भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/FED/2015-16/2
FED Master Direction No. 6/2015-16

January 1, 2016
(Updated as on September 08, 2026)
(Updated as on February 16, 2026)

To

All Authorised Dealer Category – I banks and Authorised Banks

Madam/ Dear Sir,

Master Direction – Borrowing and Lending transactions in Indian Rupee between Persons Resident in India and Non-Resident Indians/ Persons of Indian Origin

Borrowing and lending transactions in Indian Rupees (INR) between persons resident in India and Non-Resident Indians/Persons of Indian Origin are governed by clause (e) of sub-section 3 of section 6 of the Foreign Exchange Management Act, 1999 read with Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000, notified vide Notification No. FEMA 4/2000-RB dated May 3, 2000. These Regulations are amended from time to time to incorporate the changes in the regulatory framework and published through amendment notifications.

2. Within the contours of the Regulations, Reserve Bank of India also issues directions to Authorised Persons under Section 11 of the Foreign Exchange Management Act (FEMA), 1999. These directions lay down the modalities as to how the foreign exchange business has to be conducted by the Authorised Persons with their customers/constituents with a view to implementing the regulations framed.

3. Instructions issued in respect of aforesaid transactions have been compiled in this Master Direction as also instructions regarding overdraft in INR account maintained by a bank outside India with an authorised dealer in India since the latter set of instructions are also part of aforesaid Regulations. The list of underlying notifications/ circulars which form the basis of this Master Direction is furnished in the Appendix. Reporting instructions can be found in Master Direction on reporting (Master Direction No. 18 dated January 01, 2016)

4. It may be noted that, whenever necessary, Reserve Bank shall issue directions to Authorised Persons through A.P. (DIR Series) Circulars in regard to any change in the Regulations or the manner in which relative transactions are to be conducted by the Authorised Persons with their customers/ constituents. The Master Direction issued herewith shall be amended suitably simultaneously.

Yours faithfully,

(Dr. Aditya Gaiha)
Chief General Manager-in-Charge

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Acronyms

FCNR (B):	Foreign Currency Non-Resident (Bank).
FED:	Foreign Exchange Department.
FEMA:	Foreign Exchange Management Act, 1999.
ESOP:	Employee Stock Option Plan.
HFI:	Housing Finance Institution.
INR:	Indian Rupee.
LRS:	Liberalised Remittance Scheme.
NHB:	National Housing Bank.
NCD:	Non-Convertible Debenture.
NRE:	Non-Resident External.
NRI:	Non-Resident Indian.
NRO:	Non-Resident Ordinary.
NRNR:	Non-Resident Non-Repatriable.
NRSR:	Non-Resident Special Rupee.
PIO:	Person of Indian Origin
RBI:	Reserve Bank of India.
TDR:	Transferable Development Right.

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Master Direction - Borrowing and Lending transactions in Indian Rupee (INR) between Persons Resident in India and Non-Resident Indians / Persons of Indian Origin

PART I

1. Important Terms Used in the Master Direction

1.1 Unless the context requires otherwise, the terms 'Authorised dealer', 'Authorised bank', 'Non-resident Indian (NRI)', 'Person of Indian origin (PIO)', 'NRE account', 'NRO account', 'NRNR account'[1], 'NRSR account'[1], and 'FCNR (B) account' shall have the same meanings as assigned to them respectively in Foreign Exchange Management (Deposits) Regulations, 2000 notified vide Notification No. FEMA 5/2000-RB dated May 03, 2000.

1.2 The terms 'Housing finance institution' and National Housing Bank' shall have the meanings assigned to them in the National Housing Bank Act, 1987.

1.3 The term '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.

1.4 The terms 'Person Resident in India' and 'Person Resident outside India' shall have the same meanings as assigned to them in Sections 2(v) and 2(w) of the Foreign Exchange Management Act, 1999 (FEMA).

