



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India



SEBI : HAR INVESTOR KI TAAQAT

Investments by Non-Resident Indians (NRIs) in Indian Securities Market

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- ❖ Indian citizens are classified, based on their residential status for investment and taxation purposes, as –

Resident Indians

Non-Resident Indians (NRIs)

Overseas Citizen of India (OCI) card holders

- ❖ 'Non-Resident Indian (NRI)' means a person resident outside India who is a citizen of India;
- ❖ 'Overseas Citizen of India (OCI)' means a person resident outside India who is registered as an Overseas Citizen of India Cardholder under Section 7(A) of the Citizenship Act, 1955;
- ❖ Investments by OCI card holders are treated as investment at par as NRIs and require same approval and enjoy same exemptions that of NRIs.

- ❖ “Person resident outside India”, who is a citizen of India,
- ❖ Persons who have gone out of India and intend to stay outside India for an uncertain period as NRIs,
- ❖ Indian citizens working abroad in assignments with –
 - Foreign Govt. / Govt. Agencies / International Agencies (UNO/IMF/ World Bank, etc.)
 - Officials of Central / State Govt./ PSUs deputed abroad / posted.
- ❖ Officials working abroad of Shipping Companies registered in a foreign country,
- ❖ Students studying in Foreign Universities or Institutions for courses with duration of more than 182 days,
- ❖ Family members staying on family dependent visa.

❖ Overseas Citizen of India (OCI)

- Person of Indian Origin, who is a foreign national (except a citizen of Pakistan and Bangladesh) and get registered as OCI card holders –
 - who was eligible to become citizen of India on 26.01.1950 , OR
 - who was a citizen of India on or after 26.01.1950, OR
 - who belonged to a territory that becomes a part of India after 15.08.1947.
- It is a form of permanent residency available to people of Indian origin and their spouses,
- Persons of Indian Origin (PIO) card holders are deemed to be OCI Card Holders w.e.f. January 09, 2015.

- ❖ Equity Shares,
- ❖ Government Dated Securities,
- ❖ Units of domestic Mutual Funds,
- ❖ Units of Exchange Traded Funds,
- ❖ Equity Derivatives Trading,
- ❖ Bonds issued by Public Sector Undertakings (PSUs),
- ❖ Bonds issued by Infrastructure Debt Funds,
- ❖ Listed Non-convertible / redeemable preference shares or debenture,
- ❖ Debt instruments issued by banks

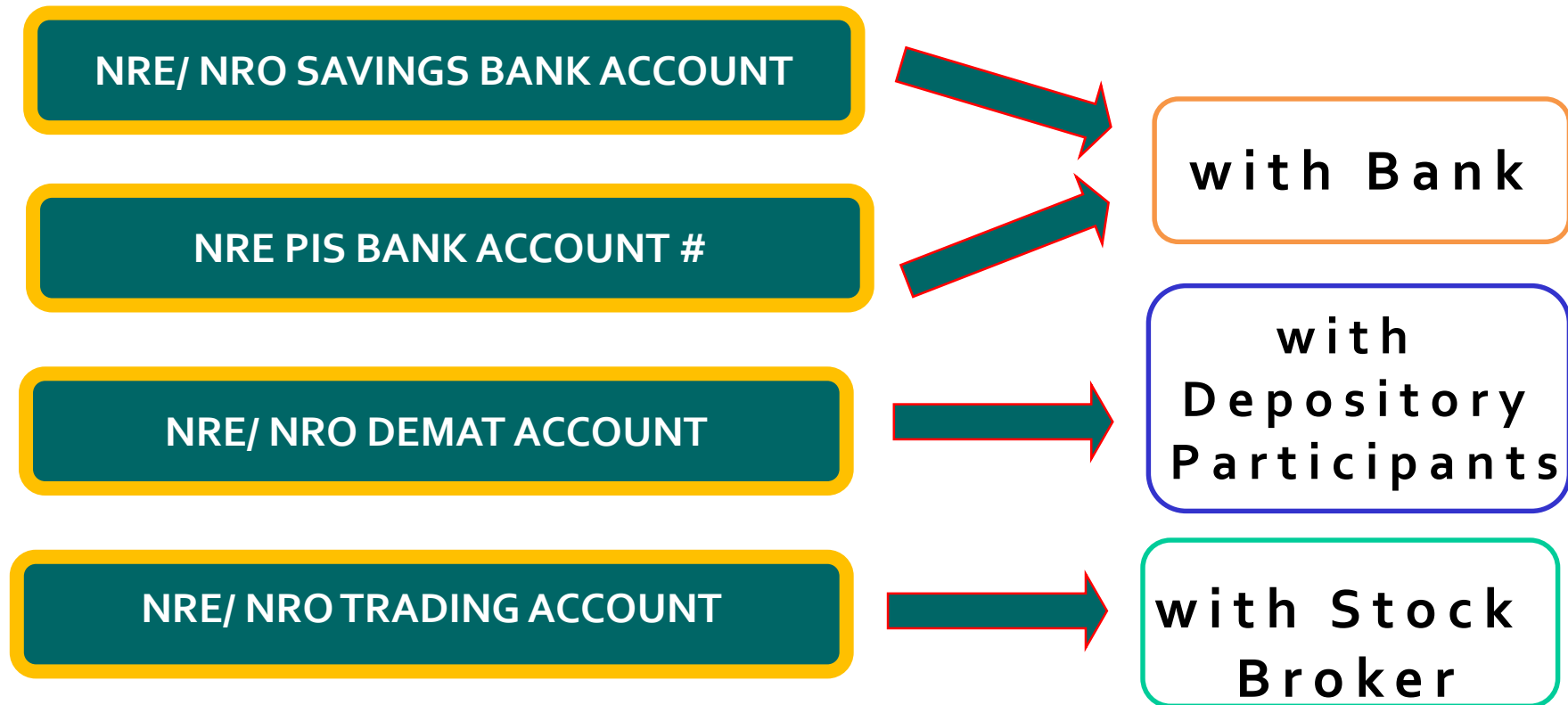
Transactions on Stock Exchanges Permitted for NRIs



