

CORRESPONDENT BANKING

ACCOUNTS AND OTHER SERVICES



- it was not possible for all international banks to obtain permission for opening of branches in several countries, due to restricted foreign bank/ branch licensing policies adopted by some countries.
- And also, it involves high costs and volumes to service the branches.
- **Correspondent banking** is the relationship between two banks which have mutual accounts with each other, or one of them having account with the other.
- With correspondent banking, a bank is able to handle business in another city or country, through local banks there at, the local bank acting as an agent of the former, and charging fees for the services rendered.



Functions Handled by Correspondent Banks


Account Services: clearing house services, collection of import/ export bills, payment instructions, overdraft and loan facility, investment services.


Other Services: These services would not normally require account relationship, and can be offered on standalone basis, depending upon the relationship and credit assessment by the correspondent bank. (i) Letter of Credit advising (ii) LC confirmations (iii) Bankers Acceptances (iv) Issuances of Guarantees - bid-bond, performance, etc. (v) Forcing Exchange services, including derivative products (vi) Custodial services etc.





Bank Accounts

The foreign currency accounts maintained by a bank, with another bank are classified as Nostro, Vostro and Loro accounts.

 **NOSTRO account:** It means "Our account with You". For example, SBI, Mumbai maintaining an USD account with CITI Bank New York is Nostro account in the books of SBI, Mumbai.

 **VOSTRO account:** It means " Your account with Us". Say American Express Bank, New York, maintaining A Rupee Account with SBI, Mumbai, is Vostro account in the books of SBI, Mumbai.

 **LORO account:** It refers to accounts of other banks, i.e. "their account with them". For example, Citi Bank referring to Rupee account of American Express Bank, with SBI Mumbai, or some other bank referring to the USD account of SBI, Mumbai with Citi Bank, New York.

 **Mirror account:** While a bank maintains Nostro account with a foreign bank, (mostly in foreign currency), it has to keep an account of the same in its books. This is more or less a reflection or a shadow of the nostro account for reconciliation of entries in the nostro account.

- The mirror account is maintained in two currencies, one of which is the foreign currency and the other one is the home currency.



ELECTRONIC MODES OF TRANSMISSION/ PAYMENT GATEWAYS

➕ **SWIFT** stands for Society for Worldwide Interbank Financial Telecommunications.

- This is a cooperative society, owned by member banks and financial institutions, providing secured telecommunication of financial messages worldwide **headquartered in Brussels**.
- Authentication of financial messages is through bilateral key exchange (BKE), and is available 24 hours a day and 365 days in a year.

➕ **CHIPS** (Clearing House Interbank Payment System),

- is a major payment system in the USA, operating since 1970
- It is a **fully automated**
- computer based messaging and
- net settlement payment system used by major banks for settlement of a large part of US dollar payments in the USA.

➕ **Fedwire**

This is another US payment system operated by Federal Reserve Bank, operated all over the US states since 1918, and handles majority of domestic payments.

➕ **CHAPS**

- Clearing House Automated Payments System (CHAPS) is a British equivalent to CHIPS,

- handling receipts and payments in LONDON.
- CHAPS is used by a large number of banks in UK.

+ TARGET: Trans-European Automated Real Time Gross Settlement Express Transfer system is a **EURO payment system** comprising national RTGS systems working in EUROPE.

+ RTGS-plus: RTGS plus is a **German hybrid clearing system** and operating as a European-oriented real time gross settlement and payment system.

+ EBA-EURO 1 works as a **netting system** with focus on cross border Euro payments. For retail payments, EBA has another system, called STEP 1

+ RTGS (India): Reserve Bank of India has implemented Real Time Gross Settlement (RTGS) system for the banks in India, where banks can remit funds to other banks through this mechanism. For customer remittances, the minimum amount for RTGS transfers is Rs. 2 lacs. In India Y-model is used for RTGS available 24x7.