1.5 'Relative' means a 'relative' as defined under the Companies Act, 1956/ 2013:

Act of 1956	Act of 2013
U/s 6: MEANING OF "RELATIVE" A person shall be deemed to be a relative of another, if, and only if, (a) they are members of a Hindu undivided family ; or (b) they are husband and wife ; or (c) the one is related to the other in the manner indicated in Schedule IA.	U/s 2(77) ''relative'', with reference to any person, means anyone who is related to another, if— (i) they are members of a Hindu Undivided Family; (ii) they are husband and wife; or (iii) one person is related to the other in such manner as may be prescribed.
Schedule IA	**As prescribed**
Father	Father (including step-father)
Mother (including step-mother)	Mother (including step-mother)
Son (including step-son)	Son (including step-son)
Son's wife	Son's wife
Daughter (including step-daughter)	Daughter

Act of 1956	Act of 2013
Father's father	Daughter's husband
Father's mother	Brother (including step-brothers)
Mother's mother	Sister (including step-sisters)
Mother's father	-
Son's son	-
Son's son's wife	-
Son's daughter	-
Son's daughter's husband	-
Daughter's husband	-
Daughter's son	-
Daughter's son's wife	-
Daughter's daughter	-
Daughter's daughter's husband	-
Brother (including step-brothers)	-
Brother's wife	-
Sister (including step-sister)	-
Sister's husband	-

1.6 The term 'Transferable Development Right (TDR)' shall have the meaning as assigned to it in the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000.

Notes:
With effect from April 01, 2002, no deposit, whether by way of renewal of existing deposit or otherwise, can be accepted under the NRNR account Scheme or the NRSR account Scheme. The provisions mentioned in the Master Direction may be read accordingly.

2. [i] [Deleted]

3. Lending by authorised dealers in INR to NRIs

3.1 Lending for own requirements or own business purposes: An authorised dealer in India may grant INR loans to a NRI against security of shares and other securities or against the security of immovable property (other than agricultural or plantation land or farm house) held by the latter subject to the following terms and conditions:

i. The utilisation of loans shall meet the provisions given at 2.1.3.i above. Further, loan proceeds cannot be used for any other activity where foreign investment is not allowed. This shall be applicable even if the loan is utilised in association with other person;

ii. The loan amount shall not be remitted outside India or credited to NRE/FCNR(B)/NRNR account of the borrower;

iii. The directives of RBI on such loans and directives on advances against shares/securities/immovable property shall be duly complied with;

iv. The repayment of loan should be either by inward remittance from outside India or by debit to NRE/NRO/FCNR(B)/NRNR/NRSR account of the borrower and/or out of sale proceeds realised through securities offered for the loans. Further, these loans can also be repaid by any relative (as defined under Companies Act) of the borrower in India through account to account transfer;

v. Subject to aforesaid terms and conditions and with additional requirements like compliance with applicable prudential norms of the RBI, authorised dealer may also grant INR loans to NRI for any other purpose provided it is as per the board approval policy of the authorised dealer and loan proceeds are not used for investment in capital market including margin trading and derivatives. Repayment of the loan shall happen by remittance from outside India or by debit to NRE/FCNR(B)/NRO account.

3.2 Lending for acquiring shares under the Employees Stock Option Plan: An Authorised Dealer in India may grant INR loan to NRI employees of Indian companies for acquiring shares of the companies under the Employees Stock Option (ESOP) Scheme subject to the following terms and conditions:

i. Lending for ESOP Scheme shall be as per the policy approved by the Board of the authorised dealer and shall be subjected to capital market exposure norms of the RBI and other prudential norms;

ii. The loan amount should not exceed 90 per cent of the purchase price of the shares or INR 20 lakhs per NRI employee, whichever is lower;

iii. The rate of interest and margin on such loans may be decided by the banks, subject to directives issued by the RBI from time to time;

iv. The amount shall be paid directly to the company and should not be credited to the borrowers' non-resident accounts in India;

v. The loan amount shall be repaid by way of inward remittances from outside India or by debit to NRO/NRE/FCNR(B) account of the borrower.

4. Lending in INR by an authorised dealer or a housing finance institution to NRI/PIO for housing purpose

An authorised or a housing finance institution in India approved by the National Housing Bank (NHB) may provide housing loan to a NRI or a PIO for acquisition of a residential accommodation in India subject to the following terms and conditions:

i. The quantum of loans, margin money and the period of repayment shall be at par with those applicable to housing finance provided to a person resident in India;

ii. The loan amount shall not be credited to NRE/FCNR(B)/NRNR account of the borrower;

iii. The loan shall be fully secured by equitable mortgage of the property proposed to be acquired, and if necessary, also by lien on the borrower's other assets in India;

iv. The instalment of loan, interest and other charges, if any, shall be paid by remittances from outside India or out of funds in NRE/ FCNR(B)/ NRNR/ NRO/ NRSR account of the borrower or out of rental income derived from renting out the property acquired or by any relative of the borrower in India by crediting the borrower's loan account through account to account transfer;

v. The rate of interest on the loan shall conform to the directives issued, if any, by the RBI and/ or NHB.

