



**RESERVE BANK OF INDIA  
FOREIGN EXCHANGE DEPARTMENT  
CENTRAL OFFICE  
MUMBAI**

RBI/2004/55  
A.P. (DIR Series) Circular No.69

February 12, 2004

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

**FEMA, 1999 - Grant of Rupee loan to NRIs - Liberalisation**

Under the provisions of the Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000 notified vide Notification No. FEMA 4/2000-RB dated May 3, 2000, Authorised Dealers are allowed to grant loans in rupees to Non-Resident Indians (NRIs) (i) against the security of shares or immovable property in India for personal or business purposes (Regulation 7) and (ii) housing loans against the security of houses/flats to be acquired for acquisition of residential accommodation in India (Regulation 8).

2. We have been receiving representations from various Authorised Dealers seeking our approval for grant of rupee loans against acceptable security to Non-Resident Indians for purposes other than specifically prohibited.

3. On a review, it has been decided to allow Authorised Dealers to grant rupee loans to NRIs as per policy laid down by the bank's Board of Directors, other than for purposes specified in para 4 below. The repayment of the loan may be made by debit to NRE/FCNR/NRO accounts of the non-resident borrowers or out of inward remittances by the borrowers. The quantum of loan, rate of interest, margins etc. on such loans may be decided by the Authorised Dealers based on relevant directives issued by the Department of Banking Operations and Development in this regard.

4. Authorised Dealers may ensure that the proceeds of rupee loan are not utilised for any of the following activities:

- a) The business of chit fund, or
- b) Nidhi Company, or
- c) Agricultural or plantation activities or in real estate business, or construction of farm houses, or
- d) Trading in Transferable Development Rights (TDRs), or
- e) Investment in capital market including margin trading and derivatives.

5. Necessary amendments to the Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000 notified vide Notification No. FEMA 4/2000-RB dated May 3, 2000 are being issued separately.

6. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

7. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager