

# **The Foreign Exchange Management (Foreign Currency Accounts By A Person Resident In India) Regulations, 2000**

UNION OF INDIA

India

## **The Foreign Exchange Management (Foreign Currency Accounts By A Person Resident In India) Regulations, 2000**

### **Rule**

### **THE-FOREIGN-EXCHANGE-MANAGEMENT-FOREIGN-CURRENCY-AC of 2000**

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The Foreign Exchange Management (Foreign Currency Accounts By A Person Resident In India) Regulations, 2000 Published vide G.S.R. 393(E), dated 3.5.2000, published in the Gazette of India, Extraordinary, Part II, Section 3(i), dated 5.5.2000.

### **11.**

/568 In exercise of the powers conferred by section 9 and clause (e) of sub-section (2) of section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India makes the following regulations for opening, holding and maintaining of Foreign Currency Accounts and the limits upto which amounts can be held in such accounts by a person resident in India, namely:--

**1. Short title and commencement. - (i) These regulations may be called the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2000.**

(ii) They shall come into force on 1st day of June, 2000.

## **2. Definitions. - In these regulations, unless the context otherwise requires,-**

(i)"Act" means the Foreign Exchange Management Act, 1999 (42 of 1999);(ii)"authorised dealer" means a person authorised as an authorised dealer under sub-section (1) of section 10 of the Act;(iii)"Foreign Currency Account" means an account held or maintained in currency other than the currency of India or Nepal or Bhutan;(iv)"Schedule" means a Schedule to these regulations;(v)the words and expressions used but not defined in these regulations shall have the same meanings respectively assigned to them in the Act.

## **3. Restriction on holding foreign currency account by a person resident in India. - Save as otherwise provided in the Act or rules or regulations made thereunder, no person resident in India shall open or hold or maintain a Foreign Currency Account:**

Provided that a Foreign Currency Account held or maintained before the commencement of these regulations by a person resident in India with special or general permission of the Reserve Bank, shall be deemed to be held or maintained under these regulations:Provided further that the Reserve Bank, may on an application made to it, permit a person resident in India to open or hold or maintain a Foreign Currency Account, subject to such terms and conditions as may be considered necessary.

## **4. Opening, holding and maintaining an Exchange Earner's Foreign Currency Account. - A person resident in India may open, hold and maintain with an authorised dealer in India, a Foreign Currency Account to be known as Exchange Earner's Foreign Currency (EEFC) Account, subject to the terms and conditions of the Exchange Earners' Foreign Currency Account Scheme specified in the Schedule.**

## **5. Opening, holding and maintaining a Resident Foreign Currency Account. - (1) A person resident in India may open, hold and maintain with an authorised dealer in India a Foreign Currency Account, to be known as a Resident Foreign Currency (RFC) Account, out of foreign exchange--**

(a)received as pension or any other superannuation or other monetary benefits from his employer outside India; or(b)realised on conversion of the assets referred to in sub-section (4) of section 6 of the Act, and repatriated to India; or(c)received or acquired as gift or inheritance from a person referred to in sub-section (4) of section 6 of the Act; or(d)referred to in clause (c) of section 9 of the Act, or acquired as gift or inheritance therefrom;(e)[ 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)The funds in a Resident Foreign Currency Account opened or held or maintained in

terms of sub-regulation (1) shall be free from all restrictions regarding utilisation of foreign currency balances including any restriction on investment in any form, by whatever name called, outside India.(3)[ Resident individuals are permitted to include resident close relative(s) as adjoint holder Cs) in their Resident Foreign Currency account on 'former or survivor' basis. However, such resident Indian close relative joint account holder shall not be eligible to operate the account during the life time of the resident account holder.Explanation: For the purpose of this sub-regulation, 'close relative' means 'relative' as defined in Section 6 of the Companies Act, 1956.]

