



RESERVE BANK OF INDIA
Mumbai - 400 001

RBI/2014-15/636

A. P. (DIR Series) Circular No.107

June 11, 2015

To

All Authorised Dealer Category-I Banks

Madam / Sir,

Subscription to chit funds by Non-Resident Indian on non-repatriation basis

Attention of Authorised Dealers Category – I (AD Category - I) banks is invited to the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations 2000, notified vide [Notification No. FEMA 1/2000-RB dated May 3, 2000](#), as amended from time to time and Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, notified vide [Notification No. FEMA 20/2000-RB dated May 3, 2000](#), as amended from time to time.

2. In terms of Regulation 4(b) (i) of [Notification No. FEMA 1/2000-RB dated 3rd May 2000](#), no person resident outside India shall make investment in India, in any form, in a company or partnership firm or proprietary concern or any entity, whether incorporated or not, which is engaged or proposes to engage “in the business of chit fund”.

3. The extant guidelines for subscription to the chit funds have been reviewed in consultation with the Government of India and accordingly, it has been decided to permit Non-Resident Indians (NRIs) to subscribe to the chit funds, without limit, on non-repatriation basis subject to the following conditions:

- i. The Registrar of Chits or an officer authorised by the State Government in accordance with the provisions of the Chit Fund Act

in consultation with the State Government concerned, may permit any chit fund to accept subscription from Non-Resident Indians on non-repatriation basis;

- ii. The subscription to the chit funds shall be brought in through normal banking channel, including through an account maintained with a bank in India.

4. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. Reserve Bank has since amended the subject Regulations accordingly through the Foreign Exchange Management (Permissible Capital Account Transactions) (Second Amendment) Regulations, 2015 and Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2015 which have been notified through [Notification No. FEMA.337/2015-RB dated March 2, 2015](#), vide G.S.R. No. 283(E) dated April 13, 2015 and [Notification No. FEMA.338/2015-RB dated March 2, 2015](#), vide G.S.R. No. 284 (E) dated April 13, 2015, respectively.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(B. P. Kanungo)
Principal Chief General Manager