- ❖ Only delivery based transactions are allowed
 - To take delivery of shares purchased,
 - To give delivery of shares sold,
 - Short selling and intra day transitions in Cash Segment are not allowed.
- ❖ Allowed to trade invest in Futures & Options Segment of the exchange on non-repatriation basis only.
- ❖ Not permitted to trade in Currency Derivative Segment of the Exchange.
- ❖ Allowed to subscribe shares under the Employees Stock Option Scheme (ESOPs),

Pre-requisites for Investments

Accounts required for investing in Indian securities market:



Permission letter issued by Authorized Dealer (AD) is mandatory for dealing in stock market under Portfolio Investment Scheme (PIS).

▪ NRE : Non Resident External

NRE and NRO Bank Accounts



	NRE Bank Account	NRO Bank Account
Purpose	▶ Depositing income earned outside India in Foreign Currency & Indian Rupee existing NRE SB account	▶ Legitimate dues earned in India
Deposit Currency	▶ Foreign Currency Cash	▶ Indian Rupee
Withdrawal Currency	▶ Indian Rupee	▶ Indian Rupee
Taxation in India	▶ Interest earned in NRE-SB account is not Taxable in India	▶ Interest earned in NRE SB account is taxable
Repatriability	▶ Deposits and Interest earned on them are fully and freely repatriable.	▶ Deposits are repatriable up to USD One million in a year. Interest earned is fully repatriable.
Joint A/c with NRI / Indian Resident	▶ Permitted with only close Indian Resident Relative	▶ Permitted
Types of Accounts	▶ Current Account, Savings Account, Recurring & Fixed Deposits	

- ❖ PIS Permission Letter -
 - Authorised Dealer (AD) issues PIS permission letter on behalf of RBI
 - Mandatory for buying and selling shares in stock exchange on repatriable basis.
- ❖ After issuance of PIS permission letter, NRE-PIS SB Account is to be opened in addition to NRE SB account.
- ❖ PIS Permission letter -
 - Mandatory for opening of demat and trading account on repatriation basis.
- ❖ PIS Permission Letter -
 - Not required for IPO, ESOPs Rights Issue, MFs, ETFs Bonds or Debt securities, etc.

Trading Account

- Will enable investors to buy and sell shares in the securities market.
- Trading account is always in the name of NRI/OCI holder, but the account can be tied to a jointly held demat account.

Demat Account

- A Demat (dematerialised) account
 - Account that allow to hold shares and securities electronic form.
- Demat account is a precondition for trading in the securities market.
- Investors can hold dematerialised securities viz., stocks, mutual funds, bonds, exchange-traded funds (ETFs), etc. in a demat account.
- Demat account held in Joint name can be linked with trading account.

