

## **NON-RESIDENT EXTERNAL ACCOUNTS RULES, 1970**

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## **NON-RESIDENT EXTERNAL ACCOUNTS RULES, 1970**

In exercise of the powers conferred by S.27 of the Foreign Exchange Regulation Act, 1947, the Central Government hereby makes the following rules to regulate the opening and maintenance of accounts by persons resident outside India, namely:-

### **1. Short title and commencement :-**

- (1) These rules may be called the Non-Resident (External) Accounts Rules, 1970.
- (2) They shall come into force on the date of their publication in the Official Gazette.

### **2. Definition. :-**

In the rules, unless the context otherwise requires,-

- (a) "Act" means the Foreign Exchange Regulation Act, 1947;
- (b) "account-holder" means a person holding a Non-Resident (External) Account;
- (bb) "co-operative bank" shall have the meaning assigned to it in Part V of the Banking Regulation Act, 1949;
- (c) words and expressions used and not defined in these rules but defined in the Act, have the meanings respectively assigned to

them in the Act.

### **3. Non-Resident (External) Account :-**

Subject to the provisions of these rules, any person resident outside India may open and maintain in India an account with an authorised dealer or co-operative bank or any other bank or public financial institution which is specially authorised or exempted or permitted in this behalf by the Reserve Bank under the Act, to be called, a "Non- Resident (External) Account"

### **4. Amounts which may be credited to a Non-Resident (External) Account :-**

(1) No amount other than the following amounts shall be credited to a Non-Resident (External) Account, namely :-

(a) any amount remitted by the account-holder from outside India through normal banking channels;

(b) subject to the provisions of sub-rules (2) and (3), any amount accruing by way of income (including proceeds of sale or realisation of maturity value) from-

(i) units issued by the Unit Trust of India established under the Unit Trust of India Act, 1963;

(ii) securities of any State Government or of the Central Government acquired by the account-holder from any Public Debt Office or through a Stock Exchange recognised under the Securities Contracts (Regulation) Act, 1956;

(iii) National Plan Saving Certificates obtained by the account-holder from any post office in India;

(c) subject to the provisions of sub-rule (4), any amount accruing by way of dividend or interest on shares, securities or deposits held in India; and

(d) such other amount as the Reserve Bank may generally or specially approve of being credited to such account.

(2) The income from the proceeds of sale or from realisation of maturity value of units, securities or certificates referred to in clause (b) of sub-rule (1) shall not be credited into a Non-Resident (External) Account unless such units, securities or certificates have been purchased from out of the amounts remitted by the account-holder from outside India.

(3) No amount referred to in clause (b) of sub-rule (1) shall be credited to a Non-Resident (External) Account if-

(a) the investment in units, securities or certificates was subject to the conditions imposed by the Reserve Bank that such amount shall not be remittable outside India; or

(b) the investor had intimated in writing to the Central Government or to the Reserve Bank that such amount will not be remitted outside India.

(4) The amounts accruing by way of dividend or interest on shares, securities and deposits held in India shall not be credited to the Non-Resident (External) Account unless-

(a) the account-holder is the registered holder of such shares, securities or deposits;

(b) the account-holder is permanently resident outside India;

(c) the shares and securities are issued in India; and

(d) in the case of shares-

(i) the account-holder holds not more than 25 per cent of the total shares issued and outstanding for the time being of the company or corporation, as the case may be;

(ii) they have been issued or transferred to the account-holder with the permission of the Reserve Bank (where such permission is necessary); and

(iii) the account-holder has kept deposited with an authorised dealer or co-operative bank or any other bank or public financial institution which is specially authorised or exempted or permitted in this behalf by the Reserve Bank under the Act the certificates relating to the shares as also an undertaking in writing to the effect that he will not, except with the previous approval of the Reserve Bank, dispose of any of the shares.

**5. Amount not to be credited without permission of the Reserve Bank :-**

No such amount as is referred to in clause (a), clause (b), clause (c) or clause (d) of sub-rule (1) of rule 4 shall be credited to a Non-Resident (External) Account unless the Reserve Bank, having regard to the desirability of permitting remittances of funds held in India by non-residents, either by general or special order, gives

permission in this behalf.

**6. Application for opening a Non-Resident (External) Account :-**

(1) If a person resident outside India wishes to open a Non-Resident (External) Account or to convert any other account into a Non-Resident (External) Account, he shall make an application in this behalf to an authorised dealer or co-operative bank or any other bank or public financial institution which is specially authorised or exempted or permitted in this behalf by the Reserve Bank under the Act.

(2) Except where the Reserve Bank, by general or special order, so directs, every application for opening a Non-Resident (External) Account or for converting any account into a Non-Resident (External) Account shall be referred to the Reserve Bank by the authorised dealer or co-operative bank or any other bank or public financial institution which is specially authorised or exempted or permitted in this behalf by the Reserve Bank under the Act together with-

(a) in the case of a fresh account, particulars of the sums with which the account is to be opened, or

(b) in the case of conversion of an account, a transcript of the operation on the account required to be converted for the period commencing from the date on which the funds are originally credited to the account to the date of the application.

(3) The authorised dealer or co-operative bank or any other bank or public financial institution which is specially authorised or exempted or permitted in this behalf by the Reserve Bank under the Act shall also furnish to the Reserve Bank such other particulars as it may require in this behalf.

**7. National Defence Remittance Scheme Special Account not to be converted :-**

Notwithstanding anything contained in rule 6, a National Defence Remittance Scheme Special Account opened in pursuance of the Reserve Bank's A.D. Circular No. 39 of 1965 shall not be converted into a Non-Resident (External) Account.

**8. Declaration to be furnished :-**

Every authorised dealer or co-operative bank or any other bank or

public financial institution which is specially authorised or exempted or permitted in this behalf by the Reserve Bank under the Act, shall, if so required by the Reserve Bank, furnish to the Reserve Bank or to such authority, and in such form as that Bank may specify, a declaration as at the close of each year that all credits during the year in all the accounts maintained with him have been in conformity with these rules.