

# FAQ-NRIs

## **1. Who is a Non-Resident Indian [NRI]?**

Non-Resident Indian [NRI] means a 'person resident outside India' who is a citizen of India or is a 'person of Indian origin'.

## **2. Who is a 'person resident outside India'?**

Under the Foreign Exchange Management Act, 1999 [FEMA], a person who is NOT a 'person resident in India', as defined under Section 2 (v) of the Act is considered as a 'person resident outside India'. The most important change in definition [since FERA 1973] is that the citizenship of a person no longer has a bearing in determination of residential status.

## **3. Who is a 'person of Indian origin'?**

'Person of Indian Origin' (PIO) means a citizen of any country other than Bangladesh or Pakistan, if :

he at any time held Indian passport; or

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

the person is a spouse of an Indian citizen or a person referred to in sub-clause [a] or [b].

*In simple terms, A Person of Indian Origin (PIO) is a citizen of any other country but whose ancestors were Indian nationals at least four generations away.*

## **4. What is a PIO card?**

A PIO card is issued to PIOs other than Bangladeshi and Pakistani nationals with Indian origins, holding a foreign passport.

## **5. Who is an overseas citizen of India (OCI)?**

The Central Indian Government, on application, may register any person as an Overseas Citizen of India if that Person is of Indian Origin and is from a country which allows dual citizenship in some form or the other.

Broadly speaking, a "Person of Indian Origin" is a citizen of another country who:

- was a citizen of India on 26 January 1950 or at any time thereafter; or
- was eligible to become a citizen of India on 26 January 1950; or
- belonged to a territory that became part of India after the 15 August 1947; or
- is the child or grandchild of a person described above; and
- has never been a citizen of Pakistan or Bangladesh.

The persons does not fulfill these requirements are not eligible for OCI.

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## **6. How can NRIs invest in shares in India?**

As per Reserve Bank of India (RBI) guidelines, NRI who wishes to invest in shares in India through a stock exchange need to approach the designated branch of any authorized dealer (bank) authorized by reserve bank to administer the PIS (Portfolio Investment Scheme) to open a NRE (Non Resident External) /NRO (Non Resident Ordinary) account under the scheme for routing Investments.

## **7. Can PIO (Person of Indian Origin) as well as OCI (Overseas Citizen of India) also invest in shares in India?**

Yes, PIOs and OCIs do have a parity with NRIs in respect of all facilities available to the NRIs in the economic, financial and educational fields except in matters relating to the acquisition of agricultural/ plantation properties

## **8. What is Portfolio Investment Scheme?**

The Portfolio Investment Scheme allows NRIs to acquire shares/debentures of Indian Companies or units of domestic Mutual Funds through the stock exchange(s) in India.

## **9. What is the procedure for making applications for Portfolio Investment Scheme?**

The application is to be submitted to a designated branch of an authorized dealer in India in the prescribed form. No permission is required from RBI.

## **10. What is a designated branch?**

Reserve Bank has authorized a few branches of each authorized dealer to conduct the business under Portfolio Investment Scheme on behalf of NRIs. These branches are the main branches of major commercial banks. NRIs will have to route their applications through any of the designated authorized dealer branches who have authorization from Reserve Bank.

## **11. Whether NRI can apply through more than one authorised dealer?**

No. NRI can select only one authorised dealer for the purpose of investment under Portfolio Investment Scheme and route the transactions through the branch designated by the authorised dealer.

## **12. What type of bank account details is to be given at the time of account opening and subsequently [by way of change of details]?**

The following bank accounts may be given:

- For non-repatriable - NRO [dividend/interest is repatriable]
- For repatriable - NRE

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The above details recorded by the DP in the demat account may be used by the Issuer to directly credit dividend or interest.

(Dividend/interest received on Investments made on repatriation and non – repatriation basis under Portfolio Investment Scheme is not an eligible credit to NRE (PIS) Account and NRO (PIS) Account respectively).

### **13. What does the word repatriable mean in India?**

Repatriable means the balance held in the account in India can be taken out of India.

### **14. What are the chosen routes through which NRIs can invest in India?**

Equities, Property and Mutual Funds are the three most sustaining ways for an NRI to invest.

### **15. Where can an NRI/PIO open a demat account?**

NRI/PIO can open a demat account with any Depository Participant [DP] of NSDL. The NRI/PIO needs to mention the type ['NRI' as compared to 'Resident'] and the sub-type ['Repatriable' or 'Non-Repatriable'] in the account opening form of DP.