Both Accounts opened by NRIs are treated as Non-Resident Accounts

Know Your Clients Requirements

(For opening Trading and Demat accounts)



- ❖ In case of Indian passport
 - Valid Passport
 - Valid Visa :
 - Work/ Student/ employment/ resident permit etc.
- ❖ PIS Permission Letter
- ❖ PAN Card - *Mandatory*
- ❖ Proof of mailing and overseas Address
- ❖ Photograph
- ❖ Proof of Bank Account
- ❖ Merchant Navy NRIs : Mariner's declaration or certified copy of CDC (Continuous Discharge Certificate)
- ❖ In case of foreign passport
 - Valid passport
 - Copy of PIO / OCI Card as applicable in case of PIO/OCI
- ❖ Overseas Address
 - Driving License
 - Foreign passport
 - Utility Bills
 - Bank statement (not more than 2 months old)
 - Copy of rent , leave & license, sale agreement/deed

KYC Documents are to be attested by following entities:

- ❖ Any authorized official of overseas branches of Scheduled Commercial Banks registered in India,
- ❖ RBI list of Scheduled Commercial Banks registered in India,
- ❖ Public Notary abroad,
- ❖ Court Magistrate abroad,
- ❖ Judge abroad,
- ❖ Indian Embassy/Consulate General in the overseas country where the non-resident customer reside.

KYC Requirements (... contd.)



- ❖ With effect from January 2016 -
 - It is mandatory for all Indian and NRI investors (existing and new) to file a FATCA (Foreign Account Tax Compliance Act) self-declaration.
- ❖ The declaration asks explicitly to include the USA as a country of residence if an investor is a US citizen or a green cardholder.
- ❖ This holds even if an investor has moved to India and are now an Indian resident.
- ❖ SEBI, vide Circular dated March 21, 2018, The Designated Depository Participants are directed to ensure compliance with FACTA.

- ❖ **In case a person who is resident in India becomes a non-resident**
 - An 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 in a non-repatriable status.
- ❖ **In case a non-resident Indian becomes a resident in India**
 - It is the responsibility of the NRI to inform the change of status to the designated authorized dealer branch, through which the investor had made the investments in PIS and the DP with whom he/she has opened the demat account.
 - The Demat in the Non-resident status will have to be converted to resident status.
 - Non resident trading account to be closed and opening new resident trading account.

Investment in Shares through Initial Public Offer (IPO) :

- ❖ An NRI having an NRE/NRO bank account can participate in IPO process
- ❖ PIS Permission Letter is NOT required for dealings in IPO,
- ❖ Issuing Company should comply with all necessary regulations for issuing securities to a person resident outside India.
- ❖ Sale proceeds of shares can be credited to NRE / NRO account after payment of applicable taxes.

Modus Operandi for 'Buying' shares:

- ❖ Before placing a buy order
 - PIS account of NRI should be 100% pre-funded
- ❖ On receipt of a buy order, the Broker needs to ensure that sufficient balance available in NRE PIS bank account.
- ❖ Broker needs to make sure NRI does not purchase the breached list shares published on NSDL and CDSL website
- ❖ Customer can make the payment from PIS SB account or he can give standing instruction to bank to make the payment
- ❖ A digital contract note showing all relevant details of the transaction will also be sent to the client within 24 hours of the trade.
- ❖ NRI customer needs to further report these trades to Authorised dealer for further reporting to regulator

Modus Operandi for 'Selling' Shares:

- ❖ Order may be placed to sell any of the shares held in the demat a/c.
- ❖ A digital contract note will be sent to the investor and to the Bank within 24 hours of the trade.
- ❖ NRI also needs to report contract note to authorised dealer for further reporting to regulator.
- ❖ PIS bank will credit sale proceeds after deducting applicable tax.
- ❖ In case the shares sold are purchased in IPO or have been transferred by off-market route, then PIS bank will require details/proof of purchase from in the Declaration forms.
- ❖ In such situations the sales value will be credited after the Bank has received all documents to their satisfaction and after calculation of the applicable capital gains tax, if any

Flow of 'BUY' Transaction

Client ensures availability of funds in his NRE PIS Account before placing purchase order



Trading Member executes Purchase Order and sends **Electronic Contract Note** to the Bank/Customer on **T-DAY**



Bank reports the Contract Note received from Trading Member to respective regulator



Bank makes payment to the Trading Member on **same day** if customer has given standing instructions Or customer can make payment to trading member independently

Flow of 'SELL' Transaction

Trading Member executes Sale Order and sends **Electronic Contract Note** to the Bank/Customer on **T-DAY**



Bank reports the Contract Note received from Trading Member to respective Regulator



Bank credits clients PIS A/c after deduction of applicable Taxes



Bank provides the TDS computation sheet and TDS Certificate to the client

Ceiling on Investments under PIS



- ❖ Maximum investment : Individual NRI
 - Up to 5% of the paid-up capital of listed Indian companies.
 - On repatriation under PIS route.
- ❖ Maximum investment : Overall ceiling of all NRIs (on repatriation basis)
 - Can not exceed 10% of the paid-up capital of listed companies.
 - The aggregate ceiling of 10% can be raised to 24% if a special resolution to that effect is passed by the General Body of the Indian company
- ❖ Once the ceiling is reached - NRIs can't purchase, NRI can only sell
- ❖ NRIs should refer to Breach list and Red flag list published on depositories (NSDL and CDSL) website before placing the buy order.
- ❖ Shares purchased under PIS
 - Shall be sold on stock exchange only.
 - Such shares can't be transferred by way of sale under private arrangement or by way of gift (except by NRIs to their relatives or to a charitable trust) to a person resident in India or outside India without prior approval of RBI.