+ NEFT (India): National Electronic Funds Transfer is a batch processing method-based funds transfer facility for banks in India, working 24 x 7 in 48 half hourly batches with no ceiling or floor limits.



NRI BANKING

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Individuals living overseas can be classified into three categories — Non-Resident Indians (NRI), Persons of Indian Origin (PIO) and Overseas Citizen of India (OCI).

Non-Resident Indians (NRIs):

- Any Indian living overseas is known as an NRI. This is more of a tax classification rather than a Visa status.
- The term NRI is not defined under the Income Tax Act 1961, but Section 6 of the Act contains detailed criteria of who can be deemed as a Resident of India, and states that anyone who does not match the criteria is a Non-Resident.
- **Indian citizen residing outside India for a combined total of at least 183 days in a financial year is considered to be an NRI.**
- **Indian students** abroad are also treated NRI.
- Only the income that they have earned in India is taxable in India.
- Therefore, any income earned outside India is not taxable in India, provided it is properly taxed in the nation where the NRI resides.



Persons of Indian Origin (PIO):

An individual who is an Indian by birth or by descent, who lives outside India, is a PIO

A.) Who was a citizen in India by virtue of the Constitution of India or Citizenship Act, 1955.

B.) Who belonged to a territory that became part of India after 15th August, 1947.

C.) Who is child or a grandchild or great grandchild of a citizen of India or a person referred as in A or B or

D.) Who is a spouse of foreign origin of a citizen of India or spouse of foreign origin of a person referred to in A, B or C

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However, on January 15, 2015, the Government of India withdrew the PIO card scheme and it was merged with the OCI card scheme.

OVERSEAS CITIZEN OF INDIA (OCI)

- Indian Government introduced an OCI card that authorised a foreign citizen of Indian origin to live and work in India for an indefinite period.
- This includes a person who was previously an Indian citizen or whose parent, grandparent, or great grandparent is/ was an Indian citizen or one who is married to an Indian citizen or an existing OCI for at least two continuous years.
- Anybody who has ever been a **citizen of Pakistan or Bangladesh or who has worked in foreign military** cannot be considered as an OCI.
- The OCI card gives one permission to visit India multiple times for a lifelong period.
- OCIs holding a card for more than five years and those who have been living in India for at least one year are eligible for Indian citizenship.

₹ **NRE – Non-Resident External Rupee Account**

- The NRE account is an Indian rupee-denominated account, can be opened by NRI, OCI/ PIO.
- **Exception:** Opening of NRE accounts in the name of individuals/entities of Bangladesh, Pakistan nationality can be opened with RBI approval.
- **A/c Types:** These accounts can be in the form of savings, current, recurring, or fixed deposits.
- **ROI:** Rate of interest on these accounts *can be as per bank discretion* but cannot be more than the interest paid by the banks on domestic deposit accounts.

! **Account operations:** You can apply for an NRE Account jointly with Non-resident Indians provided all of them are of Indian Nationality on Former or Survivor basis only.

- The foreign currency you deposit into the account is **converted to INR**.
- You can **transfer your funds** (Principal & Interest amount) to a foreign account from an NRE account without any complications and restrictions.
- Amount deposited into these accounts must be earned outside India.
- The interest income earned on these accounts is **exempted from Tax**.
- NRE account is primarily used for carrying out business, personal banking and making investments in India.
- **On change of resident status of the account holder**, account type is to be changed to resident account and the balance should be transferred to the RFC accounts.



Loans against funds held in the account

- Loan can be sanctioned up to the full value of the security of term deposits less margin to the account holder for personal purposes or for carrying businesses in India.
- But for purpose of re-lending or carrying on agricultural or plantation activities or investments in real estate loans cannot be sanctioned.

Loans against funds held in the account to 3rd parties: Loan can be sanctioned to 3rd party individuals/ firms/ companies in India subject to some conditions:

- A. There should be **no direct/ indirect forex consideration** for the Non-resident depositor agreeing to pledge his deposits or enable the resident to obtain such facilities
- B. **Regulations** related to margin, interest rates, purpose of loans should be complied with.
- C. Loan should be **sanctioned for personal purposes or for carrying businesses in India** and not for the purpose of re-lending or carrying on agricultural or plantation activities or investments in real estate

PERMITTED CREDITS

- **Remittance** to India in any permitted currency
- **Personal cheques drawn on foreign currency account** of the account holder.
- **Traveler's cheques and bank drafts** drawn in any permitted currency, foreign currency/ bank notes tendered during his temporary visit.
- **Transfer from any other NRE/ FCNR(B) Accounts.**
- Any other credit if covered under general permission or specific permission granted by Reserve Bank of India.

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PERMITTED DEBITS

- Local disbursements/ payments
- Remittance outside India
- Transfer to any NRE/ FCNR(B) Account
- Investments in shares/ securities, etc.
- Other facilities

OTHER FACILITIES

- Account with **cheque book facility** in Savings or Current account is allowed.
- **Full repatriation of deposit amount** including interest permitted.
- **Maturity proceeds can be transferred** to another NRE or FCNR account with same or another bank, as desired by the depositor.
- **Nomination** facility is permitted. Nominee can be either resident or non-resident.
- Income by way of interest on balances held in NRE account is **exempted from income tax, gift tax and wealth tax.**
- Residents can **operate the account on the basis of power of attorney** granted by the account holder. However, the power of attorney holder cannot repatriate funds outside India.

₹ NON-RESIDENT ORDINARY RUPEE ACCOUNT (NRO)

- A Non-Resident Ordinary (NRO) Account is a popular way for Non-Resident Indians (NRIs) to manage their deposits or income earned in India such as dividends, pension, rent, etc.

- **Exception:** Opening of accounts by individuals/ entities of Bangladesh/ Pakistan Nationality requires prior approval of RBI.
- **Account Types:** NRO accounts can be opened in the form of current, saving, recurring or fixed deposit accounts.
- This account allows you to receive funds in either Indian or foreign currency. However, only Indian currency can be withdrawn as NRO Accounts are kept in Indian currency and cannot be freely repatriated into any foreign currency.
- **Account Operations:** You can apply for an NRO Account jointly with an Indian residents or non-residents on Former or Survivor basis only.
- One can easily to transfer money from current NRE account to your NRO Account.
- The interest you earn in this account is subject to **Tax Deducted at Source (TDS).**



FEATURES OF AN NRO ACCOUNT

- With an NRO Account, you are **free to repatriate or transfer the interest** earned on the principal amount deposited.
- One can also transfer the principal amount up to **USD 1 million** in one financial year post payment of applicable taxes.
- The interest you earn on an NRO Account is taxable at 30%, deductible at source. It is noteworthy that the income you earn in India, deposited in an NRO Account can include rent, dividend, pension, etc.



PERMISSIBLE CREDITS

- Any **remittance from abroad** in permitted currency.
- **Currency tendered during visit to India** of the account holder.

- Any legitimate dues in India of the account holder. (rent, interest, dividend, maturity proceeds of Units of UTI, LIC policy maturities, etc.).
- **Transfer from other Rupee accounts of Non-residents.**



PERMISSIBLE DEBITS

- All **local payments** in Indian rupees.
- **Remittance outside** India of current income in India of the account holder net of applicable taxes. (interest, dividend, rent, etc.).
- Any other transactions if covered under general or specific permission granted by RBI.



OTHER FACILITIES

- Where an account is opened of foreign tourist on his temporary visit, the balances held in the account by way of remittance from abroad or conversion of foreign currency, can be converted back to foreign currency and paid to the account holder, provided the account is maintained for a period not exceeding six months.
- When a resident of India becomes a non-resident Indian, his existing account should be immediately converted into NRO account.
- Nomination facility is available in this account.



