Circular No. 77\[\(2\)/10\(R\)\] dated June 23, 2016](#).

- (a) the authorised dealer with whom the account is held or maintained may remit to a nominee being a person resident outside India, funds to the extent of his share or entitlement from the account of the deceased account holder;
- (b) a nominee being a person resident in India, who is desirous of remitting funds outside India out of his share for meeting the liabilities abroad of the deceased, may apply to the Reserve Bank for such remittance.
- (c) ¹⁶A resident nominee of an account held outside India in accordance with Regulation 5 of Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2015, dated January 21, 2016, (viz., paragraph 4 of Part I of this Master Direction) has to close the account and bring back the proceeds to India through banking channels.

¹⁶ Inserted by FEM (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015 with effect from January 21, 2016.

Part II - Opening, holding and maintaining accounts in India by a person resident outside India

1. Introduction

1.1 The Foreign Exchange Management Act, 1999 (FEMA) empowers the Reserve Bank to frame regulations to restrict, regulate and prohibit the maintenance of deposits between a person resident in India and a person resident outside India. These regulations are notified under ¹⁷[Notification No. FEMA 5\(R\)/2016-RB of April 1, 2016](#), (FEMA 5(R)) as amended from time to time.

2. Definitions

Some key terms used in the regulations are given below:

2.1 'Authorised Bank' is a bank including a co-operative bank authorised by the Reserve Bank to maintain an account of a person resident outside India.

2.2 'Authorised Dealer' is a person authorised as an authorised dealer under sub-section (1) of section 10 of FEMA.

2.3 'Deposit' includes deposit of money with a bank, company, proprietary concern, partnership firm, corporate body, trust or any other person.

2.4 ¹⁸ A 'Non-resident Indian' (NRI) is a person resident outside India who is a citizen of India.

2.5 ¹⁹A 'Person of Indian Origin (PIO)' is a person resident outside India who is a citizen of any country other than Bangladesh or Pakistan or such other country as may be specified by the Central Government, satisfying the following conditions:

- a) Who was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955); or

¹⁷ FEM (Deposit) Regulations, 2000 was repealed and replaced by FEM (Deposit) Regulations, 2016 with effect from April 1, 2016.

¹⁸ Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#) vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#). Prior to insertion it read as, "A 'Non-resident Indian' (NRI) is a person resident outside India who is a citizen of India or is a 'Person of Indian Origin'."

¹⁹ Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#) vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#). Prior to insertion it read as "Person of Indian Origin' (PIO) means a citizen of any country other than Bangladesh or Pakistan who had (a) at any time held Indian passport or (b) he or either of his parents or any of his grandparents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955; or (c) the person is a spouse of an Indian citizen or a person referred to in (a) or (b)."

- b) Who belonged to a territory that became part of India after the 15th day of August, 1947; or
- c) Who is a child or a grandchild or a great grandchild of a citizen of India or of a person referred to in clause (a) or (b); or
- d) Who is a spouse of foreign origin of a citizen of India or spouse of foreign origin of a person referred to in clause (a) or (b) or (c)

Explanation: PIO will include an 'Overseas Citizen of India' cardholder within the meaning of Section 7(A) of the Citizenship Act, 1955.

2.6 'Permissible currency' is a foreign currency which is freely convertible.

2.7 ²⁰'Relative' means relative as defined in section 2(77) of the Companies Act, 2013.

2.8 ²¹As FEM (Deposit) Regulations, 2000 have been repealed and replaced by FEM (Deposit) Regulations, 2016 with effect from April 1, 2016 (FEMA 5(R)), the term NRI, wherever it appeared, has been replaced by NRI and/or PIO. Prior to this, PIOs were covered within the definition of NRI.

3. Exemptions

These restrictions are not applicable for the following:

3.1 Deposits in rupee accounts and special rupee accounts maintained by foreign diplomatic missions and diplomatic personnel.

3.2 Foreign currency accounts maintained by diplomatic missions, diplomatic personnel and non-diplomatic staff who are the nationals of the concerned foreign countries and hold official passport of foreign embassies in India, subject to the following conditions:

- a) The permissible credits to the account will be inward remittances received from outside India through banking channels; and transfer of funds, from the rupee account of the diplomatic mission in India, which are collected in India

²⁰ Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#) vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#). Prior to insertion it read as, "section 6 of the Companies Act, 1956."

