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Ease of transactions through SNRR

With a view to promoting transactions in INR and usage of INR products by persons resident outside India, RBI has expanded the scope of SNRR by persons resident outside India.

Background:

Presently, any person resident outside India, having a business interest in India, can open a Special Non-Resident Rupee Account (**SNRR account**) with an authorised dealer in India for the purpose of putting through bona-fide transactions in Indian rupee (INR).

The Reserve Bank of India (RBI) in its bi-monthly Monetary Policy statement issued on 4 October 2019 announced that for popularising cross border transactions in INR, it has been decided, in consultation with the central government, to enhance the scope of non-interest bearing SNRR account held in India, by permitting persons resident outside India to open such accounts to facilitate INR-denominated ECB, trade credit and trade invoicing and further to remove the restriction in tenure of SNRR account, which is currently 7 years.

With a view to promoting transactions in INR and usage of INR products by persons resident outside India, RBI in consultation with the central government, by notification dated 13 November 2019 read with RBI circular of 22 November 2019 has expanded the scope of Special Non-resident Rupee Account held in India by persons resident outside India and which can now be utilised for INR-denominated ECBs, trade credit, trade (export/import) invoicing in INR etc..

In this regard, revised guidelines have been issued by RBI, thereby amending the existing framework on SNRR account. RBI has made following amendments:

- Foreign Exchange Management (Deposit) (Third Amendment) Regulations, 2019, notified on 13 November 2019, to further amend the Foreign Exchange Management (Deposit) Regulations, 2016 (**Principal Deposit Regulations**);
- Foreign Exchange Management (Manner of Receipt and Payment) (Amendment) Regulations, 2019, notified on 13 November 2019, to further amend the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016;
- A.P. (DIR Series) Circular No. 09 issued on 22 November 2019.

Highlights of the amendments are summarised below.

Highlights of Key Amendments:

Amendment in Foreign Exchange Management (Deposit) Regulations, 2016

- It has now been decided that apart from generic business interest transactions for which SNRR account was allowed to be operated in India, one can also conduct the following INR transactions, namely:-
 - 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;

- Import of goods and services in accordance with Section 5 of the Foreign Exchange Management Act 1999 read with Foreign Exchange Management (Current Account Transaction) Rules, 2000;
 - Export of goods and services in accordance with Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, as amended from time to time;
 - Trade credit transactions and lending under ECB framework in accordance with Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, as amended from time to time; and
 - 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. etc. The account will be maintained with bank in India (outside IFSC).
- It has been further clarified that the existing restriction of the maximum tenure of 7 years for holding an SNRR account shall not be applicable to SNRR accounts opened for the purpose stated above in clause (i);
 - 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 resident outside India engaged in multiple categories of transactions, provided it is able to identify/ segregate and account them category-wise; and
 - It has also been decided that the amount due/ payable to a non-resident nominee from the account of a deceased account holder, can also be credited to NRE account of the nominee in addition to NRO account maintained with an Authorised Dealer bank in India.

Amendment in Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016

In furtherance to amendments introduced in Principal Deposit Regulations, RBI has notified certain amendments to align the manner of receipt and payments for transactions covered under the regime of FEMA, which are as under:

- Now, payment for export may also be made by the overseas buyer to the exporter in India by debit to SNRR account, in addition to FCNR/ NRE account maintained by a person resident outside India (overseas buyer) with Authorised Dealer bank in India.
- Additionally, a person resident in India has also been permitted to transfer funds in SNRR Account maintained by a person resident outside India (overseas seller) for making payment for import transaction.

The above payment/receipt for export/import from/to SNRR account can be made after ensuring that the underlying transactions are in conformity with the provisions of the Foreign Exchange Management Act, 1999 and the rules, regulations and directions issued thereunder:

Conclusion:

The amendments will be beneficial for popularising cross border transactions in INR, reducing the exchange risks for persons resident in India, strengthening regulation and supervision and improving the payment and settlement systems.

Source:

- https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=48318
- <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11737&Mode=0>
- <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11736&Mode=0>
- <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11739&Mode=0>



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