Foreign Currency Non-Resident Account (Banks) [FCNR (B) Accounts]

These are **foreign currency accounts**, which can be opened by Non-Resident Indians.

These accounts can be opened and maintained by Non-Resident Indians, in **any freely convertible currency** including, viz., US Dollar, EURO, Great Britain Pounds (GBP) and Japanese Yen (JPY), CAD and AUD.

ACCOUNT TYPE AND PERIOD

- NRIs can open these accounts only in the form of Term Deposits (not recurring deposit), with a minimum period of one year and maximum period of five years.
- The deposits are in foreign currency and are repaid in the currency of issue, along with interest, in foreign currency itself.

JOINT ACCOUNTS

Deposit can be opened either individually or jointly with other NRIs/PIOs / OCIs. Account can be opened with close resident relatives on "former or survivor" basis.

OTHER FACILITIES

- There is **no exchange risk** for the account holder as the account is maintained in foreign currency.
- **Repatriation of principal amount along with interest is permitted.**
- The **interest on the deposit** shall be paid on the basis of 360 days to a year, cumulative on half-yearly intervals of 180 days.

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- **Nomination** facility is available.
- Income earned by way of interest is **exempted from income tax**.
- **No operation by way of power of attorney** to the resident is permitted, since there are no local withdrawals.
- **Forward Cover can be booked** to hedge the balance held in FCNR account.

PREMATURE **WITHDRAWAL** OF DEPOSITS

- No interest is payable, if the deposit is withdrawn before one year
- If the deposit is withdrawn after completion of one year, interest will be paid at the rate available on the date of deposit for the period deposit has remained with the Bank. Penalty cost and swap cost can be levied at banks' discretion.

	NRO	NRE	FCNR(B)
Who can open	NRI/ OCI	NRI/ OCI	NRI/ OCI
Currency of A/c	Indian rupee	Indian rupee	All convertible currencies
Source of funds	Local or funds from aboard	Funds from abroad	Funds from abroad
Accounts	SB/CA/RD/TD	SB/CA/RD/TD	Only TDs not RD
Min/Max period	As per domestic term deposit	Min 1 yr max 10 Years @	Minimum-1 yr Maximum-5yr
Joint A/c with a) close Relatives b) Non-residents	Permitted Permitted	Permitted (F or S) permitted	Permitted (F or S) permitted
Nomination	Permitted	Permitted	Permitted
Repatriation: Principal/ interest	Non-Repatriable (within limits)	Freely repatriable	Freely repatriable
Tax benefits	No exemption (TDS Applicable)	Exempted from all taxes	Exempted from all taxes
INTEREST RATE	a) Banks are free determine interest rates on SB/ TD of maturity of 1 both year & above under NRE a/cs. b) Banks are free to determine their interest rates on SB under NRO A/c. c) interest rates on NRE and NRO deposits cannot be higher than domestic rupee deposits.		Term Deposit: Fixed or Floating within ceiling rate of respective London Inter-Bank Offered Rate (LIBOR) / Swap rate + 200 bps for > 1 year but < 3 years & 300 bps for 3 years and above.

Loan against NRE/ FCNR deposits - No Ceiling now. (Earlier ceiling limit Rs. 1 crore)

NRI / OCI allowed to transfer repatriable funds from their NRO Account within the ceiling limit of **USD 1 million per financial year** after payment of eligible taxes. (limit is per account holder and not per account)

FACILITIES TO NRIs

- Non-resident Indians have been **allowed to invest in India**.
- The investment by NRIs are regulated by the regulations prescribed under Foreign Exchange Management Regulations, 2000.
- These regulations cover issuance of security by an Indian company or entity to a person resident outside India and purchase and sale of security by a person resident outside India.

INVESTMENTS IN SHARES/ SECURITIES

Investments by NRIs have been broadly categorized into two segments:

1. On Repatriation basis
2. On Non-repatriation basis.

The **investment on repatriable basis** can be made in shares, bonds, securities, from the funds brought from abroad in freely convertible currencies or by debit to NRE/ FCNR account of the investor.