²¹ Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#) vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#).

as visa fees and credited to such account;

- b) Funds held in such account if converted in rupees cannot be converted back into foreign currency;
- c) The account may be held in the form of current or term deposit account, and in the case of diplomatic personnel and non-diplomatic staff, may also be held in the form of savings account;
- d) The rate of interest on savings or term deposits shall be such as may be determined by the authorised dealer maintaining the account;
- e) The funds in the account may be repatriated outside India without the approval of Reserve Bank.

3.3 Deposits with Authorized Dealer maintained in rupees by persons resident in Nepal and Bhutan.

3.4 Deposits with authorized dealer maintained by any multilateral organization and its subsidiary/ affiliate bodies and officials in India, of which India is a member nation.

4. Non-Resident (External) Rupee Account Scheme – (NRE Account):

The detailed instructions for opening and maintaining this account are laid down in Schedule 1 to Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time. The salient features of the scheme are given below:

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

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

4.3 Joint accounts can be opened by two or more NRIs and/or PIOs or by an NRI/PIO with a resident relative(s) on 'former or survivor' basis. However, during the life time of the NRI/PIO account holder, the resident relative can operate the account only as a Power of Attorney holder.

4.4 Inward remittances to the account and remittances outside India from NRE account are permitted.

4.5 Credits permitted to this account as inward remittance are interest accruing on the account, interest on investment, transfer from other NRE/ FCNR(B) accounts, maturity proceeds if such investments were made from this account or through inward remittance.

4.6 The debits allowed from this account are local disbursements, transfer to other NRE/ FCNR(B) and investments in India.

4.7 Current income like rent, dividend, pension, interest etc. will be construed as a permissible credit to the NRE account provided the Authorised Dealer is satisfied that the credit represents current income of the NRI/PIO account holder and income tax thereon has been deducted/ paid/ provided for, as the case may be.

4.8 ²² The regulations for sanction of loans are detailed below:

4.8.1 Authorised Dealers/ banks in India can grant loans against the security of the funds held in NRE accounts to the account holder/ third party in India, without any limits, subject to the usual margin requirements. The loan cannot be repatriated outside India and shall be used for the following purposes:

(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;

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

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

In case of loans sanctioned to a third party, 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.

²² Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#). Prior to insertion it read as, "An authorised dealer or its overseas branch/ correspondent can grant loans against security of the funds to the account holder/ a third party in or outside India, respectively without any limits subject to the usual margin requirements. The facility for premature withdrawal of the deposits shall not be available where loans against such deposits are availed of. The term "loan" shall include all types of fund based/ non-fund based facilities."

In case of the loan sanctioned to the account holder, it can be repaid either by adjusting the deposits or through inward remittances from outside India through banking channels or out of balances held in the NRO account of the account holder.

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

4.8.3 The facility for premature withdrawal of deposits will not be available where loans against such deposits are availed of.

4.8.4 The term "loan" shall include all types of fund based/ non-fund based facilities.

4.9 NRE accounts should be designated as resident accounts or the funds held in these accounts may be transferred to the RFC accounts, at the option of the account holder, immediately upon the return of the account holder to India for taking up employment or on change in the residential status.

4.10 In the event of the demise of an account holder, balances in the account can be transferred to the non-resident nominee of the deceased account holder. However, request from a resident nominee for remittance of funds outside India for meeting the liabilities, if any, of the deceased account holder or for similar other purposes, should be forwarded to the Reserve Bank for consideration.

4.11 Operations on an NRE account may be allowed in terms of Power of Attorney or other authority granted in favour of a resident by the non-resident account holder, provided such operations are restricted to withdrawals for local payments or remittance to the account holder himself through banking channels. In cases where the account holder or a bank designated by him is eligible to make investments in India, the Power of Attorney holder may be permitted to operate the account to facilitate such investment. The resident Power of Attorney holder is not allowed to (a) open a NRE account; (b) repatriate outside India funds held in the account other than to the account holder himself; (c) make payment by way of gift to a resident on behalf of the account holder; (d) transfer funds from the account to another NRE account.

4.12 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.

4.13 The rate of interest and tenor applicable to these accounts will be in accordance with the directions/ instructions issued by the Department of Banking Regulations, Reserve Bank of India.

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

The detailed instructions for opening and maintaining this account are laid down in Schedule 2 to Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time. The salient features of the scheme are given below:

5.1 Non-resident Indians (NRIs) and Persons of Indian Origin (PIOs) are permitted to open and maintain these accounts with authorised dealers and banks authorised by the Reserve Bank to maintain such accounts. Deposits may be accepted in any permissible currency.

