To

All Banks Authorised to Deal in Foreign Exchange

Madam / Sir,

**Repayment of loans of Non-resident close relatives by residents**

Attention of the AD banks is invited to Regulation 8 (d) of the FEMA Notification No.4/2000- RB dated May 3, 2000 viz. Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000, as amended from time to time, in terms of which the housing loan provided to a non-resident Indian or a person of Indian origin resident outside India by an authorised dealer or a housing finance institution in India approved by the National Housing Bank for acquisition of a residential accommodation in India, 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 (relative as defined in section 6 of the Companies Act, 1956). Thus, repayment of loan by close relative in respect of loan in rupees availed by NRI is restricted to housing loans only.

2. The Committee to review the facilities for individuals under the Foreign Exchange Management Act (FEMA), 1999 has in its Report recommended that resident individuals may be granted general permission to repay loans availed of from banks in Rupees in India by their NRI close relatives as defined under Section 6 of the Companies Act.

3. The extant provision has now been reviewed and it has been decided that where an authorised dealer in India has granted loan to a non-resident Indian in accordance with Regulation 7 of the Notification No. FEMA 4/2000-RB, ibid, such loans may also be repaid by resident close relative (relative as defined in Section
6 of the Companies Act, 1956), of the Non-Resident Indian by crediting the borrower's loan account through the bank account of such relative.

4. The necessary amendments to the Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000 are being issued separately.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

(Meena Hemchandra)
Chief General Manager In-Charge