General permission has been granted under the regulations, to any person, resident outside India, to purchase equity or preference

shares or convertible debentures of an Indian company, subject to conditions and industry/ company investment caps, as stipulated.

However, investment in shares and securities by NRIs have been further classified under following categories:

1. Investment under Foreign Direct Investments
2. Investment under Portfolio Investment Scheme
3. Purchase and sale of shares on non-repatriable basis
4. Purchase and sale of securities other than shares and convertible debentures of an Indian company.

NRIs can invest in shares of Indian companies listed in recognised stock exchange under Portfolio Investment Scheme (PIS), through a designated AD branch, on repatriation as well as non-repatriation basis.

Transfer as Gift: NRIs can transfer such securities to another NRI, as also to a resident, by way of gift.

General permission for remittance of sale proceeds: RBI has granted general permission for remittance of sale proceeds (net of applicable taxes), of a security sold by an NRI, which was originally bought or acquired out of fresh remittances from abroad or from balances held in NRE/ FCNR-B accounts.

Securities purchased on non-repatriable basis, sale proceeds are to be credited to the NRO account of the investor, and taxes applicable as local investments.



INVESTMENT IN EXCHANGE TRADED DERIVATIVE CONTRACTS

NRIs are also permitted to invest in exchange traded derivative contracts, approved by RBI, out of Rupee resources held in India on non – repatriation basis, subject to limits prescribed by SEBI.

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 from fresh remittances or from balances held in NRE/ FCNR - B 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:

- **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, and
- **the contribution should be by way of fresh inward remittances** into India or out of balances held in NRE/ FCNRB deposits accounts.
- The amount so invested shall be permitted to be repatriable out of India, subject to taxes.



INVESTMENT IN IMMOVABLE PROPERTY

(a) A person resident outside India, who is a citizen of India, is **permitted to acquire any property in India** other than agricultural/

plantation/ farm house, and transfer the same to any person resident in India or to a person resident outside India, who is an Indian citizen.

(b) NRI can acquire such a property, **out of funds** received in India by way of inward remittance from any place outside India, or from the balances held in any non-resident rupee account or foreign currency account maintained in India,

(c) NRI can also acquire such a property **by way of gift** by a person resident in India, or from a person resident outside India, who is a citizen of India or from a person of Indian origin, resident outside India.

(d) NRI can also **acquire** any immovable property in India **by way of inheritance** from a person resident outside India, who had acquired such property in accordance with the foreign exchange law, prevailing at the time of such acquisition by him.



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:

(a) The property so acquired was **in accordance with the foreign exchange laws** in force at the time of acquisition by him.

(b) The **sale proceeds required to be repatriated does not exceed the foreign exchange brought in** to acquire the property.

(c) In case of residential property, the repatriation of sale proceeds is restricted to not more than two properties.

(d) **Banks are now permitted to allow repatriation of funds out of balances held by NRIs** in their Non-resident accounts up to USD

10,00,000 (1 million USD) per year, representing sale proceeds of immovable property held by them, without any lock in period, subject to payment of applicable taxes.

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.



OTHER INVESTMENTS

- NRIs can also, without any limit, purchase on non- repatriation basis, dated Government securities, treasury bills, units of domestic mutual funds, units of money market mutual funds.
- They are not permitted to make investments in Small Savings Schemes, including PPF.



ADVANCES TO NON-RESIDENTS, AND 3rd PARTY ADVANCES AGAINST NRI DEPOSITS/ GUARANTEES, OTHER LOANS

RUPEE LOANS IN INDIA

₹ Banks are permitted to grant loans to Non-resident Indian account holders against the security of funds held in Non-Resident term deposit account schemes.

PURPOSE:

1. **Personal purpose** or for carrying on **business activities** except for the purpose of re-lending or carrying on agriculture/ plantation activities or for investment in real estates.

