

## **FAQs on NRI (Non-Resident Indian) Trading**

### **Q. Who is a Non-Resident Indian (NRI)?**

Ans. A Non-Resident Indian (NRI) is a citizen of India or a person of Indian origin [as per FEMA regulations] who is also a “person resident outside India.”

### **Q. Can NRIs invest in shares in India through a stock exchange?**

Ans. Yes, NRI can invest in shares through stock exchanges.

### **Q. How can NRIs invest in shares in India?**

Ans. As per Reserve Bank of India (RBI) guidelines, the NRI needs to approach the designated branch of any authorized dealer (bank) authorized by the Reserve Bank to administer the PIS (Portfolio Investment Scheme) and open a NRE (Non Resident External)/ NRO (Non Resident Ordinary) account under the scheme for routing Investments.

### **Q. What is a designated bank branch?**

Ans. Reserve bank of India has authorized a few branches of each authorized dealer bank to conduct the business under portfolio investment scheme on behalf of the NRIs. NRI can select only one authorized dealer bank for the purpose of investments under portfolio investment scheme and route the transactions through the branch designated by the authorized dealer bank.

### **Q. What is a Portfolio Investment Scheme (PIS)?**

Ans. Portfolio Investment Scheme (PIS) is a scheme of the Reserve Bank of India under which Non Resident Indian (NRIs) can purchase/ sell shares/ convertible debentures of Indian companies on Stock Exchanges. For this purpose, the NRI/PIO has to apply to a designated branch of a bank, which deals in Portfolio Investment. All sale/ purchase transactions are to be routed through the designated branch.

### **Q. What precautions does a trading member need to take while dealing with NRI Clients?**

Ans. The trading member needs to ensure that:

- Securities are not in RBI ban list before executing the order.
- Clear funds are available 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 the respective demat account.
- Purchase/ Sale transactions in the cash segment should be settled by delivery only.

**Q. Can NRI do Intraday transactions in the cash segment?**

Ans. No, an NRI Investor has to take delivery of shares purchased and give delivery of shares sold. Short Selling is not permitted.

**Q. Can NRI trade in the futures & options segment of the Exchange?**

Ans. Yes, NRIs are allowed to invest in futures & options segment of the exchange out of Rupee funds held in India on non repatriation basis, subject to the limits prescribed by SEBI.

**Q. Can NRI trade in the Currency derivative segment of the Exchange?**

Ans. No, Only "a person resident in India" as defined in section 2(v) of FEMA Act 1999 are allowed to participate in the currency derivative segment of the Exchange.

**Q. What needs to be done by NRIs for trading in the Futures & Options segment of the Exchange?**

Ans. An NRI, who wishes to trade in the F&O segment of the exchange, is required to approach the exchange through a clearing member, through whom the NRI would like to clear his trades for allotment of custodial participant (CP) code. Clearing corporation would assign a CP code to each NRI, based on the application received from the clearing member of the NRI. Trading members should ensure that at the time of order entry CP Code of the NRI is placed in the CP Code field of the trading system. The NRI client shall have only one clearing member at any given point of time.

**Q. What are the limits applicable to NRI in Exchange Traded Derivative Contracts?**

Ans. Position limits would be applicable on the combined position in all derivative contracts on an underlying stock at an Exchange. Position limits for NRIs shall be same as the client level position limits specified by SEBI from time to time.

For Index based contracts - Disclosure requirement for any persons or persons acting in concert who together own 15% or more of the open interest of all derivative contracts on a particular underlying Index.

**For Stock option and single stock futures contracts -**

The gross open position across all the derivative contracts for a security for each specific client shall not exceed higher of:

- 1% of the free float market capitalization (in terms of number of shares) OR
- 5% of the open interest in all derivative contracts in the same underlying stock (in terms of number of shares)

Client level position limits security-wise, are made available to members on NSE's website ([www.nseindia.com](http://www.nseindia.com)).

**Q. How are the investment positions of NRIs monitored?**

Ans. The Reserve Bank monitors the investment position of NRIs/ FIIs in the listed Indian companies, reported by designated banks, on a daily basis.

When the total holdings of NRIs/ FIIs under the Scheme reaches the limit of 2 percent below the sectoral cap, Reserve Bank will issue a notice (caution list) to all designated branches of designated banks cautioning that any further purchases of shares of the particular Indian company will require prior approval of the Reserve Bank.

Once the shareholding by NRIs/ FIIs reaches the overall ceiling/ sectoral cap /statutory limit, the Reserve Bank places the company in the Ban List. Once a company is placed in the Ban List, no NRI can purchase the shares of the company under the Portfolio Investment Scheme. List of caution/ banned RBI scrip is available at [http://www.rbi.org.in/scripts/BS\\_FiiUser.aspx](http://www.rbi.org.in/scripts/BS_FiiUser.aspx).

Reference Source: NSE ([Link](#))

**Q. Is NRI trade allowed in Religare Broking Limited (RBL)?**

Ans. Yes, Religare Broking allows NRI trade in Capital as well as Equity Derivative Segment.

**Q. How many banks/ CP with whom NRI trades are extended in RBL?**

Ans. Currently we extend trading with HDFC Bank, Axis Bank, and IndusInd Bank and soon are going to tie up with Yes Bank, ICICI Bank, Kotak and SBI. We are open to add more.

**Q. How can NRI clients place an order?**

Ans. NRI Clients can place the order online/ offline as per the trading mode opted. A Designated Branch person is assigned to a Client post Account opening.

**Q. Who shares the NRI client PIS bank balance with RBL?**

Ans. The respective client bank of NRI client shares the PIS balance with RBL through an email on or before market opens.

**Q. Who shares the NRI client demat holding with RBL?**

Ans. The NRI client maintains the demat account having DDPI with RBL and the client demat holding is shared based on the RBL-demat account with DDPI.

**Q. How does RBL trading platform accept the NRI client order?**

Ans. The Trading platform accepts the NRI client order based on matching the following information:

Trading limit is allowed to the client on the basis of available PIS balance reported by the respective bank of the client on or before beginning of the day (BOD).

Tentatively 2% of Buying value will be blocked on the trading platform to cover Brokerage/ STT & other charges however billing will be done on actual basis.

The further limit may be extended, subject to confirmation provided by the designated bank in the client PIS account.

The trading equal to the PIS bank balance of the NRI client is allowed.

For selling of any stock, shares should be available in the client's demat account with RBL having DDPI.

To safeguard the client's interest, no fresh exposure is allowed in Caution/ banned RBI scrip to NRI.

Intraday trading i.e., Jobbing not allowed as per guidelines.

In case of a FO enabled NRI client, CP code is required.

At EOD, confirmation of OPEN position is required from the Custodian for the next day trading.

BAN scrips are not allowed for trading in FO.

**Q. Who will send the contract note and obligation details to the respective bank?**

Ans. RBL will send the contract note of all the NRI trades along with an Obligation as per bank format to the respective banks.

**Q. Who will ensure the TAX / TDS part on the NRI trades?**

Ans. The PIS Bank / CP will do the necessary Tax / TDS Calculations & release the funds in the PIS account accordingly. In case of any discrepancy in trade settlement raised by the respective bank, the client has to provide the necessary documents as per the requirements.