



CAIIB 2022



TARGET 60+ Score

Correspondent Banking and NRI Accounts Part:- 2



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13+ Years Experience

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ABOUT THE FACULTY

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Sr. Faculty & Ex Banker, MBA [JAIIB & CAIIB Subject Expert, Certified Bank Trainer (IIBF)]

12+ years of experience in training and mentoring bank officers for internal bank promotional examinations and conducting various other TRAINING ACROSS INDIA.

Unit 3:-Correspondent Banking and NRI Accounts Part 4

Non-Resident External (NRE) Accounts

- **The Non-Resident External (NRE) Account allows you to transfer your foreign earnings easily to India.** However, this type of account is rupee dominated and can be opened in the form of Current, Savings, Fixed or Recurring Deposits.
- It is vital to know that there is no tax levied on the interest earned from these accounts, i.e. they are tax exempt, and they are also easily repatriable, i.e. transferable. These accounts can be jointly opened with close relative Resident Indian on Former or Survivor basis.

Non- Resident Ordinary (NRO) Accounts

- **The Non-Resident Ordinary (NRO) Account are primarily opened for depositing rupees earned in India. Foreign earnings can also be deposited in this account.** When an Indian citizen goes abroad for a job with an intention to stay there, his resident accounts should be converted into an NRO Account by the bank. Therefore, it is essential to inform the bank about the individual's departure abroad.
- Also, it is vital to know that NRO Accounts are rupee dominated and can be opened in the form of Savings, Current, Recurring Deposits or Fixed Deposits. These accounts can be jointly opened with any Resident Indian on Former or Survivor basis.

Foreign Currency Non-Resident (FCNR) Accounts

The Foreign Currency Non-Resident (FCNR) Account can be opened in different currencies such as US Dollars, Canadian Dollars, Australian Dollars, Sterling Pounds, Euro, Japanese Yen, etc. These FCNR Accounts can be opened in the form of term deposits for the following maturity periods:

- 1 year and above but less than 2 years
- 2 years and above but less than 3 years
- 3 years and above but less than 4 years
- 4 years and above but less than 5 years
- 5 years.

Special Non-Resident Rupee Account-SNRR account

- **SNRR account has been allowed to be used for specified transactions in trade, foreign investments, External Commercial Borrowings, etc.,** in lieu of sending inward/outward remittances by a person resident outside India in a convertible foreign currency for each transaction with a resident or vice-versa, all precautions need to be taken by Authorized Dealer (AD) banks to ensure identification of the counterparty of such transactions.
- Some of such precautions are listed out in FAQs below. The onus of ensuring the use and identification of SNRR transactions as per guidelines falls on the AD banks.

Other Investment Avenues

Units of UTI, mutual funds

NRIs are permitted to invest in units of UTI or other mutual funds on repatriable as well as non-repatriable basis.



Company deposits-

NRIs are permitted to invest in company deposits on repatriable basis, provided the deposits are for a minimum period of 3 years, are within the ceiling prescribed by RBI for the **company to accept deposits and are made out** of fresh remittances or from balances held in NRE/FCNRB deposits.

Investment in partnership firm or proprietorship concern

An NRI is permitted to invest in a partnership firm or a proprietorship concern, by way of capital contribution, provided

- (i) The concern is not engaged in agricultural/plantation activity or real estate business or dealing in immovable property, with a view to earning profit from it**
- (ii) The contribution should be by way of fresh inward remittances into India or out of balances held in NRE/FCNRB deposits accounts.**

Repatriation of sale proceeds of immovable property: Banks are allowed to permit repatriation of sale proceeds of immovable property, other than agricultural land/plantation/farm house, by an NRI, provided

Banks are now permitted to allow repatriation of funds out of balances held by NRIs in their **Non. resident accounts up to USD 1 million per financial year, representing sale proceeds of immovable property held by them, without any lock in period, subject to payment of applicable taxes.**

Further, a non-resident Indian is also permitted to acquire any commercial or other property, which is incidental or necessary to his business interests in India, like, branch offices, etc., and which is permitted under the law of the land.

(a) Citizens of Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Iran, Nepal, Bhutan, Macau or Hong Kong, irrespective of their residential status, cannot, without prior permission of the Reserve Bank, acquire or transfer immovable property in India, **other than on lease, not exceeding five years.**

(b) Foreign nationals of non-Indian origin who is resident in India (except 10 countries listed at (a) above) can acquire immovable property in India.

Other investments

A Non-resident Indian can purchase without limit:

On repatriation basis

- Dated Government securities (other than bearer securities) or treasury bills or units of domestic mutual funds;**
- Bonds issued by a public sector undertaking (PSU) in India, and**
- Shares in Public Sector Enterprises being disinvested by the Government of India.**

On non-repatriation basis

- Dated Government securities (other than bearer securities) or treasury bills or units of domestic mutual funds;**
- Units of Money Market Mutual Funds in India; and**
- National Plan/Savings Certificates.**

Advances To Non-Residents and Third Party Advances Against NRI Deposits/Guarantees, Other Loans

Loans against the Non-Resident deposits can be granted in India to the account holder or third party subject to usual norms and margin requirement.