## **5A. [ Opening, holding and maintaining a Resident Foreign Currency (Domestic) Account.**

(1)[A resident individual][may open, hold and maintain with an authorised dealer in India a foreign currency account, to be known as Resident Foreign Currency (Domestic) Account, out of foreign exchange acquired in the form of currency notes, bank notes and travellers cheques-- [Inserted by G.S.R. 756(E), dated 1.11.2002 (w.e.f. 8.11.2002).](a)while on a visit to any place outside India by way of payment for services not arising from any business in or anything done in India; or(b)from any person not resident in India and who is on a visit to India, as honorarium or gift or for services rendered or in settlement of any lawful obligation; or(c)by way of honorarium or gift while on a visit to any place outside India; or(d)represents the unspent amount of foreign exchange acquired by him from an authorised person for travel aboard;(e)[ as gift from a close relative.Explanation. - For the purpose of this clause, "close relative" means relative as defined in section 6 of the Companies Act, 1956;(f)by way of earning through export of goods/services, or as royalty, honorarium or by any other lawful means;(g)representing the disinvestment proceeds received by the resident accountholder on conversion of shares held by him to ADRs/DGRs under the Sponsored ADR/GDR Scheme approved by the Foreign Investment Promotion Board of Government of India;](h)[ by way of earning 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.] [Inserted by G.S.R. 13(E), dated 1.1.2004 (w.e.f. 7.1.2004).](2)[ Debits to the account shall be for payments towards a current account transaction in accordance with the provisions of the Foreign Exchange Management (Current Account Transactions) Rules, 2000 and towards a capital account transaction permissible under the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000.(3)The account shall be maintained in the form of Current Account and shall not bear any interest.(4)There shall be no ceiling on the balances in the account.] [Inserted by G.S.R. 756(E), dated 1.11.2002 (w.e.f. 8.11.2002).] [Inserted by Notification No. G.S.R. 915 (E) dated 25.9.2012 (w.e.f. 5.5.2000)]

## **6. [ Opening, holding and maintaining a Foreign Currency Account in India in certain other cases.**

(1)A shipping or airline company incorporated outside India or its agent in India, may open, hold and maintain a Foreign Currency Account with an authorised dealer in India for meeting the local expenses in India of such airline or shipping company:Provided that the credits to such accounts are

only by way of freight or passage fare collections in India or by inward remittances through normal banking channels from its office outside India and, in the case of agent, from his principal outside India.(2)An authorised dealer in India may, subject to the directions as may be issued by the Reserve Bank, allow ship-manning/crew managing agencies in India to open and maintain non-interest bearing foreign currency accounts in India for the purpose of undertaking transactions in the ordinary course of their business.](3)[ An authorized dealer in India may, subject to the directions as may be issued by the Reserve Bank, allow Project Offices set up in India by foreign companies in terms of clause (ii) of Regulation 5 of Foreign Exchange Management (Establishment in India of Branch or Office or other Place of Business) Regulations, 2000 dated May 3, 2000, as amended from time to time to open, hold and maintain non-interest bearing [one or more foreign currency accounts] [Substituted by Notification No. G.S.R. 340 (E) dated 5.4.2010 (w.e.f. 17.5.2005)] in India for the projects to be executed in India.][6A. Foreign Currency Account of a Unit in a Special Economic Zone.- A unit located in a Special Economic Zone may open, hold and maintain a Foreign Currency Account with an authorised dealer in India provided that--(a)all foreign exchange funds received by the unit in the Special Economic Zone (SEZ) are credited to such account;(b)no foreign exchange purchased in India against rupees shall be credited to the account without prior permission from the Reserve Bank;(c)the funds held in the account shall be used for bona fide trade transactions of the unit in the SEZ with the person resident in India or otherwise;(d)the balances in the accounts shall be exempt from the restrictions imposed under rule 5, except items 3 and 4 of the Schedule III, of the Government of India Notification No. G.S.R. 381 (E), dated May 3, 2000:Provided further that the funds held in these accounts shall not be lent or made available in any manner to any person or entity resident in India not being a unit in Special Economic Zones.]

