

RBI amends FEMA norms to promote usage of INR in global markets

RBI vide [press release](#) dated January 16, 2025, has introduced amendments in the FEMA regulations to boost the usage of Indian Rupee in cross border transactions. The amendment seems to be in line with one of the objectives of the [Budget](#) for FY 24-25 which is to facilitate FDI¹.

The amendment allows a Person Resident Outside India (PROI) to invest in India through a repatriable rupee account or a foreign currency account instead of earlier NRO, NRE, FCNR(B)², or any Escrow a/c. Also, PROI will be able to settle bona fide transactions with other PROI using repatriable rupee accounts i.e. Special Non-resident Rupee account (SNRR)³ and Special Rupee Vostro Account (SRVA). Further, the exports will be able to settle the transactions through any foreign currency and use such proceeds for the purpose of imports.

This article provides a brief overview of the changes and a detailed comparison is provided at [Annexure A](#).

1. Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 [[Reporting Regulations](#)]

The Reporting Regulations deals with modes of payment for various transactions undertaken under FEM (Non-Debt Instruments) Rules, 2019 and reporting thereof. Pursuant to the amendment, consideration for the following transaction can be paid/received in the repatriable Rupee account or the foreign currency account instead of NRE/NRO/FCNR(B)/escrow account.

1. Purchase/sale of equity instrument of an Indian company by a PROI
2. Investment/disinvestment in a LLP
3. Purchase/sale of units of investment vehicle
4. Purchase/sale of convertible notes of a start-up.

The changes in the Reporting Regulations are also simultaneously updated in the [Master Direction – Foreign Investment in India](#).

2. Foreign Exchange Management (Deposit) Regulations, 2016 [[Deposit Regulations](#)]

¹ The rules and regulations for Foreign Direct Investment and Overseas Investments will be simplified to (1) facilitate foreign direct investments, (2) nudge prioritization, and (3) promote opportunities for using Indian Rupee as a currency for overseas investments.

² Refer FAQ No. 3 of [Accounts in India by Non-residents](#) for detailed understanding of NRO, NRE & FCNR (B) a/c.

³ SNRR account is allowed to be used for specified transactions in trade, foreign investments, External Commercial Borrowings, etc., in lieu of sending inward/outward remittances by a PROI in a convertible foreign currency for each transaction with a resident or vice-versa. [[FAQs on SNRR a/c](#)]

Deposit Regulation allows a PROI having a business interest in India to open a SNRR a/c with an AD Bank. The amendment now allows PROI to open SNRR a/c with a AD Bank's branch situated outside India.

Further, the permissibility of using the SNRR a/c for undertaking transactions has been expanded to include all the permissible current and capital a/c transactions and also to undertaking transactions amongst PROI. Further, the provision of maximum tenure of SNRR a/c of 7 years has also been done away.

The amendments also enable the units in International Financial Services Centres (IFSC) to open SNRR Accounts with AD Banks in India for conducting business-related transactions.

3. Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015

Indian exporters can now open and maintain Foreign Currency Accounts with overseas banks to receive full export value and advance payments. These funds may be used for imports into India or must be repatriated by the end of the next month.

Concluding Remarks

The amendment introduced changes to the types of bank accounts that PROIs can maintain, streamlining the modes of payment and remittance for sale proceeds. This is an important step towards providing the companies an avenue to access international capital markets.

Annexure - A

1. Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019

Schedule	<u>Erstwhile Regulation</u>	<u>Amended Regulation</u>	Remarks
<p>Schedule I</p> <p>(Purchase or sale of equity instruments of an Indian company by a person resident outside India)</p> <p>A. Mode of payment</p>	<p>1)The amount of consideration shall be paid as inward remittance from abroad through banking channels or out of funds held in NRE/ FCNR(B)/ Escrow account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p> <p>Explanation: The amount of consideration shall include:</p> <p>(i) Issue of equity shares by an Indian company against any funds payable by it to the investor.</p> <p>(ii) Swap of equity instruments.</p>	<p>1)The amount of consideration shall be paid as inward remittance from abroad through banking channels or out of funds held in any repatriable foreign currency or Rupee account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p> <p>Explanation: The amount of consideration shall include:</p> <p>(i) Issue of equity shares by an Indian company against any funds payable by it to the investor.</p> <p>(ii) Swap of equity instruments or equity capital.</p>	<p>Consideration can be received through funds held in foreign currency a/c or rupee a/c.</p> <p>Earlier consideration could be received through NRE/FCNR(B)/ Escrow a/c.</p>

