



REGULATORY UPDATES

LIBERALIZATION OF FEMA REGULATIONS FOR SETTLEMENT OF CROSS-BORDER TRANSACTIONS

To encourage cross-border transactions in INR and local/national currencies, the Reserve Bank, in consultation with the Central Government, has conducted a review of the existing regulations under FEMA, 1999. As a result, the following changes have been made in the following FEMA regulations.

1. Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015

The Reserve Bank of India vide a notification dated January 14, 2025, has amended the Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2015. This said amendment allows Indian exporters to open and maintain foreign currency accounts with banks outside India for the realization of full export value and advance remittance. Funds in these accounts can be used for payments of imports or must be repatriated within a period not exceeding the end of the next month from the date of receipt of the funds after adjusting for forward commitments and also adhering to the specified realization and repatriation requirements as provided in export regulations.

Accordingly, with the said amendment Indian exporters will be allowed to open accounts in any foreign currency abroad to settle trade transactions, receiving export proceeds and using these proceeds to pay for imports.

For more details, refer to the below link of the RBI Notifications dated 14th January, 2025:

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12767&Mode=0>

2. FOREIGN EXCHANGE MANAGEMENT (DEPOSIT) REGULATIONS, 2016 (HEREINAFTER REFERRED TO AS “REGULATIONS”)

- In the existing regulation, a new Regulation 9 has been inserted stating that the transfer of funds is permitted for all legitimate or bona fide transactions between repatriable Rupee accounts that are maintained in accordance with these regulations such as Non-Resident External (NRE) Account, Foreign Currency Non-Resident (FCNR) Account, Special Non-Resident Rupee Account (SNRR) and Special Rupee Vostro Account (SRVA).

This means that if the transactions are bona fide transactions and comply with the provisions of FEMA, funds can be moved between such accounts without restriction.

- The Reserve Bank has amended **Schedule 4 pertaining to** Special Non-Resident Rupee (SNRR) Account. As per the revised provision, a person residing outside India with business interests in the country can now open a Special Non-Resident Rupee (SNRR) Account with an authorized bank in India **or its overseas branch** for the purpose of undertaking current and capital account transactions permissible under the FEMA regulations.

Previously, SNRR account could be opened with an authorised bank in India.

Also, a unit in an **International Financial Services Centre (IFSC)** under Section 18 of the Special Economic Zones Act, 2005, is now permitted to open an SNRR account with an authorized dealer in India (outside IFSC) for its **business-related transactions outside IFSC**.

Further, the tenure of the **SNRR account** has been revised. Previously capped at 7 years, with RBI approval required for renewal, the tenure will now align with the duration of the **contract, operational period, or business activities** of the account holder—offering greater flexibility and ease of operations.

For more details, refer to the below link of the RBI Notification dated 14th January, 2025:

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12766&Mode=0>

3. Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third Amendment) Regulations, 2025

Under the amended regulations, non-residents can now invest using funds from various repatriable foreign currency or rupee accounts such as **Non-Resident External (NRE) Account, Foreign Currency Non-Resident (FCNR) Account, Special Non-Resident Rupee (SNRR) Account** and **Special Rupee Vostro Account (SRVA)**, in addition to other permissible sources including banking channels. Previously, investments were restricted to funds held in NRE/FCNR (B) escrow accounts and banking channels only.

Also, an explanation regarding the banking channels were added stating that for the purpose of these regulations, “**banking channels**” shall include any rupee vostro accounts, including Special Rupee Vostro Accounts, permitted to be held by a PROI, in terms of Regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016.”

For more details, refer to the below link to the RBI Notification dated 14th January, 2025:


<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12768&Mode=0>


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