### **16. Does an NRI need any RBI permission to open a demat account?**

No permission is required from RBI to open a demat account. However, credits and debits from demat account may require general or specific permissions as the case may be, from designated authorised dealers.

### **17. What are the documents required to be collected from Investor to open a NRI/PIO/OCI trading account?**

List of documents to be taken while registering NRI/PIO/OCI Clients as may be applicable:

#### Document ensuring status of entity

- a) In case of Indian passport - Valid passport, Place of birth as India, Valid Visa – Work/ Student/employment/resident permit etc.
- b) In case of foreign passport: Valid passport and any of the following
  - Place of Birth as India in foreign passport
  - Copy of PIO / OCI Card as applicable in case of PIO/OCI
- c) PIS Permission Letter from the respective designated bank
- d) PAN Card
- e) Overseas Address - Driving License/ Foreign passport /Utility Bills/Bank statement (not more than 2 months old)/Notarized copy of rent agreement/ leave & license agreement/ Sale deed.
- f) Photograph of Investor.
- g) Proof of respective bank accounts & depository accounts.

### **18. What are other client registration formalities to be taken care while registering NRI/PIO/OCI Clients?**

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In case of NRI/PIO/OCI client registration documents are required to be executed by client himself and not by Power of Attorney Holder. In case of In-person verification of such clients, the members may obtain from such clients KYC documents attested by any one of the following entities –Indian Embassy/Consulate general in the country where the client resides, Notary Public, Court, Magistrate, Judge or Local banker.

## ***19. Is it mandatory for a client to provide local (Indian) address?***

At the time of client registration, client needs to provide its foreign address along with documentary proof of the same. If client so desire it can keep its local address as correspondence address. In such scenario additionally they are required to provide documentary evidence in support of local address also.

## ***20. Can two separate trading accounts namely (NRE & NRO) can be opened by NRI?***

Yes, clients can have two separate trading accounts based on NRE & NRO status.

## ***21 How payments could be made by NRIs for shares purchased on stock exchange?***

Payment for purchase of shares and/or debentures on repatriation basis has to be made by way of inward remittance of foreign exchange through normal banking channels or out of funds held in NRE/FCNR(B) account maintained in India. If the shares are purchased on non-repatriation basis, the NRIs can also utilize their funds in NRO account in addition to the above.

## ***22 How NRIs/PIO can remit Sale proceeds?***

In case of NRI/PIO, if the shares sold were held on repatriation basis, the sale proceeds (net of taxes) may be credited to his NRE /FCNR(B)/NRO accounts of the NRI/PIO, whereas sale proceeds of non repatriable investments can be credited only to NRO accounts.

## ***23 Can an NRI transfer shares purchased under PIS to others under private arrangement?***

Shares purchased under PIS on stock exchange shall be sold on stock exchange only. Such Shares cannot be transferred by way of sale under private arrangement or by way of gift (except by NRIs to their relatives as defined in Section 6 of Companies Act, 1956 or to a charitable trust duly registered under the laws in India) to a person resident in India or outside India without prior approval of the Reserve Bank.

## ***24 Can NRI trade in Currency derivative segment of the Exchange?***

No, Only “a person resident in India” as defined in section 2(v) of FEMA Act 1999 are allowed to participate in currency derivative segment of the Exchange.

## ***25 Can NRI do Intra-day transactions in cash segment?***

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No, NRI Investor has to take delivery of shares purchased and give delivery of shares sold. Short Selling is not permitted.

## **26 Can NRI trade in Exchange traded funds?**

Yes. NRIs can trade in ETFs if it is provided in Offer documents of the scheme.

## **27 Can NRIs undertake Futures/Options traded in Exchanges?**

Yes. NRIs can execute futures/options which are traded in stock exchanges on non-repatriation basis (through NRO SB PIS A/c) only subject to SEBI approved limits.

## **28 Are NRIs allowed to invest in companies dealing in real estate?**

Yes, upto 100% of the new issue of Indian companies engaged in construction, real estate development and funding of housing development.

## **29 Is approval for RBI required to invest in mutual fund scheme?**

For an NRI, no specific approval for investing or redeeming from mutual fund is required. Only OCBs and FIIs require approvals for it.

## **30 What are the norms for NRI investments in domestic mutual funds?**

General permission of the RBI exists for sale of units of mutual funds to NRIs and FIIs provided the investment is being made through inward remittance through normal banking channels or by debit to the NRIs' NRE/FCNR account. The returns are accordingly paid into the investor's NRE/FCNR account.