5.2 The accounts can be maintained only in the form of fixed deposit.

5.3 Other conditions such as credits/debits, joint accounts, loans / overdrafts, operation by power of attorney etc., as applicable to an NRE account will be applicable to FCNR (B) account as well.

5.4 The rate of interest and tenor applicable to these accounts will be in accordance with the directions/ instructions issued by the Department of Banking Regulation, Reserve Bank of India.

6. Non-Resident (Ordinary) Account Scheme – NRO account

The detailed instructions for opening and maintaining this account are laid down in Schedule 3 to Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time. The salient features of the scheme are given below:

6.1 Any person resident outside India (as per Section 2 (w) of FEMA), may open and maintain NRO account with an Authorised Dealer or an Authorised Bank for the purpose of putting through bona fide transactions denominated in Indian Rupees.

6.2 Post Offices in India may maintain savings bank accounts in the names of

persons resident outside India and allow operations on these accounts subject to the same terms and conditions as are applicable to NRO accounts maintained with an authorised dealer/ authorised bank.

6.3 NRO (current/ savings) account can be opened by a foreign national of non-Indian origin visiting India, with funds remitted from outside India through banking channel or by sale of foreign exchange brought by him to India. The balance in the NRO account may be paid to the account holder at the time of his departure from India 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.

6.4 Opening of accounts by individuals/ entities of Pakistan nationality/ ownership and entities of Bangladesh ownership requires prior approval of the Reserve Bank. However, individuals of Bangladesh nationality may be allowed to open these accounts subject to the individual/ s holding a valid visa and valid residential permit issued by Foreigner Registration Office (FRO)/ Foreigner Regional Registration Office (FRRO) concerned.

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

6.6 The accounts may be held jointly with residents ²³on 'former of survivor' basis. NRIs and PIOs may hold an NRO account jointly with other NRIs and PIOs.

6.7 Inward remittances from outside India, legitimate dues in India ²⁴and transfers from other NRO accounts are permissible credits to NRO account. Rupee gift/ loan made by a resident to a NRI/PIO relative within the limits prescribed under the Liberalised Remittance Scheme may be credited to the latter's NRO account.

6.8 The account can be debited for the purpose of local payments, ²⁵transfers to other NRO accounts or remittance of current income abroad. Apart from these, balances in the NRO account cannot be repatriated abroad except by NRIs and

²³ Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#) vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#).

²⁴ Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#) vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#).

²⁵ Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#) vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#).

PIOs up to USD 1 million, subject to conditions specified in Foreign Exchange Management (Remittance of Assets) Regulations,²⁶ 2016. Funds can be transferred to NRE account within this USD 1 Million facility.

6.9 Loans against the deposits can be granted in India to the account holder or third party subject to usual norms and margin requirement. The loan amount shall not be used for relending, carrying on agricultural/plantation activities or investment in real estate.

6.10 NRO accounts may be designated as resident accounts on the return of the account holder to India for any purpose indicating his intention to stay in India for an uncertain period. Likewise, when a resident Indian becomes a person resident outside India, his existing resident account should be designated as NRO account.

6.11 Powers have been delegated to the Authorized Dealers/ Authorised banks to allow operations on an NRO account in terms of a Power of Attorney granted in favour of a resident by the non-resident individual account holder provided such operations are restricted to local payments and remittances to non-residents.

6.12 To facilitate the foreign nationals to collect their pending dues in India, AD Category-I banks may permit such foreign nationals to re-designate their resident account maintained in India as NRO account on leaving the country after their employment to enable them to receive their pending bona fide dues, subject to the bank satisfying itself that the credit of amounts are bona fide dues of the account holder when she/ he was a resident in India. The funds credited to the NRO account should be repatriated abroad immediately, subject to payment of the applicable income tax and other taxes in India. The amount repatriated abroad should not exceed USD one million per financial year. The debit to the account should be only for the purpose of repatriation to the account holder's account maintained abroad. The account should be closed immediately after all the dues have been received and repatriated as per the declaration made by the account holder when the account was designated as an NRO account.