Advances To Non-Residents and Third Party Advances Against NRI Deposits/Guarantees, Other Loans

- ❖ **The loan amount shall not be used for re-lending, carrying on agricultural/plantation activities or investment in real estate.**
- ❖ **ADs can sanction loans in India to the account holder/third parties without any limit, subject to usual margin requirements.**
- ❖ **These loans cannot be repatriated [स्वदेश भेजना] outside India and can be used in India only for the purposes specified in the regulations**

Housing Loan in Rupees to Non-resident Indians

Banks may grant housing loan to non-resident Indians, for acquisition of a residential accommodation in India, subject to following conditions:

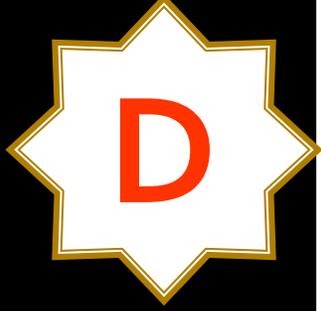
- The quantum of loan, margin money and the period of repayment shall be same as applicable for resident Indians.
- The loan amount shall not be credited to NRE/FCNR (B) account.
- The loan shall be fully secured by equitable mortgage of the property proposed to be acquired and if necessary, also by lien on the borrower's other assets in India,
- Repayment shall be by remittance from abroad or by debit to his NRE/FCNR (B)/NRO account or rental income derived from renting out the property acquired by utilization of the loan.

Unit 4: Documentary Letters of Credit



Q:-The main functions of integrated Treasury management are?

- a) To meet reserve requirements**
- b) Efficient Merchant Banking services**
- c) International cash flow**
- d) All of these**



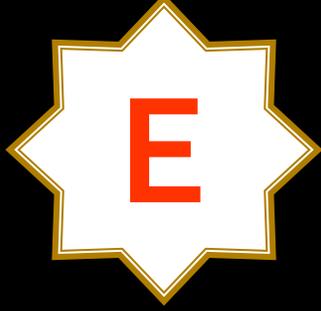
Which of the following is not correct regarding Liberalized Remittance Scheme?

- (a) Amount can be remitted for capital as well as current account transactions**
- (b) Maximum amount that can be remitted in a financial year is restricted to USD 200,000**
- (c) Remittance for gift and donation will be within USD 200,000 permitted under LRS**
- (d) Bank can allow advance to a resident individual for making remittance under this scheme**
- (e) None of these**



Which of the following is true?

- (a) If a bank has oversold position, Bank will gain if the rate of foreign currency rises.**
- (b) If a bank has oversold position, Bank will gain if the rate of foreign currency declines**
- (c) If a bank has oversold position, Bank will lose if the rate of foreign currency declines**
- (d) If a bank has overbought position, Bank will gain if the rate of foreign currency declines**
- (e) None of these**



Advance remittance for import of goods into India is to be allowed after obtaining guarantee from an international bank of repute situated outside India or guarantee of an AD in India against counter-guarantee of an international bank when amount of advance remittance exceeds?

- (a) US \$ 10,000 (b) US \$ 25,000 (c) US \$5,000 (d) US \$ 15,000 (e) US \$ 50,00,000**



How much advance remittance is allowed for import of services without guarantee of a reputed international bank?

(a) USD 1 Lac (b) USD 5 lac (c) USD 10 Lac (d) None as there is no limit?



Interest rate charged by RBI on export refinance to banks is at the rate of?

- (a) Bank Rate (b) Repo Rate (c) Reverse Repo Rate (d) Base Rate (e) None of these**



Export Refinance is provided by RBI at the rate of _____ % of eligible outstanding export credit?
(a) 15% (b) 25% (c) 50% (d) 100% (e) None of these



Case Study

Calculation of TT[Telegraphic Transfer] selling rate when exchange margins given
:On July 5, a saving bank customer in India, requests for issue aUSD10000. The inter-bank currency rates areas under:

Spot rate : 1 USD = Rs.65.0000 / 5000

July forward margin = 0.3500 / 0.4000

Bank requires an exchange margin of 0.15%.

What rate will be quoted and how much amount will be debited to customer's account.

Solution : In this case, no handling of documents is required. Hence TT selling rate shall be used. Exchange margin will be added, since for the bank, it is a sale transaction.

Spot rate selling rate = 65.5000

Addmargin@0.15% = 65.5000 + 0.098775 = 65.598775

Final rate = 65.6000 (rounded)

Gross amount due from customer = 65.6000 x 10000 = 656000



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