<p>Schedule I</p> <p>(Purchase or sale of equity instruments of an Indian company by a person resident outside India)</p> <p>A. Mode of payment</p>	<p>3) Where such equity instruments are not issued within sixty days from the date of receipt of the consideration the same shall be refunded to the person concerned by outward remittance through banking channels or by credit to his NRE/ FCNR (B) accounts, as the case may be within fifteen days from the date of completion of sixty days.</p>	<p>(3) Where such equity instruments are not issued within sixty days from the date of receipt of the consideration the same shall be refunded to the person concerned by outward remittance through banking channels or by credit to his repatriable foreign currency or Rupee account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016, as the case may be within fifteen days from the date of completion of sixty days.</p>	<p>In case of non-allotment of equity instruments within 60 days, the consideration must be refunded via banking channels or be credited to foreign currency a/c or rupee a/c within 15 days. Earlier the same was to be transferred to the NRE/FCNR(B) a/c.</p>
<p>B. Remittance of sale proceeds</p>	<p>The sale proceeds (net of taxes) of the equity instruments may be remitted outside India or may be credited to the NRE/ FCNR (B) of the person concerned.</p>	<p>The sale proceeds (net of taxes) of the equity instruments may be remitted outside India or may be credited to any repatriable foreign currency or Rupee account of the person concerned, maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016</p>	<p>The sale proceeds (net of taxes) of equity instruments may be remitted outside or may be received in repatriable foreign currency a/c or rupee a/c instead of NRE/FCNR(B) a/c.</p>
<p>Schedule II</p> <p>(Investments by Foreign Portfolio Investors)</p> <p>A. Mode of payment</p>	<p>(2) Unless otherwise specified in these regulations or the relevant Schedules, the foreign currency account and SNRR account shall be used only and exclusively for transactions under this Schedule.</p>	<p>(2) Unless otherwise specified in these regulations or the relevant Schedules, the foreign currency account shall be used only and exclusively for transactions under this Schedule.</p>	<p>FPIs can transfer/receive the consideration for purchase/sale by way of inward/outward remittance from abroad through banking channels or out of funds held in a foreign currency account and/ or a Special Non-Resident Rupee (SNRR) A/c.</p> <p>Earlier, the foreign currency a/c or SNRR a/c through which purchase or sale were made should be used exclusively for undertaking</p>

			<p>purchase/sale under Schedule II.</p> <p>Pursuant to the amendment, in case of purchase/sale made through foreign currency a/c, then such a/c should be exclusively used for transactions under Schedule II.</p> <p>Hence, SNRR a/c need not be an exclusive a/c.</p>
<p>Schedule VI (Investment in a Limited Liability Partnership) A. Mode of payment</p>	<p>Payment by an investor towards capital contribution of an LLP shall be made by way of an inward remittance through banking channels or out of funds held in NRE or FCNR(B) account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p>	<p>Payment by an investor towards capital contribution of an LLP shall be made by way of an inward remittance through banking channels or out of funds held in any repatriable foreign currency or Rupee account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p>	<p>Payment by an investor towards capital contribution of an LLP can be through funds held in foreign currency a/c or rupee a/c.</p> <p>Earlier investments could be made through NRE/FCNR(B).</p>
<p>B. Remittance of disinvestment proceeds</p>	<p>The disinvestment proceeds may be remitted outside India or may be credited to NRE or FCNR(B) account of the person concerned.</p>	<p>The disinvestment proceeds may be remitted outside India or may be credited to any repatriable foreign currency or Rupee account of the person concerned, maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p>	<p>The disinvestment proceeds may be remitted outside India by transferring the consideration to foreign currency a/c or rupee a/c instead of NRE/FCNR(B) a/c as required earlier.</p>