## **7. Opening, holding and maintaining a Foreign Currency Account outside India. - (1) An authorised dealer in India may open, hold and maintain with his branch or head office or correspondent outside India, a Foreign Currency Account for the purpose of transacting foreign exchange business and other matters incidental thereto, in accordance with the provisions of the Act or the rules or regulations made or the directions issued thereunder.**

(2)A branch outside India of a bank incorporated or constituted in India may open, hold and maintain with a bank outside India, a Foreign Currency Account for the purpose of carrying on normal banking business outside India, subject to compliance with the directions or guidelines issued from time to time by the Reserve Bank, and the regulatory authority in the country where the branch is located.(3)A shipping or airline company incorporated in India may open, hold and maintain with a bank outside India, a Foreign Currency Account for the purpose of undertaking transactions in the ordinary course of its business.(4)Life Insurance Corporation of India or General Insurance Corporation of India and its subsidiaries may open, hold and maintain with a bank, outside India, a Foreign Currency Account for the purpose of meeting the expenditure incidental to the insurance business carried on by them and for that purpose credit to such account the insurance premia received by them outside India.[(4-A) A firm or a company or a body corporate registered or incorporated in India (hereinafter referred to as 'the Indian entity') may open, hold and maintain in

the name of its office (trading or non-trading) or its branch set up outside India or its representative posted outside India, a foreign currency account with a bank outside India by making remittances from India for the purpose of normal business operations of the office/branch or representative: Provided that--(a) the overseas branch/ office has been set up or representative is posted overseas for conducting normal business activities of the Indian entity; (b) the total remittances made under this sub-regulation by the Indian entity, to all such accounts in an accounting year shall not exceed--(i) 15 per cent. of the average annual sales/income or turnover of the Indian entity during the last two financial years or up to 25 per cent. of the net worth, whichever is higher, where the remittances are made to meet initial expenses of the branch or office or representative, and (ii) 10 per cent. of such average annual sales/income or turnover during the last financial years where the remittances are made to meet recurring expenses of the branch or office or representative; (c) the overseas branch/office/representative shall not enter in any contract or agreement in contravention of the Act, Rules or Regulations made thereunder; (d) the account so opened, held or maintained shall be closed,--(a) if the overseas branch/ office is not set up within six months of opening the account, or (b) within one month of closure of the overseas branch/office, or (c) where no representative is posted for six months, and the balance held in the account shall be repatriated to India: Provided further that the restriction contained in clause (b) of the first proviso shall not apply in a case where--(a) the remittances to the account maintained under this sub-regulation are made out of funds held in EEFC account of the Indian entity, or (b) the overseas branch/office is set up or representative posted by a 100% EOU or a unit in EPZ or in a Hardware Technology Park or in a Software Technology Park, within two years of establishment of the Unit. Explanation. - For the purpose of this sub-regulation,--(A) Purchase or acquisition of office equipments and other assets required for normal business operations of the overseas branch/office/representative will not be deemed as a capital account transaction; (B) Transfer or acquisition of immovable property outside India, other than by way of lease not exceeding five years, by the overseas branch/office/representative will be subject to the Foreign Exchange Management (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2000. (5) A person resident in India, being 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 outside or in India] [Substituted by G.S.R. 398(E), dated 20.3.2003 (w.e.f. 14.5.2003).]: Provided that--(a) approval as required under the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000 has been obtained for undertaking the contract/project/export of goods or services, and (b) the terms and conditions stipulated in the letter of approval have been duly complied with. (6) A person resident in India who has gone abroad for duties or who is on a visit to a foreign country may open, hold and maintain a Foreign Currency Account with a bank outside India during his stay outside India, provided that on his return to India, the balance in the account is repatriated to India: Provided that short visits to India by a person who has gone abroad for studies, before completion of his studies, shall not be treated as his return to India. (7) A person resident in India who has gone out of India to participate in an exhibition/trade fair outside India may open, hold and maintain a Foreign Currency Account with a bank outside India for crediting the sale proceeds of goods on display in the exhibition/trade fair: Provided that the balance in the account is repatriated to India through normal banking channels within a period of one month from the date of closure of the exhibition/trade fair. (8) [(i) A citizen of a foreign State, resident in India, being an

