

**Reserve Bank of India
Foreign Exchange Department
Central Office
Mumbai- 400 001**

Notification No. FEMA.238/2012-RB

September 25, 2012

**Foreign Exchange Management (Borrowing and Lending in Rupees)
(Amendment) Regulations, 2012**

In exercise of the powers conferred by clause (e) of sub-section (3) of Section 6 and sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000 ([Notification No.FEMA.4/2000-RB dated 3rd May, 2000](#)), namely :-

1. Short Title & Commencement

(i) These Regulations may be called the Foreign Exchange Management (Borrowing and Lending in Rupees) (Amendment) Regulations, 2012.

(ii) They shall be deemed to have come into force from the 16th day of September 2011 @.

2. Amendment of the Regulations

In the Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000 (Notification No. FEMA 4/2000-RB dated May 3, 2000),

(1) In Regulation 2, after clause (c), the following shall be inserted, namely –

“(ca) ‘Liberalised Remittance Scheme’ means the scheme formulated in terms of circular [A.P. \(DIR Series\) Circular No. 64 dated February 4, 2004](#) and as amended from time to time.

(cb) ‘relative’ means a ‘relative’ as defined in section 6 of the Companies Act, 1956.”

(2) after Regulation 7, the following new regulation shall be inserted, namely, -

"7A. A loan granted to a non-resident by an authorised dealer, in accordance with Regulation 7 above, may be repaid by any relative of the borrower in India by crediting the borrower's loan account through the bank account of such relative."

(3) after Regulation 8A, the following new regulation shall be inserted, namely—

"8B. Rupee loans to non-resident Indian by Resident

A resident individual may grant loan to a NRI relative by way of crossed cheque / electronic transfer:

Provided that:

- (i) the loan is free of interest and the minimum maturity of the loan is one year;
- (ii) the loan amount should be within the overall limit under the Liberalised Remittance Scheme per financial year available for a resident individual. It would be the responsibility of the lender to ensure that the amount of loan is within the limits prescribed under Liberalised Remittance Scheme during the financial year;
- (iii) the loan shall be utilised for meeting the borrower's personal requirements or for his own business purposes in India;
- (iv) the loan shall not be utilised, either singly or in association with other person, for any of the activities in which investment by persons resident outside India is prohibited, namely;
 - (a) the business of chit fund, or
 - (b) Nidhi Company, or
 - (c) agricultural or plantation activities or in real estate business, or construction of farm houses, or
 - (d) trading in Transferable Development Rights (TDRs).

Explanation: For the purpose of item (c) above, real estate business shall not include development of townships, construction of residential / commercial premises, roads or bridges.

- (v) The loan amount should be credited to the NRO a/c of the NRI /PIO. Credit of such loan amount may be treated as an eligible credit to NRO a/c;

(vi) the loan amount shall not be remitted outside India; and
(vii) repayment of loan shall be made by way of inward remittances through normal banking channels or by debit to the Non-resident Ordinary (NRO) / Non-resident External (NRE) / Foreign Currency Non-resident (FCNR) account of the borrower or out of the sale proceeds of the shares or securities or immovable property against which such loan was granted.”

(Rudra Narayan Kar)
Chief General Manager

Footnote:-

1. @ It is clarified that no person will be adversely affected as a result of retrospective effect being given to these regulations.

2. The Principal Regulations were published in the Official Gazette vide G.S.R. No. 387 (E) dated May 5, 2000 in Part II, Section 3, Sub-section (i) and subsequently amended as under:

- (a) G.S.R. No. 90(E) dated 12.02.2001
- (b) G.S.R. No. 754(E) dated 8.11.2002
- (c) G.S.R. No. 351(E) dated 8.06.2004
- (d) G.S.R. No. 453(E) dated 16.07.2004
- (e) G.S.R. No. 711(E) dated 14.11.2007
- (f) G.S.R. No. 107(E) dated 20.02.2009

**Published in the Official Gazette of Government
of India – Extraordinary – Part-II, Section 3,
Sub-Section (i) dated 17.12.2012- G.S.R.No.895(E)**