5. INR loans by Indian body corporate to its NRI/PIO employees

A body corporate registered or incorporated in India may grant rupee loan to its NRI/PIO employees subject to the following terms and conditions:

i. The loan shall be granted only for personal purposes including purchase of housing property in India;

ii. The loan shall be granted in accordance with the lender's Staff Welfare Scheme/Staff Housing Loan Scheme and other terms and conditions applicable to its staff resident in India;

iii. The lender shall ensure that the loan amount is not used for the purposes mentioned under 2.1.3 above;

iv. The lender shall credit the loan amount to the borrower's NRO account or shall ensure credit to such account by specific indication on the payment instrument;

v. The repayment of loan shall be made only by way of remittance from outside India or from NRE/NRO/FCNR(B) account of the borrower and by no other source. This condition shall be inbuilt in the loan agreement.

6. INR Loans to NRI by Resident Individual

A resident individual may grant INR loan to a NRI relative by way of crossed cheque/electronic transfer subject to the following terms and conditions:

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, who shall ensure that the applicable limit is not breached;

iii. The utilisation of loans shall meet the provisions given at 2.1.3.i above;

iv. The loan amount shall not be remitted outside India but shall be credited to the NRO account of the borrower;

v. Repayment of loan shall be made by way of inward remittances from outside India or by debit to the NRO/NRE/FCNR(B) account of the borrower or out of the sale proceeds of the shares or securities or immovable property against which such loan was granted.

7. Change of status of borrower/lender from person resident in India to person resident outside India

7.1 Change of status of borrower to a person resident outside India: In case of change of status of a borrower who has taken Rupee loan/overdraft from an authorised dealer bank, from a person resident in India to a person resident outside India, the authorised dealer bank may allow continuance of loan/overdraft till its original maturity subject to the satisfaction of the lender. So long as the borrower continues to remain a person resident outside India, the repayment shall be out of inward remittance from outside India or from NRE/FCNR(B)/NRNR/NRO/NRSR account of the borrower.

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7.2 Change of the status of the lender to a person resident outside India: In case a rupee loan was granted by a person resident in India to another person resident in India and the lender subsequently becomes a person resident outside India, the repayment of the loan by the resident borrower should be made by credit to the NRO account of the lender.

PART II

8. Overdraft by Authorised Dealer to its Branches/Correspondent Banks/Head Office outside India

An authorised dealer may permit a temporary overdraft, for value not exceeding INR five hundred lakhs, in INR accounts maintained with him by its branches or correspondents or Head Office outside India, subject to such terms and conditions as the Reserve Bank may direct from time to time. For the purpose of calculating the ceiling of INR five hundred lakhs, the aggregate amount of overdrafts permitted by the authorised dealer to all his branches, correspondents and Head Office outside India shall be taken into account.

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APPENDIX

List of notifications/ circulars which have been consolidated in this Master Direction

Sl No	Notification/ Circular	Date
	Notification	
1	FEMA Notification No.4/2000-RB	May 03, 2000
2	FEMA Notification No.31/2000-RB	November 27, 2000
3	FEMA Notification No.52/2002-RB	March 01, 2002
4	FEMA Notification No.67/2002-RB	August 20, 2002
5	FEMA Notification No.115/2004-RB	March 25, 2004
6	FEMA Notification No.117/2004-RB	May 25, 2004
7	FEMA Notification No.160/2007-RB	May 18, 2007
8	FEMA Notification No.238/2012-RB	September 25, 2012
9	FEMA Notification No.287/2013-RB	September 17, 2013
10	FEMA Notification No. 3(R)(5)/2026-RB	February 16, 2026
	A.D (MA) / A.P.(DIR Series) Circular	
1	A.D. (MA) Circular No. 11	May 16, 2000
2	A.P. (DIR Series) Circular No. 28	March 30, 2001
	[Deleted] [ii]	
3	A.P. (DIR Series) Circular No. 27	October 10, 2003
4	A.P. (DIR Series) Circular No. 69	February 12, 2004
	[Deleted] [iii]	
5	A.P. (DIR Series) Circular No. 93	May 25, 2004
6	A.P. (DIR Series) Circular No. 7	August 22, 2007
7	A.P. (DIR Series) Circular No. 18	September 16, 2011
8	A.P. (DIR Series) Circular No. 19	September 16, 2011
	[Deleted] [iv]	
9	A.P. (DIR Series) Circular No. 22	February 16, 2026

[i] Deleted vide A.P. (DIR Series) Circular No. 22 dated February 16, 2026. Deleted portion read *as*

*"**2. Persons Resident in India borrowing in INR from NRIs/PIOs***

***2.1 Available routes for borrowing:** Persons resident in Indian may borrow in INR from NRIs/PIOs under the following two routes:*

***2.1.1 Borrowing in INR by persons other than companies in India**: A person resident in India, not being a company incorporated in India, may borrow in INR from NRIs/PIOs after satisfying the following terms and conditions:*

i. *Borrowing shall be only on a non-repatriation basis;*

ii. *The amount of loan should be received either by inward remittance from outside India or by debit to NRE/NRO/FCNR(B)/NRNR/NRSR account of the lender, maintained with an authorised dealer or an authorised bank in India;*

iii. *Period of loan shall not exceed 3 years;*

iv. *Rate of interest on the loan shall not be more than two per cent above Bank Rate prevailing on the date of availment of loan;*

v. *Payment of interest and repayment of principal shall be made only to the NRO account of the lender.*

***2.1.2 Borrowing in INR by companies in India:** A company incorporated in India may borrow in INR, on repatriation or non-repatriation basis, from NRIs/PIOs after satisfying the following terms and conditions:*

i. Borrowing company does not and shall not:

a. Carry on agricultural/plantation/real estate business; or

b. Trade in transferable development rights; or

c. Act as Nidhi or Chit fund company.

ii. Borrowing is by issuance of non-convertible debentures (NCDs);

iii. The issue of NCDs is made by public offer;

iv. The rate of interest is not more than the prime lending rate of State Bank of India as on the date on which the resolution approving the issue is passed in the borrowing company's General Body Meeting plus three per cent;

v. Period of loan shall not be less than three years;

vi. If the borrowing is on repatriation basis then the percentage of NCDs issued to NRIs/PIOs to the total paid up value of all NCDs issued shall not exceed the ceiling prescribed for issue of equity shares/convertible debentures for foreign direct investment in India. Further, the funds towards borrowing should be received through inward remittance from outside India or by debit to NRE/FCNR (B) account of the

investor maintained with an authorised dealer or an authorised bank in India;

vii. *If the borrowing is on non-repatriation basis from NRIs/PIOs then the amount of loan should be received either by inward remittance from outside India or by debit to NRE/NRO/FCNR(B)/NRNR/NRSR account of the investor maintained with an authorised dealer or an authorised bank in India. Payment of interest and repayment of principal shall be made only to the NRO account of the lender.*

2.1.3. Restriction on use of borrowed funds: *Use of proceeds of funds borrowed within the provisions given under 2.1.1 and 2.1.2 is subject to the following restrictions:*

i. *The proceeds shall be utilised only for the own business of the borrower other than what is mentioned at 2.1.2.i above. Additionally, construction of farm houses will also not be permitted. This restriction on real estate does not include development of townships, construction of residential/ commercial premises, roads or bridges.*

ii. *The proceeds shall not be used for investment or for on-lending in any manner whatsoever. The Reserve Bank may, however, permit these borrowers to use the amount so borrowed for on-lending to infrastructure sector or to keep them in fixed deposits with banks in India, pending utilisation for permissible end-uses.*

2.2 Reporting Requirements: *For borrowing under 2.1.2 above, the borrowing company should file with the nearest office of the RBI, not later than 30 days from the date of:*

2.2.1 Receipt of remittance for investment in NCDs, full details of the remittances received, viz., (a) a list containing names and addresses of NRIs who have remitted funds for investment on repatriation and/or non-repatriation basis, (b) amount and date of receipt of remittance and its rupee equivalent; and (c) names and addresses of authorised dealers through whom the remittance has been received; as also

2.2.2 Issue of NCDs, full details of the investment, viz., (a) a list containing names and addresses of NRIs and number of NCDs issued to each of them on repatriation and/or non-repatriation basis and (b) a certificate from its Company Secretary that all applicable provisions in regard to issue of NCDs have been duly complied with."

[ii] Deleted vide A.P. (DIR Series) Circular No. 18 dated June 24, 2026.

[iii] Deleted vide A.P. (DIR Series) Circular No. 18 dated June 24, 2026.

[iv] Deleted vide A.P. (DIR Series) Circular No. 21 dated September 08, 2026.

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