employee of a foreign company or a citizen of India, employed by a foreign company outside India and in either case on deputation to the office/branch/subsidiary/joint venture in India of such foreign company may open, hold and maintain a foreign currency account with a bank outside India and receive the whole salary payable to him for the services rendered to the office/branch/subsidiary/joint venture in India of such foreign company, by credit to such account, provided that income-tax chargeable under the Income-tax Act, 1961 is paid on the entire salary as accrued in India.(ii)A citizen of a foreign State resident in India being in employment with a company incorporated in India may open, hold and maintain a foreign currency account with a bank outside India and remit the whole salary received in India in Indian Rupees, to such account, for the services rendered to such an Indian company, provided that income-tax Act, 1961 is paid on the entire salary accrued in India.](9)[ An Indian party may open, hold and maintain Foreign Currency Account (FCA) abroad for the purpose of overseas direct investments subject to the following terms and conditions:(i)The Indian party is eligible for overseas direct investments in terms of Regulation 6 or Regulation 7, as the case may be, of Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 (notified in Notification No. FEMA 120/RB-2004 dated July 7, 2004) as amended from time to time.(ii)The host country regulations stipulate that the investment into the country is required to be routed through a designated account.(iii)FCA shall be opened, held and maintained as per the regulation of the host country.(iv)The remittances sent to the FCA by the Indian party should be utilized only for making overseas direct investment into the JV/ WOS abroad.(v)Any amount received in the account by way of dividend and/or other entitlements from the subsidiary shall be repatriated to India within 30 days from the date of credit.(vi)The Indian party should submit the details of debits and credits in the FCA on yearly basis to the designated AD bank with a certificate from the Statutory Auditors of the Indian party certifying that the FCA was maintained as per the host country laws and the extant FEMA regulations/ provisions as applicable.(vii)The FCA so opened shall be closed immediately or within 30 days from the date of disinvestment from JV/ WOS or cessation thereof.Explanation: For the purpose of this regulation, the expression 'Indian party' shall have the same meaning as assigned to it in Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004.]

**8. Limit on holding in a Foreign Currency Account. - Unless otherwise stipulated by the Reserve Bank, a person resident in India who has opened and is maintaining a Foreign Currency Account in accordance with the provisions of regulations 6 and 7, may hold therein foreign exchange without any limit.**

**9. Types of accounts. - A Foreign Currency Account with an authorised dealer in India under these regulations may be opened, held and maintained--**

(1)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:[Provided that the EEFC Account referred to in regulation 4, shall be opened, held or maintained in the form of an account in terms of such directions as may be issued by the Reserve Bank from time to time;] [Inserted by Notification No. G.S.R. 385(E) dated 8.5.2013 (w.e.f. 5.5.2000)](2)singly or jointly in

the name of person eligible to open, hold and maintain such account.

## **10. Remittances out of the accounts after the account holder's death. - On the death of a foreign currency account holder,-**

(1)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;(2)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.

## **11. Responsibility of authorised dealers maintaining foreign currency accounts. - An authorised dealer maintaining foreign currency accounts shall-**

(1)comply with the directions issued by the Reserve Bank from time to time; and(2)submit periodic return or statement, if any, as may be stipulated by the Reserve Bank.

## **Schedule**

(See regulation 4)Exchange Earner's Foreign Currency (EEFC) Account Scheme

### **1. Limit up to which foreign currency may be credited to EEFC account. - [(1) A person resident in India may credit to the EEFC Account with an Authorised Dealer in India 100 per cent of the foreign exchange earnings as specified in sub-paragraph (1-A).] [Substituted by Notification No. G.S.R. 838 (E), dated 30.9.2009 (w.e.f. 5.5.2000)]**

(1-A) Following foreign exchange earnings are specified for the purpose of subparagraph (1), namely:-(i)inward remittance through normal banking channel, other than the remittance received pursuant to any undertaking given to the Reserve Bank or which represents foreign currency loan raised or investment received from outside India or those received for meeting specific obligations by the account holder;(ii)payments received in foreign exchange by a 100 per cent Export Oriented Unit or a unit in (a) Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology Park for supply of goods to similar such unit or to a unit in Domestic Tariff Area [and also payments received in foreign exchange by a unit in Domestic Tariff Area for supply of goods to a unit in Special Economic Zone (SEZ)] [Substituted by G.S.R. 224(E), dated 25.11.2002 (w.e.f. 5.5.2000)];(iii)payment received by an exporter from an account maintained with an authorised dealer for the purpose of counter trade, in accordance with the approval granted in terms of Regulation 14 of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000;(iv)advance remittance received by an exporter towards export of goods or services;(v)payment received for export of goods and services from India, out of funds representing