2. **Making direct investment in India on non-repatriable basis** by way of contribution to the capital of Indian firms/ companies.
3. **Acquisition of house/ flat for his own residential use in India.**

CREDIT OF LOAN AMOUNT: The loan so granted shall be credited to NRO account only and not to NRE/ FCNR (B) accounts.

AMOUNT OF LOAN: need based and value of security

MARGIN: Banks shall maintain reasonable margin and may determine the same on case-to-case basis.

REPAYMENT: Repayment of loan shall be either inward remittance from abroad through normal banking channel/ maturity proceeds of the deposit or out of local resources in the NRO rupee account.



FOREIGN CURRENCY LOANS IN INDIA

- Banks may give foreign currency loan to the account holders against security of funds held in FCNR (B) deposits and **not against the third-party deposits, to the account holder only.**
- The documents should be executed by the account holder and not by the power of attorney holder.
- The maturity of loan should not exceed the maturity date of the deposit.
- Loan shall be sanctioned for purposes **other than investments in India.**
- **Repayment** should be made either from fresh remittance from abroad or from the maturity proceeds of the deposit.



LOANS TO THIRD PARTIES

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Banks may grant loans to third parties against the security of funds held in non-resident deposit accounts, provided,

1. There is **no direct or indirect foreign exchange consideration** for the non-resident depositor agreeing to pledge his NRE/ FCNR (B) deposits to enable the resident individual/ firm/ company to obtain such facilities.
2. **Regulations relating to margin, rate of interest, purpose of loans, etc.** shall be as per RBI guidelines.
3. The **loan should be utilised for personal purposes or for carrying on business activities** except for the purpose of re-lending or carrying on agriculture/plantation activities or for investment in real estates.
4. Non-Resident **depositor should himself execute the loan documents** in the presence of the bank officials and witness acceptable to the bank.
5. **Loan should not be granted on the basis of power of attorney.**

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:

- a) The **quantum of loan, margin money and the period of repayment** shall be same as applicable for resident Indians.
- b) The **loan amount** shall not be credited to NRE/FCNR (B) account
- c) 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.

d) 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.

Q1: A report about death of the non-resident is received who has maintained NRO account with nomination (which is not correct):

- A.) balance in the account will be transferred to NRO account of the nominee if he is also a non-resident
- B.) balance in the account will be transferred to normal account of the nominee if he is a resident
- C.) balance in the account will be sent abroad on the request of nominee
- D.) none of the above

Q2: which of the following can be source of funds for investment by NRIs in India while investing in permitted immovable property (i) inward remittance in freely convertible currencies (ii) funds in FCNR-B account (iii) funds in NRE-RA account (iv) funds in NRO account

- A.) only I and ii
- B.) I and iv all
- C.) I to iii only
- D.) ii to iii only

Q3: which type of following debits are not allowed in NRO account:

- A.) transfer of repatriable amount to NRE-RA account.
- B.) remittance outside India of current income like interest, dividend, rent etc
- C.) remittance representing sale proceeds of immovable property

subject to prescribed limit
D.) none of the above

Q4: Account of a foreign bank opened in the domestic territory and domestic currency is called:

- A.) NOSTRO account
- B.) Vostro account
- C.) LORO account
- D.) Both a & b

Q5: which of the following is a euro payment system:

- A.) SWIFT
- B.) CHIPS
- C.) TARGET
- D.) FEDWIRE

Q6: A person resident outside India, who is citizen of India can acquire the following type of property in India:

- A.) agriculture land
- B.) plantation farm
- C.) farmhouse
- D.) any other land

Q7: which of the following services can be offered in the correspondent banking by banks to each other (i) LC advising (ii) LC confirmations (iii) giving bankers' acceptance (iv) issue of bank guarantees (v) custodial services

- A.) I to iii only
- B.) ii to v only

- C.) iii to iv only
- D.) I to v all

Q8: If a loan is allowed to an NRI against his term deposit of FCNR-B or NRE-RA account, the amount can be credited to which of the following account:

