

Frequently Ask Questions

What steps does an NRI need to take to start investing in the Indian stock Market?

An NRI should open a new bank account ('Repatriable' or 'Non-Repatriable') with designated bank branch, which is approved by RBI (Reserve Bank of India) for this purpose.

An NRI should apply for a general approval ('Repatriable' or 'Non-Repatriable') for investment in Indian Stock Market through his designated bank branch.

An NRI should open a Demat Account with a Depository Participant to hold his shares.

An NRI needs to register with a broker to execute his buy/sell orders on the stock exchange(s).

Where can an NRI/PIO open a demat account?

NRI/PIO can open a demat account with any Depository Participant of CDSL or NSDL.

Does an NRI need any RBI permission to open a demat account?

No permission is required from RBI to open a demat account. However, credits and debits from demat account may require general or specific permissions as the case may be, from designated banks.

Does an NRI require RBI permission for dematerialiation / rematerialisation of securities?

No special permission is required. Holding securities in demat only constitutes change in form and does not need any special permission. However, only those physical securities which already have the status as NR – Repatriable / NR- Non-Repatriable can be dematerialized in the corresponding Depository Accounts.

Can securities purchased under repatriable and non-repatriable category be held in a single demat account?

No. An NRI must open separate demat accounts for holding 'Repatriable' and 'Non-Repatriable' securities.

In case a person who is resident in India becomes a non-resident, will he/she be required to change the status of his/her holding from Resident to Non-Resident?

As per section 6(5) of FEMA, NRI can continue to hold the securities, which he/she had purchased as a resident Indian, even after he/she has become a non-resident Indian, on a non-repatriable basis.

In case an NRI becomes a resident in India, will he/she be required to change the status of his/her holding from Non-Resident to Resident?

Yes. It is the responsibility of the NRI to inform the change of status to the designated bank branch, through which the investor had made the investments in Portfolio Investment Scheme and the DP with whom he/she has opened the demat account.

Subsequently, a new demat account in the resident status will have to be opened, securities should be transferred from the NRI demat account to resident account and then close the NRI demat account.

Can NRIs invest in shares, debentures and units of mutual funds in India?

NRIs are permitted to make direct investments in shares/ debentures of Indian companies/ units of mutual fund. They are also permitted to make portfolio investments i.e. purchase of share / debentures of Indian Companies through stock exchange. These facilities are granted both on repatriation and non-repatriation basis

Can an NRI purchase securities by subscribing to public issue? What are the permissions/approvals required?

Yes. The issuing company is required to issue shares to NRI on the basis of specific or general permission from GoI/RBI. Therefore, individual NRI need not obtain any permission.

Does an NRI require any permission to receive bonus/rights shares?

No

What is a designated branch?

Reserve Bank has authorized a few branches of few banks to conduct the business under Portfolio Investment Scheme on behalf of NRIs. These branches are the main branches of major commercial banks. NRIs will have to route their applications through any of the designated bank branches that have authorization from Reserve Bank.

Whether NRI can apply through more than one designated branch?

No. Each NRI has to select one branch for the purpose of investment under Portfolio Investment Scheme

Can an NRI purchase or sell shares or convertible debentures on a stock exchange in India on repatriation and/or non-repatriation basis under portfolio investment scheme?

NRIs / PIOs can purchase / sell shares / convertible debentures of Indian companies on Stock Exchanges under the Portfolio Investment Scheme. The rules relating to this scheme are as given below:

These trades can be done only through a registered broker on a recognized stock exchange.

NRI shall designate a branch of an authorized dealer and route all his/her transactions through this branch of the authorized dealer.

NRI takes delivery of the shares purchased and gives delivery of shares sold.

NRI shall abide by the directions given by RBI/SEBI or such authority if the transaction results in the breach of ceilings stipulated for NRI holding in the company/scheme.

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The sale of shares will be subject to payment of applicable taxes.

What are the permissions required for the transfer of securities by NRI/ PIO through off-market trade (transfers outside the purview of Portfolio Investment Scheme of RBI)?

The table given below summarizes the permissions required for the off-market transfer:

| From | To | Transaction | Permissions Required |
|-----------------|-----------------|--------------------|---|
| NRI | NRI | Sale or Gift | General permission, no specific permission to be taken* |
| NRI | Resident Indian | Sale | RBI permission in form TS1 |
| NRI | Resident Indian | Gift | General permission, no specific permission to be taken |
| Resident Indian | NRI | Sale or gift | Prior approval of Secretariat for Industrial Assistance, Government of India, followed by permission from RBI |

* Provided that the person to whom the shares are being transferred has obtained prior permission of Central Government to acquire the shares, if he has previous venture or tie up in India through investment in shares or debentures or a technical collaboration or a trade mark agreement or investment by whatever name called in the same field or allied field in which the Indian company whose shares are being transferred is engaged.

Can an NRI nominate or be nominated in depository account? Whether such nominee can be person resident in India?

Yes.

Can NRIs purchase existing shares / debentures of Indian companies by private arrangement?

Yes. Reserve Bank permits NRIs, on application in form FNC 7, to purchase shares / debentures of existing Indian companies on non-repatriation basis. An undertaking about non-repatriation is to be given in form NRU

Can NRIs obtain loans abroad against the collateral of shares/debentures of Indian companies?

