



International Financial Services Centres Authority

F.No.110/IFSCA/Banking Regulation/2020-21/13

February 19, 2021

To,
All Banking Units

Dear Sir/Madam,

Net worth criteria for resident individuals in India for opening bank account with Banking Unit (BU) for the purpose of investing in securities – Clarification

Banking units (BUs) may please refer to section 11(2) of the International Financial Services Centres Authority (Banking) Regulations, 2020 dated November 18, 2020 (the regulations) issued by the Authority.

2. In terms of the regulations, Qualified Resident Individuals (meaning an individual who is a person resident in India having net worth not less than USD 1 million or equivalent in the preceding financial year) are permitted to open, hold and maintain accounts in a freely convertible foreign currency, with a BU, for undertaking transactions connected with or arising from any permissible current or capital account transaction or a combination of both as specified in the Liberalised Remittance Scheme of the Reserve Bank of India (net worth criteria).

3. It is hereby clarified that the net worth criteria shall not be applicable for an individual, being a person resident in India, who opens an account with the BU for the purpose of investing in securities under the Liberalised Remittance Scheme (LRS) of the Reserve Bank of India. This is in consideration of the fact that the purpose of such remittance under the LRS is investment in securities and opening of bank account with a BU is incidental to the same. For this purpose, the term “security” shall mean “foreign security” as defined in section 2 (o) of the Foreign

Exchange Management Act, 1999 except those issued by entities/companies resident (outside IFSC) in India.

4. BUs are therefore permitted to open Current accounts for persons resident in India, being individuals, for the purpose of investment in securities under the LRS. Necessary amendments are being carried out in the IFSC (Deposit) Directions, 2020¹ to permit the same.

5. BUs shall include such deposits in calculation of their Liquidity Coverage Ratio (LCR).

6. BUs shall be required to maintain Retail Deposit Reserve Ratio (RDRR) on such deposits. Necessary amendments are being carried out in the circular on "IFSC (Banking) Regulations, 2020 – Prudential regulatory requirements"² for this purpose.

7. BUs are directed to ensure compliance with the provisions of this circular

Yours faithfully

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¹ F.No.110/IFSCA/Banking Regulation/2020-21/3 dated December 4, 2020

² F.No.110/IFSCA/Banking Regulation/2020-21/5 dated December 11, 2020