- A.) FCNR-B account
- B.) NRO account
- C.) NRE-RA account
- D.) any of the above

Q9: when the correspondent bank offers services related to handling of outward payments, receipt of inward payments and collection, these functions is covered under, which of the following:

- A.) clearing house functions
- B.) collection function
- C.) payments function
- D.) investments service

Q10: In which of the following, the NRI's can make the investment (i) units of mutual funds on repatriable basis (ii) units of mutual funds on non-repatriable basis (iii) company deposit on repatriable basis (iv) company deposits on non-repatriable basis.

- A.) only ii and iv
- B.) I to iv all
- C.) ii and iii only
- D.) I to iii only

Q11: foreign currency non-resident FCNR can be opened as:

- A.) saving bank or current account
- B.) recurring deposit account for a fixed period of 1 to 5 years
- C.) term deposits receipt for a fixed period of 1 year to 5 years
- D.) term deposits receipt for a fixed period of 1 year to 3 years

Q12: FCNR deposit account can be opened in which of the following group of currencies:

- A.) USD, CAD, Singapore \$, Euro, pound sterling, yen only
- B.) USD, CAD, Australian \$, Euro, pound sterling, Lira only
- C.) Any convertible currency including USD, CAD, Australian \$, Euro, pound sterling, Yen
- D.) USD, CAD, Singapore \$, Euro, pound, sterling, Australian dollar only

Q13: as per general permission a person resident outside India, subject to certain conditions, can make investment in:

- A.) equity shares of Indian companies
- B.) preference shares of Indian companies
- C.) convertible debentures of Indian companies
- D.) all the above

Q14: A foreign bank in UK has opened a current account with SBI in Mumbai. Which of the following is correct?

- A.) for foreign bank-VOSTRO account
- B.) for SBI-NOSTRO Account
- C.) for foreign bank-NOSTRO account
- D.) for SBI-LORO Account

Q15: Loan can be allowed to NRI's against their term deposits in FCNR-B and NRE-RA account for the following purposes (i) personal purpose (ii) for carrying on business activities (iii) making direct investment in India on non-repatriation basis (iv) acquisition of

house or flat for residential use of India (v) making investment in agricultural land or farmhouse or plantation activities.

- A.) I to iv only
- B.) I to ii only
- C.) I to iii only
- D.) ii to iii only

Q16: which of the following is not correct with regard to NRE accounts?

- A.) funds are repatriable from the account
- B.) funds from FCNR (B) account can be transferred to this account
- C.) interest rate is fixed at discretion of the bank without any ceiling
- D.) funds can be transferred to FCNR account from this account

Q17: when correspondent bank handles and executes all payments instructions of the client bank by debit to their account, it comes under _____ of correspondent banking:

- A.) clearing house functions
- B.) collection function
- C.) payments function
- D.) investments service

Q18: A customer has requested for sanction of a rupee loan against the security of an FCNR term deposit:

- A.) loan can be granted to any extent
- B.) loan can be granted maximum up to value of FDR with appropriate margin
- C.) loan can be allowed maximum up to Rs.100 lac
- D.) no loan can be granted as a rupee loan.

Q19: An NRI has requested for a house loan in India. Which of the following statement is correct in case of his loan? (i) quantum, margin and period of loan as for resident Indians (ii) amount can be credited to NRE, FCNR or NRO account (iii) repayment can be from fresh inward remittance (iv) repayment can be from balance in FCNR, NRE or NRO account

- A.) I to v all
- B.) I, ii and iv only
- C.) I, iii and iv only
- D.) ii to iii only

Q20: A depositor of FCNR account has decided to return to India for permanently stay in India (which one is correct):

- A.) FCNR account will continue till maturity
- B.) it will be treated a resident account from date of return
- C.) premature withdrawal of such deposit will be with penalty
- D.) all the above