

FOREIGN CURRENCY ACCOUNTS BY PERSONS RESIDENT IN INDIA

Cross-border transactions, being business or personal, involve payment and receipts in foreign exchange across countries and India is a major participant in the international environment. Persons resident in India may require foreign currency at their disposal for various purposes as well as receive foreign currency from overseas sources. Holding and spending of foreign currency is monitored under Foreign Exchange Management Act (FEMA) and its relevant regulations under the said Act. Under FEMA, since there is a cap on retention of foreign currency, RBI has provided flexibility of holding foreign currency in specified bank accounts in India. Notification No. FEMA 10(R)/2015-B prescribes various foreign currency accounts in India and its purposes, operational guidelines, etc and resident persons should be aware about the type of accounts depending on the objective and need. The Articles covers four major types of accounts in detail which are often held, followed by other foreign currency accounts for specified purposes.

	EEFC A/c	RFC A/c	RFC (Domestic) A/c	DDA
Brief	EEFC A/c can be opened by persons resident in India for undertaking business transactions in permissible foreign currency to/from India.	Resident Individuals in India who have returned from abroad can maintain RFC A/c in foreign currency for specified types of receipts.	Resident Individuals can maintain RFC (Domestic) A/c for crediting specified receipts in foreign currency.	Firms & companies engaged in purchase and sale of rough, cut, polished diamonds and diamond studded jewellery can open DDA in USD only , subject to fulfilling the eligibility criteria of FTP.
Permissible credits	<ul style="list-style-type: none"> Foreign exchange earnings by way of inward remittance through normal banking channel (other than loans / investments) Advance remittance for export of goods or services Professional earnings including director's fees, consultancy fees, lecture fees, honorarium and similar earnings by rendering services in individual capacity. 	<ul style="list-style-type: none"> Pension or superannuation or other monetary benefits from overseas employer Proceeds on converting assets acquired by him when he was a non-resident or inherited from or gifted by a person resident outside India Foreign exchange acquired before July 8, 1947 or any income arising or accruing 	<ul style="list-style-type: none"> Receipt while on a visit abroad for services not arising from any business or anything done in India Gift from a relative Honorarium or gift while on a visit to any place outside India Unspent amount of foreign exchange acquired for travel abroad 	<ul style="list-style-type: none"> Pre-shipment & post-shipment finance in US Dollars. Export proceeds and local sales (in USD) of rough, cut, polished diamonds

	<ul style="list-style-type: none"> • Repayment by the account holder's importer customer, of trade loans/ advances granted • Disinvestment proceeds on conversion of shares held by him to ADRs/ GDRs as approved by the Government of India • payments received for the purpose of counter trade • Re-credit of unutilised foreign currency earlier withdrawn from the account • Receipts in foreign exchange by an Indian startup or a notified entity arising out of exports/ sales made by the said entity or its overseas subsidiaries. 	<p>thereon which is held outside India in pursuance of a general or special permission of RBI.</p> <ul style="list-style-type: none"> • Proceeds of life insurance policy claims / maturity / surrender values settled in forex from an Indian insurance company permitted to undertake life insurance business by the IRDA. 	<ul style="list-style-type: none"> • Payment from any person resident outside India who is on a visit to India, as honorarium or gift or for services rendered or in settlement of any lawful obligation • Earning through export of goods/services, royalty or by any other lawful means • Disinvestment proceeds received on conversion of shares held by him to ADRs/ GDRs as approved by the Government of India. • Proceeds of life insurance policy claims / maturity / surrender values settled in forex from an Indian insurance company permitted to undertake life insurance business by the IRDA 	
Permissible Debits	<ul style="list-style-type: none"> • Payment outside India towards current or capital account transaction as per the relevant regulations. • Payment in foreign exchange towards cost of goods purchased 	--	<ul style="list-style-type: none"> • Payment outside India towards current or capital account transaction as per the relevant regulations. 	<ul style="list-style-type: none"> • Import or purchase payments from overseas/ local sources. • Transfer to rupee account of the exporter.

	<p>from 100% EOU or a unit in EPZ / STP/ EHTP</p> <ul style="list-style-type: none"> • Payment of customs duty as per the Export Import Policy. • Trade related loans/ advances, by an exporter to his importer customer outside India, subject to compliance under FEMA and rules / regulations thereunder. • Payment in foreign exchange to a person resident in India for supply of goods / services including payments for air fare and hotel expenditure. 			
Other points	<ul style="list-style-type: none"> • Withdrawal in rupees from EEFC A/c is permitted. However, amount so withdrawn in rupees cannot be re-credited. • The sum total of 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. 	Balance in the account shall be free from all restrictions regarding utilisation of foreign currency including any restriction on investment in any form outside India.	-	<ul style="list-style-type: none"> • No intra-account transfer are allowed between the DDAs of account holder. • The firm/ company can open upto 5 DDAs. • CRR & SLR requirements shall apply. • Exporter firms and companies maintaining FCAs, excluding EEFC A/c, in India or abroad, are not eligible to open DDA.

Joint Account	Where accountholder is a resident individual, joint holder(s) can be resident relative ¹ (s) on 'former or survivor' basis. However, they shall not be eligible to operate the account during the lifetime of the resident accountholder.	-	-
Change of residential status of the accountholder	<ul style="list-style-type: none"> Balances held in the account can be credited to NRE/ FCNR(B) A/c, at the option of the account holder consequent upon change of their residential status from resident to non-resident. 	-	-

OTHER FOREIGN CURRENCY ACCOUNTS

- A unit located in a Special Economic Zone can also open an FCA in India for bonafide business purpose subject to terms and conditions.
- 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 a FCA with a bank in India subject to terms and conditions.
- 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.
- Ship-manning/crew managing agencies can open FCA in India for the purpose of undertaking transactions in the ordinary course of their business.
- Project offices of foreign companies can open one or more FCA in India for the projects to be executed in India subject to specified terms and conditions.
- An Indian company receiving FDI can open FCA provided Indian investee company has impending foreign currency expenditure and the account shall be closed immediately after the requirements are completed and in no case shall be operational for more than 6 months from the date of opening of such account.
- Re-insurance and Composite Insurance brokers registered with IRDA may open FCA in India for the purpose of undertaking transactions in the ordinary course of their business.
- AD bank may allow opening temporary foreign currency accounts by organisers of international seminars, conferences, conventions etc. for holding such events in India for the receipt of the delegate fees and payment towards expenses.

¹ Relative as defined under Section 2(77) of Companies Act, 2013

GLOSSARY

CRR	Cash Reserve Ratio
DDA	Diamond Dollar Account
EEFC	Exchange Earners' Foreign Currency
EHTP	Electronic Hardware Technology Park
EOU	Export Oriented Unit
EPZ	Export Processing Zone
FCA	Foreign Currency Account
FDI	Foreign Direct Investment
FTP	Foreign Trade Policy
IRDA	Insurance Regulatory and Development Authority
RBI	Reserve Bank of India
RFC	Resident Foreign Currency
SLR	Statutory Liquidity Ratio
STP	Software Technology Part

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