6.13 International Credit Cards - Authorised Dealer banks have been permitted to issue International Credit Cards to NRIs/PIOs, without prior approval of Reserve

²⁶ FEM (Remittance of Assets) Regulations, 2000 repealed and replaced by FEM (Remittance of Assets) Regulations, 2016 vide [FEMA Notification No. 13\(R\)/2016-RB dated April 1, 2016](#).

Bank. Such transactions may be settled by inward remittance or out of balances held in the cardholder's FCNR (B) / NRE / NRO Accounts.

6.14 Income-Tax - The remittances (net of applicable taxes) will be allowed to be made by the Authorised Dealer banks on production of requisite information in the formats prescribed by the Central Board of Direct Taxes, Ministry of Finance, Government of India from time to time. Reserve Bank of India will not issue any instructions under FEMA, clarifying tax issues. It shall be mandatory on the part of Authorised Dealers to comply with the requirement of tax laws, as applicable.

7. ²⁷Special Non-Resident Rupee Account - SNRR account

7.1 Any person resident outside India, having a business interest in India, may open a Special Non-Resident Rupee Account (SNRR account) with an authorised dealer 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.

7.2 The SNRR account shall carry the nomenclature of the specific business for which it is opened and shall not earn any interest.

7.3 The debits/ credits and the balances in the account shall be incidental and commensurate with the business operations of the account holder.

7.4 Authorised Dealers should ensure that all the operations in the SNRR account are in accordance with the provisions of the Act, rules and regulations made thereunder.

7.5 The tenure of the SNRR account should be concurrent to the tenure of the contract/ period of operation/ the business of the account holder and in no case should exceed seven years. No operations are permissible in the account after seven years from the date of opening of the account.

7.6 The operations in the SNRR account should not result in the account holder

²⁷ Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#) vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#). Prior to insertion it read as: "7. *Special Non-Resident Rupee Account - SNRR account*

7.1 *A Registered Foreign Portfolio Investor (RFPI) may open an SNRR account with an AD in India for routing the receipt and payment relating to purchase and sale of securities under the Portfolio investment scheme in accordance with Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000, dated May 3, 2000, as amended from time to time. SNRR account shall be a non-interest bearing current account.*

7.2 *The permitted credits to the account are: (a) Inward remittances; (b) Sale proceeds (net of taxes) of securities in India; (c) Transfers from the foreign currency account of the RFPI*

7.3 *The permitted debits are: (a) Purchase of securities in India; (b) Transfers to the foreign currency account of the RFPI"*

making available foreign exchange to any person resident in India against reimbursement in rupees or in any other manner.

7.7 The balances in the SNRR account shall be eligible for repatriation and transfers from any NRO account to the SNRR account are prohibited.

7.8 All transactions in the SNRR account will be subject to payment of applicable taxes in India.

7.9 SNRR account may be designated as resident rupee account on the account holder becoming a resident.

7.10 The amount due/ payable to non-resident nominee from the account of a deceased account holder, will be credited to NRO account of the nominee with an authorised dealer/ authorised bank in India.

7.11 Opening of SNRR accounts by Pakistan and Bangladesh nationals and entities incorporated in Pakistan and Bangladesh requires prior approval of Reserve Bank.

8. Escrow Account

8.1 Resident or non-resident corporate/ acquirers may open Escrow account in INR with an authorized dealer in India as an Escrow agent subject to the terms and conditions specified in Schedule ²⁸5 of the Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time.

8.2 Transactions shall be in accordance with the Foreign Exchange Management (Transfer or Issue of Security by a person resident Outside India) Regulations, 2000 and relevant regulations of the Securities and Exchange Board of India.

8.3 The accounts shall be non-interest bearing.

8.4 No fund/ non-fund based facility would be permitted against the balances in the account.

9. Acceptance of deposit by a company in India from NRIs/PIOs on repatriation basis

A company incorporated in India including NBFC registered with the Reserve Bank

²⁸ Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#) vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#). Prior to this, the provisions were stipulated in Schedule 8.

cannot accept deposits on repatriation basis. It can, however, renew the deposits it had accepted in accordance with Schedule 6 of ²⁹Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time.

10. Acceptance of deposits by Indian proprietorship concern/ firm or a company from NRIs or PIOs on non-repatriation basis

10.1 An Indian proprietorship concern/ firm or a company (including Non-Banking Finance Company) registered with Reserve Bank can accept deposits from NRIs or PIOs on non-repatriation basis subject to the terms and conditions specified in Schedule 7 to ³⁰Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time.