- ❖ An NRI having an NRE/NRO bank account can invest in Indian Mutual Funds only after completing KYC process on repatriable and non repatriable basis.
- ❖ Every mutual fund scheme has two plans Direct and Regular.
- ❖ NRI can either choose to invest directly with the Fund House or can opt for a Regular plan, by taking a service of a distributor/ intermediary.
- ❖ Some Fund Houses do not accept application from US & Canada based NRIs.
- ❖ An NRI's investment carries the right of repatriation of the amount invested and amount earned, only until he/she remains an NRI as well as the source of investments from NRE Account.
- ❖ NRI or OCI may without limit purchase or sell units of domestic mutual funds which invest more than 50% in equity.

- ❖ Before investing in the Indian market, NRIs can consult a market expert to make informed decisions.
- ❖ There are several local guidelines in the residence country of the NRI with regard to investing in financial instruments such as Mutual Funds.
- ❖ It is always advisable for an NRI to get familiar with such local rules and guidelines for their own safety,
- ❖ For example, United Arab Emirates (UAE) regulation require –
 - MF scheme to be registered with the Local Regulators, the Securities and Commodities Authority (SCA).
 - MF scheme need to be promoted only by a licensed financial institution.
 - An investor based in UAE, who wishes to invest in any MF Scheme, should take necessary steps to ensure that the scheme he/she wishes to invest is registered.
 - The financial institution that is distributing the fund is licensed by SCA for promoting MF.

Taxation Aspects

Mutual Fund	LTCG (> INR 1,00,000)	STCG
Equity-Oriented Funds (subject to STT)	10% (>12 months)	15% (<12 months)
Other than Equity-Oriented Funds (Listed)	20% (indexation benefit), >36 months	As per income bracket <36 months TDS : 30%
Other than Equity-Oriented Funds (Unlisted)	10%, >36 months	

TDS as per rates in force, in case of above rates: Currently the TDS rates for all of the above is also same as the chargeable tax rates except for Other than equity-oriented funds in case of STCG where TDS is 30%

Tax	Listed Share	Unlisted Shares
LTCG	10%(>12 months)	10% (> 24 months)
STCG	15% (<12 months)	Tax slab (<24 months)
Dividend	20% Tax Withheld on Dividend	

TDS as per rates in force defined in Finance Act

LTCG: Long Term Capital Gain ; STCG : Short Term Capital Gains

- ❖ Trading member need to ensure that -
 - Securities are not in NSDL/CDSL breached list before executing the order.
 - Clear funds are available in Bank account for purchases.
 - Securities are available before executing any sell order.
 - Depending upon whether the purchases are made on repatriation / non-repatriation basis pay-out of the securities needs to be transferred to respective de-mat account.
 - Purchase/Sale transactions in cash segment should be settled by delivery only.
- ❖ Shares purchased under PIS on stock exchange shall be sold on stock exchange.
- ❖ Such Shares cannot be transferred by way of sale under private arrangement or by way of gift (except by NRIs to their relatives Or to a charitable trust duly registered under the laws in India) to a person resident in India or outside India without prior approval of the Reserve Bank of India.

Points to Ponder while investing



- ❖ Regulations issued by RBI under FEMA Regulations 1999 and circulars issued from time to time.
- ❖ Prohibited and permitted sectors for investments.
- ❖ NRIs refer to breach list and red flag list published on depositories (NSDL and CDSL) website before placing the buy order.
- ❖ Know Tax Liabilities.
- ❖ Due diligence to be made before investing

Additional Information

- ❑ For further information, you may visit the following **web-sites** and **Mobile App**:

- www.sebi.gov.in/

- <https://investor.sebi.gov.in/>

- **Saa₹thi App**



- ❑ For Grievance Redressal, you may visit following website:

- www.scores.gov.in/

Or, you may call SEBI at following Toll-free Helpline Numbers from 9:00am to 6:00pm on all days (excluding declared holidays in the state of Maharashtra):

☎ **1800 266 7575**

☎ **1800 22 7575**

Helplines are available in 8 Languages:
English, Hindi, Bengali, Gujarati, Marathi,
Kannada, Telugu and Tamil

THANK YOU