<p>Schedule VII (Investment by a Foreign Venture Capital Investor) A. Mode of Payment</p>	<p>(2) Unless otherwise specified in these regulations or the relevant Schedules, the foreign currency account and SNRR account shall be used only and exclusively for transactions under this Schedule.</p>	<p>(2) Unless otherwise specified in these regulations or the relevant Schedules, the foreign currency account shall be used only and exclusively for transactions under this Schedule.</p>	<p>SNRR a/c need not be maintained exclusively for undertaking transactions under Schedule VII.</p>
<p>Schedule VIII (Investment by a person resident outside India in an Investment Vehicle) A. Mode of payment:</p>	<p>The amount of consideration shall be paid as inward remittance from abroad through banking channels or by way of swap of shares of a Special Purpose Vehicle or out of funds held in NRE or FCNR(B) account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p> <p style="color: red;">Further, for an FPI or FVCI, amount of consideration may be paid out of their SNRR account for trading in units of Investment Vehicle listed or to be listed (primary issuance) on the stock exchanges in India.</p>	<p>The amount of consideration shall be paid by the person concerned as inward remittance from abroad through banking channels or by way of swap of shares of a Special Purpose Vehicle or out of funds held in any repatriable foreign currency or Rupee account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p>	<p>The amount of consideration for purchase of units can be paid either</p> <ul style="list-style-type: none"> ● as inward remittance from abroad through banking channels or ● By way of swap of shares of SPV or ● through funds held in foreign currency a/c or rupee a/c (earlier NRE/FCNR(B)) <p>Earlier, FPI/FVCI were allowed to pay consideration out of their SNRR a/c. Now they can use any of the modes as specified above.</p>
<p>B. Remittance of sale/ maturity proceeds:</p>	<p>The sale/ maturity proceeds (net of taxes) of the units may be remitted outside India or may be credited to the NRE or FCNR(B) or SNRR account, as applicable to the person concerned.</p>	<p>The sale/ maturity proceeds (net of taxes) of the units may be remitted outside India or may be credited to any repatriable foreign currency or Rupee account of the person concerned, maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p>	<p>Sale/ maturity proceeds (net of taxes) of the units may be credited to foreign currency a/c or rupee a/c.</p> <p>Earlier credit was allowed in NRE/FCNR(B) a/c.</p>

<p>Schedule X</p> <p>(Issue of Indian Depository Receipts)</p> <p>A. Mode of Payment</p>	<p>NRIs or OCIs may invest in the IDRs out of funds held in their NRE/ FCNR(B) account, maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p>	<p>NRIs or OCIs may invest in the IDRs out of funds held in their NRE/ FCNR(B) account, maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p> <p>An FPI may invest in the IDRs out of funds held in a foreign currency account and/or an SNRR account, maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time.</p>	<p>Pursuant to the amendment mode of payment is specifically mentioned for FPI to invest in IDRs.</p> <p>An FPI may invest in the IDRs out of funds held in a foreign currency account or an SNRR account</p>
<p>B. Remittance of sale/ maturity proceeds</p>	<p>Redemption/ conversion of IDRs into underlying equity shares of the issuing company shall be in compliance with the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004.</p>	<p>Redemption/ conversion of IDRs into underlying equity shares of the issuing company shall be in compliance with the Foreign Exchange Management (Overseas Investment) Rules, 2022.</p>	<p>Reference to the new regulation in place of erstwhile regulation.</p>