Yes. Authorised dealer have been permitted to grant loans/overdrafts abroad to NRIs through their overseas branches and correspondents against collateral of the shares/debentures of Indian companies held by them, provided the concerned shares/debentures were acquired on repatriation basis

Derivatives

Derivative Trading for NRIs is possible only through NRO Account i.e. on Non Repatriable basis.

If the NRI has already obtained unique code through some other broker, it should be used. In other words the code will be unique across exchange.

Up front Margin has to be collected from the client for MtoM.

When entering the orders broker have to use the code allotted by the Exchange.

NRI/broker has to ensure that the trades don't exceed the overall limits for NRIs as specified by the Exchange. Investment limits in derivative segment are also monitored at Exchange level. Penalty is charged by exchange in case of violations.

Mutual funds

MF can be applied through NRE NON PIS and NRO NON PIS Accounts. MF Investments are done through NRE/NRO Savings account and not through PIS account.

When customer will sell the shares received in IPO, the following documents need to be submitted by Client:

1. Copy of IPO application
2. Copy of NRE cheque issued at the time of subscription.
3. Copy of allotment letter

Portfolio Investment Schemes (PIS)

Portfolio Investment Scheme (PIS) is a **scheme of the Reserve Bank of India (RBI)** (defined in Schedule 3 of Foreign Exchange Management Act 2000) through which NRIs and PIOs can **purchase and sell shares and convertible debentures** of Indian companies on a recognized stock exchange in India by routing all such purchase/sale transactions through their account held with a Designated Bank Branch

What are the Transactions covered under PIS?

1. Fresh purchase from the secondary market as an NRI
2. Sale of shares, which were bought under PIS

What are the transactions not allowed or are not covered under PIS?

1. Sale of shares, which were not bought under PIS, like Gifts, subscription to IPOs or shares bought as resident Indian, or received in bonus.
2. Fresh subscription for IPOs as an NRI
3. Investment in Mutual Funds.
4. These transactions need to be routed through NON PIS account

How many PIC accounts can one NRI have?

PIS can be obtained only through one banker at a time.

Can an NRI client transfer a PIS account?

Yes. If the NRI is already having a PIS account with some other bank, he has to close that account and provide the following documents to the new bank along with the application form:

1. NOC: No objection certificate is required from the previous bank stating that the client does not have any dues with them and the bank does not have any problem in his transferring the relationship to other bank. (It is not required for fresh PIS approval)
2. Previous approval letter: Bank X would have issued a PIS approval letter. This letter is required.
3. Details of the existing investments in the form on Annexure II and Annexure III.

What are the Documents required for reporting to PIS?

For any transaction to be reported to PIS, contract note of the broker should reach PIS department within one working day following the day of transaction.

There are two NRIs, A and B. Person A has bought some shares when he was resident Indian. Now he has become an NRI, can he sell these shares under PIS?

For any transaction to be reported to PIS, contract note of the broker should reach PIS department within one working day following the day of transaction

Person A has bought some shares under PIS, now he has gifted those shares to Person B, who is also an NRI. Can Person B sell these shares under PIS?

Although these shares were purchased under PIS, but for B still these shares are received as gift, so B cannot sell these shares under PIS.

What are the Investments under PIS on repatriation and non-repatriation basis?

Investment can be made on repatriation as well as non-repatriation basis. However, an NRI will have to open NRE account as well as NRO account with designated bank branch as the sale proceeds of non-repatriation investment can only be credited to NRO account. If the customer is having any previous holdings, he needs to open NRO bank account as the sale proceeds of these investments will go to NRO account only. The repatriation of the sale proceeds, net of taxes, are allowed if the original purchase was made on repatriation basis and such investments were made out of funds from NRE/FCNR account or by means of remittance from abroad.

Restrictions and OCBs: What is the Limit for purchase by NRIs under the PIS?

An NRI can purchase up to a maximum of 5% of the aggregate paid up capital of the company (equity as well as preference capital) or the aggregate paid up value of each series of convertible debentures as the case may be. For the purpose of this ceiling, investment under the Portfolio Investment Scheme on repatriation as well as non-repatriation basis will be clubbed together.

There is an overall ceiling of 10% of paid-up equity share capital of the company/paid-up value of each series of convertible debentures for purchase by all NRIs/OCBs put together. The overall ceiling can be raised if the company concerned passes a special resolution to that effect in its general body meeting.

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While limits of individual holdings by NRIs/OCBs are monitored by the respective designated bank branch, RBI monitors the holding limits by NRIs/OCBs in aggregate. Once the aggregate holding of NRIs/OCBs builds up/ about to build up to the maximum prescribed ceiling, RBI puts the concerned stock under the Restrict List/Watch List which is published by RBI from time to time.

What are OCBs?

A Overseas Corporate Body (OCB) means a company, partnership firm, society and other corporate body owned directly or indirectly to the extent of at least sixty percent by Non-Resident Indians and includes overseas trust in which not less than sixty percent beneficial interest is held by Non-Resident Indians directly or indirectly but irrevocably. OCBs were debarred from Portfolio Investment Scheme w.e.f November 29, 2001. **OCBs have been banned as a class of investor w.e.f September 16, 2003.** However, they have been permitted to continue to hold the securities acquired by them prior to these dates. Accordingly OCBs may open a demat account, however it can be only for the purpose of dematerializing the existing holdings.