

FAQ FOR NRIs ON DEPOSITORY ACCOUNT

- 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 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' 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).
- 4. What is an 'Overseas Corporate Body' (OCB)?**
'Overseas Corporate Body' means a company, partnership firm, society and other corporate body owned directly or indirectly to the extent of at least sixty per cent by Non-Resident Indians and includes overseas trust in which not less than sixty percent beneficial interest is held by Non-Resident Indians directly or indirectly but irrevocably.
- 5. Where can an NRI open a demat account?**
NRI can open a demat account with any Depository Participant of NSDL. The NRI needs to mention the type ('NRI' as compared to 'Resident') and the sub-type ('Repatriable' or 'Non-Repatriable') in the account opening form collected from the Depository Participant.
- 6. Does an NRI need any RBI permission to open demat account?**
No permission is required from RBI to open a demat account. Holding securities in demat only constitutes change in form and does not need any special permission.
- 7. Does NRI requires to take permission for dematerialisation/rematerialisation of securities?**
No special permission is required. Holding securities in demat only constitutes change in form and does not need any special permission. Permission taken (where required) at the time of acquiring the securities is adequate.
- 8. 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.
- 9. How does NRI dematerialise securities purchased while he/she was resident?**
As per FEMA rules, NRI must regularize his/her holdings to reflect change of status — in this case, bring them to 'Non-Resident' status. For this, NRI must submit (if not already submitted to the issuing company earlier) a letter addressed to the issuing company along with the Demat Request Form stating change of status and giving details of foreign address.
- 10. What are the procedures to be followed in respect of investment in securities in case person resident in India becomes NRI?**
On becoming an NRI, a new depository account with appropriate NRI status is to be opened and all the balances held in account with 'Resident' status should be transferred to the account with NRI status & securities held under this account will be treated on non-repatriable basis.



11. *What are the procedures to be followed in respect of investment in securities in case NRI becomes person resident in India?*

On becoming a resident, a new depository account with appropriate status — ‘Resident’ in this case — is to be opened and all the balances held in account with ‘Non-Resident’ status should be transferred to ‘Resident’ status.

12. *Can a NRI purchase securities by subscribing to an issue? What are the approvals required?*

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

13. *Can a NRI purchase securities in the secondary market? What are the approvals required in the new FEMA rules?*

Purchases made in the secondary market are investments under Portfolio Investment Scheme. Permission to buy in the market is given by authorised dealers under the Portfolio Investment Scheme on repatriable/ non-repatriable basis. The said permission is a one-time general permission.

14. *Does NRI require any permission to subscribe to Rights issue of a company?*

No.

15. *Does NRI require any permission to receive bonus shares?*

No.

16. *Can an NRI nominate or be nominated in depository account? Whether such nominee can be person resident in India?*

Yes.

17. *Can an NRI and person resident in India have a joint demat account?*

Yes. For the purpose of determining ownership of holding, the first holder is taken into account. Hence, even though other joint holders may be persons resident in India, the sale proceeds of such securities can be repatriated in case the first holder is permitted to repatriate funds.

18. *What are the permissions required for off-market transfer of securities?*

From NRI to NRI - No permission

From person resident outside India to person resident in India (Gift) - No permission

From person resident in India to person resident outside India (Gift) - Application to RBI by transferor

From person resident in India to person resident outside India (Sale) - Approval from GoI and then RBI, if the acquisition is on repatriable basis. But if acquisition is on non-repatriable basis, approval only from RBI

From person resident outside India to person resident in India (Sale) - RBI Permission through form Ts1

19. *What type of bank accounts are to be given at the time of account opening and subsequently (by way of change of details)?*

The bank details recorded by the Depository Participant may be used by the issuer of securities to directly credit the dividend or interest. The following bank accounts may be given:

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

- NRSR [dividend/interest is not repatriable]

For repatriable - NRE

This FAQ is prepared based on NSDL's (National Securities Depository Limited's) understanding of FEMA regulations. Any authentic clarification may be obtained from Reserve Bank of India.

