

JAIIB

Principles and Practices of Banking (PPB)

Foreign Currency Accounts for Residents

JAIIB FREE ONLINE CLASSES

26TH JUNE TO 1ST JULY 2023

S. NO	TOPIC OF THE SESSION	COMPONENT	CHAPTER NUMBER	MODULE	DAY	FACULTY	TIME
1	Cheque Truncation System	PPB	Operational Aspects of Handling/Clearing /Collecting Cash	A	Monday	Megha Mam	7:00 PM
2	Preparing Trial Balance	AFM	Ch 5 - Trial Balance, Rectification of Errors and Adjusting & Closing Entries	A	Tuesday	Nishant Sir	7:00 PM
3	Green and White Revolutions	IEIFS	Ch 2 - Sectors of Indian Economy	A	Wednesday	Surender Sir	7:00 PM
4	Foreign Currency Accounts for Residents	PPB	Ch-10 Foreign Currency Accounts for Residents and Other Aspects	A	Thursday	Megha Mam	7:00 PM
5	Suspense Account & Rectification of Errors	AFM	Ch 5 - Trial Balance, Rectification of Errors and Adjusting & Closing Entries	A	Friday	Nishant Sir	7:00 PM
6	Yellow and Blue Revolutions	IEIFS	Ch 2 - Sectors of Indian Economy	A	Saturday	Surender Sir	7:00 PM



Foreign Currency A/c

Exchange Earner's Foreign
Currency (EEFC) A/c

Resident Foreign Currency
(RFC) A/c

Diamond Dollar Account
(DDA) Scheme

Resident Foreign Currency
(Domestic) - RFC(D) A/c

Residents in India can hold FC A/cs outside India for specific purposes of normal business and incidental transactions.



- A Foreign Currency Account is an account held or maintained in currency other than the **currency of India or Nepal or Bhutan**.
- Sec 2(v) of the **Foreign Exchange Management Act, 1999 (FEMA)** defines a person resident in India as a person residing in India for more than **182 days** during the course of the preceding financial year

Exchange Earner's Foreign Currency (EEFC) A/c

- Account maintained in foreign currency with an Authorised Dealer Category - I bank i.e., a bank authorized to deal in foreign exchange.
- **Minimizing the transaction costs.**
- All categories of foreign exchange earners, such as individuals, companies, etc., who are resident in India, may open EEFC accounts.
- Held only in the form of a **current account.**
- **No interest** is payable
- Cheque facility is available



Permissible credits into this account?

- **Inward remittance** through normal banking channels, other than remittances received on account of foreign currency loan or investment received from abroad or received for meeting specific obligations by the account holder;
- Payments received in foreign exchange by a 100 per cent Export Oriented Unit or a unit in
 - (a) Export Processing Zone or
 - (b) Software Technology Park or
 - (c) Electronic Hardware Technology Park for supply of goods to similar such units or to a unit in Domestic Tariff Area;
- Payments received in foreign exchange by a unit in the Domestic Tariff Area for supply of goods to a unit in the Special Economic Zone (SEZ);
- Payment received by an exporter from an account maintained with an authorised dealer for the purpose of counter trade.
- Advance remittance received by an exporter towards export of goods or services;

- Payment received for **export of goods and services** from India
- **Professional earnings** including directors' fee, consultancy fee, lecture fee, honorarium and similar other earnings received by a professional by rendering services in his individual capacity;
- **Re-credit of unutilized foreign currency** earlier withdrawn from the account;
- Repayment by the account holder's importer customer in respect of trade related loan/advances granted.
- The **disinvestment proceeds** received on conversion of shares held to ADRs/GDRs under the Sponsored ADR/GDR Scheme approved by the Foreign Investment Promotion Board of the Government of India.