<p>Issue of Convertible Notes by an Indian start-up company:</p>	<p>A start-up company issuing convertible notes to a person resident outside India shall receive the amount of consideration by inward remittance through banking channels or by debit to the NRE/ FCNR (B)/ Escrow account maintained by the person concerned in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016. Repayment or sale proceeds may be remitted outside India or credited to NRE/ FCNR (B) account maintained by the person concerned in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p>	<p>A start-up company issuing convertible notes to a person resident outside India shall receive the amount of consideration by inward remittance through banking channels or by debit to any repatriable foreign currency or Rupee account of the person concerned, maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016. Repayment or sale proceeds may be remitted outside India or credited to any repatriable foreign currency or Rupee account of the person concerned, maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p>	<p>Upon issuance of convertible notes start-ups may receive fund either</p> <ul style="list-style-type: none"> ● by way of inward remittance through banking channel or ● debit to repatriable foreign currency a/c or rupee a/c (earlier debit to NRE/FCNR(B)/Escrow a/c). <p>Further, in case of sale the consideration may be</p> <ul style="list-style-type: none"> ● Remitted outside India or ● Credited to repatriable foreign currency a/c or rupee a/c (earlier debit to NRE/FCNR(B)).
<p>Explanation to Regulation 3.2 inserted</p>	<p>-</p>	<p>Explanation: For the purpose of these regulations, “banking channels” shall include any rupee vostro accounts, including Special Rupee Vostro Accounts, permitted to be held by a person resident outside India, in terms of Regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016."</p>	<p>Meaning of banking channel included.</p> <p>Further, the said explanation is also included in the Master Direction - Foreign Investment in India.</p>

2. Foreign Exchange Management (Deposit) Regulations, 2015

Regulation	<u>Erstwhile Regulation</u>	<u>Amended Regulation</u>	Remarks
5. Acceptance of deposits by an authorised dealer/ authorised bank from persons resident outside India:	4) Any person resident outside India having a business interest in India may open, hold and maintain with an authorised dealer in India, a Special Non-Resident Rupee Account (SNRR account), specified in Schedule 4.	4) Any person resident outside India having a business interest in India may open, hold and maintain with an authorised dealer in India or its branch outside India , a Special Non-Resident Rupee Account (SNRR account), specified in Schedule 4.	SNRR a/c can be opened with the AD Bank in India or with its branches outside India.
9. Transfer of funds between repatriable Rupee accounts:-	-	Notwithstanding anything contained in these regulations, the transfer of funds, for all bona fide transactions, between repatriable Rupee accounts maintained in accordance with these regulations is permitted.	Enabling provision for transfer of funds between repatriable Rupee accounts for bona fide transactions.
Schedule 4 - Special Non-Resident Rupee Account - SNRR account [Para 1]	1. Any person resident outside India, having a business interest in India, may open Special Non-Resident Rupee Account (SNRR account) with an authorised dealer for the purpose of putting through bona fide transactions in rupees, not involving any violation of the provisions of the Act, rules and regulations made thereunder. The business interest,	1. A person resident outside India, having business interest in India, may open a Special Non-Resident Rupee Account (SNRR account), with an authorised dealer in India or its branch outside India for the purpose of putting through permissible current and capital account transactions with a	The regulation earlier provided an inclusive list of certain permissible transactions allowed to be undertaken through SNRR A/c. Now, the same has been removed thereby allowing to undertake all the permissible current and capital account transactions through SNRR a/c. Further, the amendment also allows to undertake transaction amongst PROI.

apart from generic business interest, shall include the following INR transactions, namely, :-

i. Investments made in India in accordance with Foreign Exchange Management (Non-debt Instruments) Rules, 2019 dated October 17, 2019 and Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide notification no. FEMA 396/2019-RB dated October 17, 2019, as applicable, as amended from time to time;

ii. Import of goods and services in accordance with Section 5 of the Foreign Exchange Management Act 1999 (42 of 1999), read with Notification No. G.S.R. 381(E) dated May 3, 2000, viz., Foreign Exchange Management (Current Account Transaction) Rules, 2000, as amended from time to time;

iii. Export of goods and services in accordance with Section 7 of the Foreign Exchange Management Act 1999 (42 of 1999), read with Notification No. G.S.R. 381(E) dated May 3, 2000, viz., Foreign Exchange Management (Current

person resident in India in accordance with the rules and regulations framed under the Act, and for putting through any transaction with a person resident outside India.

Explanation: A unit in an International Financial Services Centre (IFSC) under section 18 of the Special Economic Zones Act, 2005 may open an SNRR account with an authorised dealer in India (outside IFSC) for its business related transactions outside IFSC.