10.2 Indian companies can accept deposits from NRIs or PIOs by issue of a commercial paper subject to terms and conditions specified in ³¹sub-Regulation (3) of Regulation 6 of [Notification No FEMA 5\(R\)/ 2016-RB dated April 1, 2016](#).

11. ³²Acceptance of deposits by Indian companies from a person resident outside India for nomination as Director

Keeping deposits with an Indian company by persons resident outside India, in accordance with section 160 of the Companies Act, 2013, is a current account (payment) transaction and, as such, does not require any approval from Reserve Bank. All refunds of such deposits, arising in the event of selection of the person as director or getting more than twenty five percent votes, shall be treated similarly.

12. Other Accounts/ Deposits

³³12.1 A deposit made by an Authorised Dealer with its branch, head office or correspondent outside India, and a deposit made by a branch or correspondent outside India of an Authorised Dealer, and held in its books in India, will be

²⁹ FEM (Deposit) Regulations, 2000 repealed and replaced by FEM (Deposit) Regulations, 2016 vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#).

³⁰ FEM (Deposit) Regulations, 2000 repealed and replaced by FEM (Deposit) Regulations, 2016 vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#).

³¹ Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#) vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#). Prior to insertion it read as, "sub-Regulation (2) of Regulation 8 of [Notification No FEMA 5/2000-RB dated May 3, 2000](#)."

³² Inserted vide [AP \(DIR Series\) Circular No. 59 dated April 13, 2016](#). Accordingly, existing paras 11, 12 and 13 re-numbered as 12, 13 and 14, respectively.

³³ Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#).

governed by the directions issued by the Reserve Bank in this regard.

12.2 A shipping or airline company incorporated outside India, can open, hold and maintain a Foreign Currency Account with an authorized dealer for meeting the local expenses in India of such airline or shipping company. The credits permitted to such accounts are only freight or passage fare collections in India or by inward remittances through banking channels from its office outside India.

³⁴12.3 An Authorised Dealer may allow unincorporated joint ventures (UJV) of foreign companies/ entities, with Indian entities, executing a contract in India, to open and maintain non-interest bearing foreign currency account and an SNRR account as specified in Schedule 4 of the Deposit Regulations for the purpose of undertaking transactions in the ordinary course of its business. The debits and credits in these accounts should be incidental to the business requirement of the UJV. The tenure of the account should be concurrent to the tenure of the contract/ period of operation of the UJV and all operations in the account shall be in accordance with the provisions of the Act or the rules or regulations made or the directions issued thereunder. Opening of such accounts by companies/ entities of Pakistan/ Bangladesh ownership/ nationality would require the prior approval of the Reserve Bank.

13. Nomination

Authorised dealers may provide nomination facility in respect of the deposits/ accounts in these regulations maintained by individual account holders.

14. Responsibility of authorised dealers maintaining foreign currency accounts:-

An authorised dealer maintaining accounts under this Master Direction is required to:

- a) comply with the directions issued by the Reserve Bank from time to time; and
- b) submit periodic return or statement, if any, as may be stipulated by the Reserve Bank .

³⁴ Inserted by Inserted by [AP \(DIR Series\) circular No 67/2015-16/ \[\(1\)/5\(R\)\] dated May 5, 2016](#) vide [FEMA Notification No. 5\(R\)/2016-RB dated April 1, 2016](#).

APPENDIX

List of notifications/ circulars which have been consolidated in this Master Direction

SI No	Notification/ AP (DIR Series) Circular	Date
1	³⁵ Notification No. FEMA 10(R)/2015-RB	January 21, 2016
2	³⁶ Notification No. FEMA 5(R)/2015-RB	April 1, 2016
3	³⁷ Notification No. FEMA 10(R)/(1)/2016-RB	June 1, 2016
4	A.P (DIR Series) Circular No. 44 [(1)/10(R)]	February 4, 2016
5	A.P (DIR Series) Circular No. 59	April 13, 2016
6	A.P (DIR Series) Circular No. 67/2015-16/ [(1)/5(R)]	May 5, 2016
7	A.P (DIR Series) Circular No. 77[(2)/10(R)]	June 23, 2016

³⁵ Issued in the Gazette of India vide G.S.R.96(E) dated January 21, 2016

³⁶ Issued in the Gazette of India vide G.S.R.389(E) dated April 1, 2016

³⁷ Issued in the Gazette of India vide G.S.R.570(E) dated June 1, 2016