- Foreign exchange earnings received through an international credit card be credited to the EEFC account.
- There is **no restriction on withdrawal in Rupees of funds** held in an EEFC account. However, the amount withdrawn in Rupees shall not be eligible for conversion into foreign currency and for re-credit to the account.
- Resident individuals are permitted to include resident relative as joint holder(s) in their EEFC account on **‘former or survivor’ basis**.
- **Fund-based/non-fund based credit facilities not granted against these balances.**
- Repay packing credit advances

Permissible debits

- Payment outside India towards a permissible **current account transaction** and permissible **capital account transaction**
- Payment in foreign exchange towards cost of goods purchased from a 100 percent Export Oriented Unit or a Unit in (a) Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology Park
- Payment of customs duty
- Trade related loans/advances, extended by an exporter holding such account to his importer customer outside India
- Payment in foreign exchange to a person resident in India for supply of goods/services including payments for airfare and hotel expenditure.



Resident Foreign Currency (RFC) A/c

- **PIOs or NRIs returning to settle permanently** in India can open an RFC account.
- An RFC account can be converted to FCNR(B) (Foreign Currency Non-Resident (Bank) or NRE (non-resident external) accounts in case the person becomes an NRI again.
- No loan/overdraft is granted by banks against balances in RFC accounts. Interest rates offered on RFC account varies by term and by currency. Interest credited is taxable.
- Current/ savings/ term deposits
- **No restrictions on utilisation in/ outside India.**



- The entire amount of **foreign exchange assets** held while the NRI was resident outside India can be credited to RFC accounts.
- **Deposits in banks** outside India, **investments in foreign currency, shares** and securities or immovable properties situated outside India or investments in business etc. outside India can be credited to RFC accounts.
- By converting assets acquired by him as an non-resident or inherited from or gifted by a person resident outside India and repatriated to India.
- Any proceeds of LIC claims/maturity/surrendered value settles in forex from an Indian insurance company.
- Pension, superannuation etc. received from employer outside India.



- Foreign exchange earnings through **employment, business or vocation outside India** started by the NRI while he was resident outside India.
- **Current, savings (without cheque facility) or term deposit accounts** and held singly or jointly only in the names of eligible persons.
- The term deposit accounts can be maintained for **one to three years**.
- An RFC account is a bank account maintained in **foreign currency**.
- Withdrawals in India are permitted in rupees only and are usually credited by the bank to the resident rupee bank savings account

Nomination

- You can nominate either a resident or a non-resident for your RFC account.
- In case of death of the account-holder where the nominee is a resident, the balance in the RFC account will be paid to the nominee in Indian rupees.
- If the nominee is an NRI, such balance would be remitted abroad.

Practice Questions

1. Residents can hold which of the following account in Foreign Currency?
- a) Exchange Earner's Foreign Currency (EEFC) A/c
 - b) Resident Foreign Currency (RFC) A/c
 - c) Diamond Dollar Account
 - d) All of the above

Practice Questions

2. Which of the following statement(s) is/are true Exchange Earner's Foreign Currency A/c?

- 1. Held only in the form of a current account.**
- 2. No interest is payable**
- 3. Cheque facility is not available**

Choose the correct code-

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) All of the above

Practice Questions

3. Which of the following statement is incorrect regarding Resident Foreign Currency A/c?

- a) It can have resident relative as joint a/c holder.
- b) The balance can be fully utilised outside India.
- c) The balance in NRE a/c can't be converted to RFC a/c when the residential status of the NRI changes to a resident.
- d) All are correct

Practice Question

4. Foreign Currency denominated account opened by resident Indians cannot be in the form of_____.

- a) Savings A/c
- b) Term Deposit
- c) Current A/c
- d) Recurring Deposit



Homework Questions

5. Rishi an NRI has returned from United Kingdom and is now permanently residing in India. He wishes to bring back all his money to India. Which is the most appropriate account to be opened by him ?

- a) Exchange Earner's Foreign Currency (EEFC) A/c
- b) Resident Foreign Currency (RFC) A/c
- c) Resident Foreign Currency (Domestic) A/c
- d) Diamond Dollar Account

*Thank
You!*

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