

JAIIB Examination
10-Minute Series
(Principle and Practices of Banking)
Module A-Non-Resident Ordinary Account



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NRO Account

- NRO Account allows individuals residing outside India to maintain Indian Rupee accounts for legitimate transactions within India.
- **Eligible Persons:**
 - Any person resident outside India as per FEMA.
 - Foreign nationals of non-Indian origin visiting India can also open NRO accounts.
- **Eligible Banks and Institutions:** Authorized Dealers (ADs), other authorized banks, and Indian Post Offices can maintain NRO accounts.
- **Types of Accounts:** Savings Bank, Current Account, Term Deposits, or Recurring Deposits (RD).
- **Joint Accounts:** Can be opened jointly with:
 - NRIs/PIOs.
 - Residents on a "former or survivor" basis.



NRO Account

- **Tenor of Fixed Deposits:** minimum tenure is 7 days.
- **Interest on Deposits:** Governed by RBI's Interest Rate Directions, 2016:
 - **Savings Deposits:** Interest rate as applicable to domestic rupee savings accounts.
 - **Term Deposits:** Rates depend on the tenor, with restrictions on bulk deposits (₹3 crore or more).
 - **Ceilings:** Interest rates cannot exceed those for comparable domestic term deposits.
 - **Additional Interest:** Extra interest for senior citizens or bank staff is not permitted.
 - **Periodicity:** Interest on savings deposits is credited quarterly or more frequently.



Permissible Transactions

- **Credits:**

- Inward remittances from abroad.
- Legitimate dues in India (e.g., income from investments).
- Transfers from other NRO accounts or rupee gifts within the LRS limit.

- **Debits:**

- Local payments.
- Transfers to other NRO accounts.
- Remittances abroad are restricted to:
 - Current income (e.g., rent, dividends).
 - For NRIs/PIOs: Up to **USD 1 million per financial year**, including transfers to NRE accounts.



NRO Account

- **Loans** against NRO deposits are permitted but must not be used for Relending, Agricultural/plantation activities, Real estate investments.
- **Change in Residency Status:**
 - If the account holder becomes a resident, the NRO account is converted into a resident account.
 - Conversely, when a resident becomes a non-resident, existing accounts are converted into NRO accounts.
- **Operations by Resident Power of Attorney (PoA) Holder:** A resident PoA holder can operate the account but only for local payments or remittances to the concerned NRI.



JAIIB – PPB PRACTICE QUESTIONS

Q. 1

What is the primary purpose of an NRO account?

- a) To deposit foreign income earned abroad
- b) To park income earned in India such as rent, dividend, pension etc.
- c) For investment in foreign securities
- d) For trade settlement with overseas firms

Answer: Option B



Thank You

For More Info Contact us:



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