repayment of State Credit in U.S. dollar held in the account of Bank for Foreign Economic Affairs, Moscow, with an authorised dealer in India, (vi) 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; (2) Except to the extent provided in sub-paragraph (1), no payment received in foreign exchange by the account holder from any other person resident in India, shall be credited to an EEFC account. Explanation. - For the purpose of the sub-paragraph (1), payment received through an international credit card for which reimbursement will be provided in foreign exchange may be regarded as a remittance through normal banking channels.

## **2. Permissible credits to EEFC account. - Following credits may be made to an EEFC Account, namely -**

(i) A portion of inward remittance/Payment received by the recipient in foreign exchange subject to the provisions of paragraph (1); (ii) Interest earned on the funds held in the account; (iii) Re-credit of unutilised foreign currency earlier withdrawn from the account; (iv) Amount representing repayment by the account holder's importer customer, of loan/advances granted in terms of clause (iv) of Paragraph 3. (v) [Representing the disinvestment proceeds received by the resident account holder on conversion of shares held by him to ADRs/ GDRs under the Sponsored ADR/GDR Scheme approved by the Foreign Investment Promotion Board of Government of India.] [Substituted by Notification No. G.S.R. 452(E) dated 23.5.2003 (w.e.f. 5.5.2000)]

## **3. Permissible debits to the EEFC account. - Following debits may be made to an EEFC Account, namely: -**

(i) Payment outside India towards a current account transaction in accordance with the provisions of the Foreign Exchange Management (Current Account Transactions) Rules, 2000 and towards a capital account transaction permissible under the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000. (ii) Payment in foreign exchange towards cost of goods purchased from a 100 percent Export Oriented Unit or a Unit in (a) Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology park (iii) Payment of customs duty in accordance with the provisions of Export Import Policy of Central Government for the time being in force. (iv) Trade related loans/ advances, [\*\*\*] [Deleted some words "not exceeding US \$ 3 million" by Notification No. G.S.R. 209(E) dated 6.3.2004 (w.e.f. 5.5.2000)], by an exporter holding such account to his importer customer outside India, subject to compliance with the Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000. (v) Payment in foreign exchange to a person resident in India for supply of goods/services including payments for air fare and hotel expenditure.

## **4. Miscellaneous. - (i) There is no restriction on withdrawal in rupees of funds held in an EEFC account. However, the amount withdrawn in rupees shall not be eligible for conversion into foreign currency and for re-credit to the account.**



(ii) Authorised dealer may issue cheque books of separate series with the superscription "EEFC Account" to the account holders maintaining such, accounts, and also satisfy himself while honouring the cheques that the payment made by the account holder by issue of a cheque is permissible under these Regulations. (iii) [Resident individuals are permitted to include resident close relative(s) as a joint holder(s) in their EEFC account on 'joint or survivor' basis. However, such resident Indian close relative(s), shall not be eligible to operate the account during the life time of the resident account holder. Explanation: For the purpose of this sub-regulation, 'close relative' means relative as defined in Section 6 of the Companies Act, 1956.] [5. Special provisions for EEFC of a unit in a Special Economic Zone - [Added by Notification No. G.S.R. 200 (E) dated 27.2.2001 (w.e.f. 5.5.2000)] (1) Save as otherwise provided in this paragraph, nothing contained in paragraphs 1 to 4 of this Schedule, shall apply to a unit in a Special Economic Zone. (2) A unit in a Special Economic Zone may credit to its EEFC Account, all its receipts up to 100% in foreign exchange, except the following, namely: (i) acquisition of foreign exchange by purchase against rupees from any person resident in India other than a unit in a Special Economic Zone, (3) Paragraphs 3 and 4 shall mutatis mutandis apply to the EEFC Account of such unit.] [Inserted by Notification No. G.S.R. 915 (E) dated 25.9.2012 (w.e.f. 5.5.2000)] [Inserted by G.S.R. 5(E), dated 5.12.2001 (w.e.f. 2.1.2002).]