

New Facility of Foreign Currency Accounts for Resident Individuals

November 1, 2002

At present, a resident in India is permitted to retain upto US \$ 2000 or its equivalent in cash and/or travellers cheques provided the same has been acquired:

- (i) while on visit to any place outside India by way of payment for services;
- (ii) from any person not resident in India or who is on a visit to India, in settlement of any lawful obligations;
- (iii) by way of honorarium or gift while on a visit outside India;
- (iv) from an authorised person for travel abroad and represents unspent amount.

As an important step towards further liberalisation of foreign exchange facilities available to individual residents, it has been decided to permit a person resident in India to open, hold and maintain with a licenced bank (which is also an Authorised Dealer) in India a Foreign Currency Account. This account will be known as Resident Foreign Currency (Domestic) Account and foreign exchange acquired from any of the sources specified at (i) to (iv) above can be kept in this account by Residents.

Till now the residents were necessarily required to surrender foreign exchange exceeding US\$ 2000, acquired through any of the sources indicated above and convert it to Rupees. With the introduction of this facility, the residents can either deposit the foreign exchange so acquired in the Resident Foreign Currency (Domestic) Account designated in any foreign currency or at their discretion, deposit in a Rupee account after conversion. The new facility for opening the Resident Foreign Currency (Domestic) Account is in addition to the existing facility of retaining US \$ 2000 or its equivalent in the form of currency notes and/or foreign currency travellers cheques.

The balance in Resident Foreign Currency (Domestic) Account may be used for any purpose permissible under current foreign exchange regulations for resident Indians (e.g. travel, medical treatment abroad, gifts upto US \$ 5000, purchase of books directly or through the internet, education abroad, etc.)

As long as the foreign exchange is acquired through permissible channels mentioned above, there will be no overall limit on balances kept in Resident Foreign Currency (Domestic) Account. This account will be maintained in the form of a current account with cheque facility.

Necessary Notification amending the existing foreign exchange regulations are being issued separately. Pending publication of the Notification the Regional Offices of the Bank would expeditiously allow opening of such accounts.

The working of this new facility will be reviewed after one year and the scheme may be further modified/liberalised in the light of actual experience.

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