



CIRCULAR

F. No. IFSCA-FMPP0BR/1/2021-Banking-Part (1)/3

December 13, 2024

To,
All IFSC Banking Units (IBUs)

Dear Sir/ Madam,

Directions to IBUs for operations of the Foreign Currency Accounts (FCA) of Indian resident individuals opened under the Liberalised Remittance Scheme (LRS)

1. Applicability:

- i. This Circular is applicable to IBUs opening Foreign Currency Accounts (FCA) of resident individuals ('RI') as permitted vide A.P. (DIR Series) Circular No.15 pertaining to '*Remittances to International Financial Services Centres (IFSCs) under the Liberalised Remittance Scheme (LRS)*' dated July 10, 2024, issued by the Reserve Bank of India (RBI).
- ii. IBUs may permit opening of Foreign Currency Accounts by RI for purposes other than LRS in compliance with the provisions of the Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015 (as amended).
- iii. For the purpose of this circular, FCA shall mean 'FCAs of RIs with IBUs opened under the LRS'.

2. General Directions

IBUs shall:

- i. permit RIs to open FCA for:
 - a. receiving remittances under LRS from onshore India
 - b. receiving remittances from locations other than onshore India (subject to condition at (v))

- ii. monitor that remittance into the FCA are made within a reasonable period of time from the date of its opening;
- iii. ensure that all the remittances into the FCA from onshore India under LRS are routed through an Authorised Person ('AP');
- iv. obtain a copy of the return submitted by RI to AP (as prescribed by the Reserve Bank of India) or any other document confirming the transfer under LRS at the time of any inward remittance to the FCA from onshore India.
- v. obtain a declaration from the RI, with respect to remittances into the FCA from locations other than onshore India, that such remittance represents funds duly remitted earlier under LRS or income earned on the investments made from funds duly remitted earlier under LRS;
- vi. obtain a declaration from the RI to the effect that received /realised /unspent /unused foreign exchange from onshore India or from locations other than onshore India in FCA, unless reinvested within a period of 180 days from the date of such receipt/realisation/ purchase/ acquisition or date of return to India shall repatriated through an AP to the account of the RI in designated AD Bank;
- vii. obtain a declaration from the RI to the effect that, such RI shall not settle any domestic transactions with other RI through the FCA, and;
- viii. ensure compliance with the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022, including the Circulars issued thereunder.

3. Directions for availing financial services or financial products in IFSCs

IBUs shall

- i. permit the use of funds remitted to FCA for availing financial products or financial services, as defined in section 3 (1) (d) and 3(1) (e), respectively, of the International Financial Services Centres Authority Act, 2019 (IFSCA Act), within IFSCs.

Explanation: Fixed Deposits may be offered to RI provided that the tenure of such deposits is less than 180 days, and the maturity proceeds of the same, if not reinvested in any other permissible financial product, shall be subject to action outlined in para 2(vi) of this circular.

- ii. obtain a declaration from the RI, confirming that amount being spent from its FCA for availing financial services or financial products in IFSC is for the purpose declared while remitting the money to the FCA under LRS;

4. Directions for availing services in any other foreign jurisdiction (other than IFSC)

IBUs shall :-

- i. permit remittance of funds received in FCA for undertaking all permitted current or capital account transactions, in any foreign jurisdiction (i.e. other than IFSCs)

- ii. obtain a declaration from the RI, confirming that amount being remitted from its FCA is for the purpose declared while remitting the money under LRS;
- iii. ensure that remittances for permitted capital account transactions from the funds received in FCA are not made to countries identified by Financial Action Task Force (FATF) as non-co-operative countries and territories as available on FATF website (www.fatf-gafi.org) or as notified by RBI.
- iv. ensure remittances of funds from the FCA are not made, directly or indirectly, to those individuals and entities identified as posing significant risk of committing acts of terrorism as advised separately by RBI.

5. Reporting

- i. IBUs opening FCA under the dispensation provided vide RBI Circular dated July 10, 2024, shall notify the Authority by way of a letter, including a description of the arrangements put in place for complying with the conditions specified under the provisions of this Circular, which shall be signed by its Branch Head and addressed to the Department of Banking, IFSCA.
 - ii. IBUs shall furnish the data about operations in FCAs in the form and manner, as may be specified by the Authority.
- 6.** IBUs are advised to take steps to ensure that the opening of FCA by RI and remittance of funds to such FCA may be enabled digitally on the digital banking platforms (internet banking and mobile banking) of the parent bank to provide a seamless experience to the customers undertaking such transactions.
- 7.** IBUs are directed to ensure compliance with the Directions of this Circular.
- 8.** On and from the date of issue of this circular, the provisions of the circular F.No. IFSCA-FMPP0BR/1/ 2021- Banking-Part (1)/2, dated October 10, 2024, shall not apply.
- 9.** This circular is issued in exercise of the powers conferred by Section 13 of the International Financial Services Centres Authority Act, 2019, read with Regulation 20 of the International Financial Services Centres Authority (Banking) Regulations, 2020 (as amended), and shall come into force with immediate effect.

Yours faithfully,

Supriyo Bhattacharjee
Chief General Manager
Head, Department of Banking