## **31 What specific conditions need to be fulfilled for investing in mutual funds schemes on repatriable basis?**

In order to invest on a repatriable basis, you must have an NRI or FCNR bank account in India. The mutual fund should comply with the terms and conditions stipulated by SEBI, the amount representing investment should be received by inward remittance through normal banking channels or by debit to NRE Account/ FCNR account of the NRI. The dividend/interest of units may be remitted through normal banking channels or credited to NCR/FCNR account of the investor.

## **32 Can an NRI invest in foreign currency?**

An NRI cannot make the investment in foreign currency. He should give a Rupee cheque from his NRE, NRO, NRSR bank account in India. He may also send a Rupee cheque from abroad payable in a bank in India. However, for an NRI to invest, it is mandatory that he maintains a bank account in India.

## **33 Can an NRI invest in mutual fund with an overseas bank account detail?**

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No. Overseas bank account details are not accepted as the payment is in Indian rupees by way of cheque/direct credits.

**34 Does Mutual Fund currently do a transfer to the overseas account?**

No. Investors need to contact their authorized dealers/banks for the same.

**35 Can an NRI have a joint account in a scheme of Mutual Fund with a resident Indian?**

Yes. An NRI investor can have a joint holding with a Resident Indian or a Non-Resident Indian in a scheme of Mutual Fund.

**36 Can a Power of Attorney (POA) invest on behalf of the NRI investor in Mutual fund?**

Yes, Unlike banks where a POA holder cannot open an account on behalf of the NRI/FIIs, in a mutual fund the POA has the authority to invest on behalf of the investor and sign documents for initial and additional purchases as well as redemptions. While applying for purchase of units the POA holder needs to submit the original POA or a copy duly notarized should be submitted. The Power of attorney should contain the signature of both the first holder and the POA holder. Only when the POA is registered does the POA holder have the right to transact on behalf of the NRI/FII investor. His signature will be verified for processing any transaction/request.

**37 Are all NRIs eligible to invest in all schemes of mutual fund?**

No. NRIs residing in US and Canada cannot invest in schemes of Tata, HSBC, Franklin and Fidelity

**38 Are NRIs eligible to invest through stock exchange platform?**

No. NRIs cannot buy or sell mutual fund units through stock exchange platform.

**39 Are bonds issued by PSUs and purchase of shares of public sector undertakings open to investment by NRIs?**

Yes, with repatriation benefits. In the case of public sector undertakings, NRI holding should not exceed 1% of the paid-up capital. The investment must come from inward remittance through the authorised dealer or through the NRE/FCNR account. Applications are made through the designated SBI branch.

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***40 Can an NRI purchase securities by subscribing to public issue? What are the permissions/approvals required?***

Yes. The issuing company is required to issue shares to NRI on the basis of specific or general permission from Govt/RBI. Therefore, individual NRI need not obtain any permission.

***41 Does an NRI require any permission to receive bonus/rights shares?***

No. NRI does not require any permission.

***42 If NRI/PIO desires to make investments under different schemes, can he hold all such securities in a single demat account?***

No. Securities received against investments under 'Foreign Direct Investment scheme (FDI)', 'Portfolio Investment scheme (PIS)' and 'Scheme for Investment' on non – repatriation basis have to be credited into separate demat accounts. Investment under PIS could be on repatriation or non – repatriation basis. Investment under FDI scheme is on repatriation basis.

***43 Can securities purchased under repatriable and non-repatriable category be held in a single demat account?***

No. An NRI must open separate demat accounts for holding 'repatriable' and 'non-repatriable' securities.

***44 In case a person who is resident in India becomes a non-resident, will he/she be required to change the status of his/her holding from Resident to Non-Resident?***

As per section 6(5) of FEMA, NRI can continue to hold the securities which he/she had purchased as a resident Indian, even after he/she has become a non resident Indian, on a non-repatriable basis.

***45 In case a non-resident Indian becomes a resident in India, will he/she be required to change the status of his/her holding from Non-Resident to Resident?***

Yes. It is the responsibility of the NRI to inform the change of status to the designated authorized dealer branch, through which the investor had made the investments in Portfolio Investment Scheme and the DP with whom he/she has opened the demat account. Subsequently, a new demat account in the resident status will have to be opened, securities should be transferred from the NRI demat account to resident account and then close the NRI demat account.

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***46 Is it possible to credit the sales proceeds of a non-repatriable investment to an NRE account?***

No. The sale proceeds of the repatriable investments can be credited to the NRE / NRO accounts of the NRI / PIO at the option of the investor, whereas the sale proceeds of non-repatriable investment can be credited only to NRO accounts. The sale of shares/mutual fund units will be subject to payment of applicable taxes.

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