	<p>Account Transactions) Rules, 2000, as amended from time to time, and further read with FEMA Notification No.23(R)/2015-RB dated January 12, 2016, as amended from time to time;</p> <p>iv. Trade credit transactions and lending under External Commercial Borrowings (ECB) framework in accordance with Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, as amended from time to time; and</p> <p>v. Business related transactions outside International Financial Service Centre (IFSC) by IFSC units at GIFT city like administrative expenses in INR outside IFSC, INR amount from sale of scrap, government incentives in INR, etc. The account will be maintained with bank in India (outside IFSC).</p>		
<p>Schedule 4 - Special Non-Resident Rupee Account - SNRR account [Para 2]</p>	<p>2. The SNRR account shall carry the nomenclature of the specific business for which it is in operation. Indian bank may, at its discretion, maintain separate SNRR Account for each category of transactions or a single SNRR Account for a person</p>	<p>2. The SNRR account shall carry the nomenclature of the specific business for which it is in operation. A bank may, at its discretion, maintain separate SNRR Account for each category of transactions or a single SNRR Account for a person</p>	<p>Clarificatory change.</p>

	resident outside India engaged in multiple categories of transactions provided it is able to identify/ segregate and account them category-wise.	resident outside India engaged in multiple categories of transactions provided it is able to identify/ segregate and account them category-wise.	
Schedule 4 - Special Non-Resident Rupee Account - SNRR account [Para 8]	<p>8. The tenure of the SNRR account shall be concurrent to the tenure of the contract / period of operation / the business of the account holder and in no case shall exceed seven years. Approval of the Reserve Bank shall be obtained in cases requiring renewal:</p> <p>Provided the restriction of seven years shall not be applicable to SNRR accounts opened for the purposes stated at sub. paragraphs i to v of paragraph 1 of this schedule.</p>	<p>8. The tenure of the SNRR account shall be concurrent to the tenure of the contract / period of operation / the business of the account holder.</p>	The tenure of the SNRR account will be inline with the tenure of contract/period of operation/ the business of the account holder. The maximum tenure cap of 7 years has been done away with.
Schedule 4 - Special Non-Resident Rupee Account - SNRR account [Para 9, 11 & 12]	<p>9. The balances in the SNRR account shall be eligible for repatriation.</p> <p>11. All transactions in the SNRR account will be subject to payment of applicable taxes in India.</p> <p>12. SNRR account may be designated as resident rupee account on the account holder becoming a</p>	<p>9. The balances in the SNRR account in India account shall be eligible for repatriation.</p> <p>11. All transactions in the SNRR account in India will be subject to payment of applicable taxes in India.</p> <p>12. SNRR account in India may be designated as resident rupee account on the account holder becoming a</p>	Since SNRR A/c can be opened with an AD Bank in India or with its branches outside India, hence a clarificatory change.

	resident.	resident.	
Schedule 4 - Special Non-Resident Rupee Account - SNRR account [Para 13]	13. The amount due/ payable to non-resident nominee from the account of a deceased account holder , shall be credited to NRO/NRE account of the nominee with an authorised dealer/ authorised bank in India or by remittance through normal banking channels.	13. The amount due/ payable to non-resident nominee from the account of a deceased account holder having the SNRR account in India , shall be credited to NRO/NRE account of the nominee with an authorised dealer/ authorised bank in India or by remittance through normal banking channels.	Since SNRR A/c can be opened with an AD Bank in India or with its branches outside India, hence a clarificatory change.

3. Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015

Regulation	<u>Erstwhile Regulation</u>	<u>Amended Regulation</u>	Remarks
5. Opening, holding and maintaining a Foreign Currency Account outside India.	-	A person resident in India, being an exporter, may open, hold and maintain a Foreign Currency Account with a bank outside India, for realisation of full export value and advance remittance received by the exporter towards export of goods or services. Funds in this account may be utilised by the exporter for paying for its imports into India or repatriated into India within a period not exceeding the end of the next month from the date of receipt of the funds after adjusting for forward commitments, provided that the realisation and repatriation requirements as specified in Regulation 9 of Foreign Exchange	Pursuant to the amendment, Indian exporters can maintain foreign currency accounts abroad for receipt of payments or advances against exports. Further, these funds may be utilised by the exporter for imports into India or may be repatriated to India by the end of the next month.

		Management (Export of Goods and Services) Regulations, 2015 are also met.	
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