

Frequently Asked Questions

1. What is Portfolio Investment Scheme (PIS)?

Portfolio Investment Scheme (PIS) is a scheme of the Reserve Bank of India (RBI) defined in Foreign Exchange Management Act 2000, under which the 'Non-Resident Indians (NRIs)' and 'Person of Indian Origin (PIO)' can purchase and sell shares and convertible debentures of Indian Companies on a recognised stock exchange in India by routing all such purchase/sale transactions through their account held with a Designated Bank Branch.

Any NRI or a PIO wanting to trade/make fresh investments in the Indian Equity Secondary Market needs and must have one PIS account with only one designated bank in India.

Notes:

- PIS account is applicable only for NRIs and not for Resident Indians
- It is only for trading in Indian markets and not any other foreign markets
- It is applicable only for equity trades and not MF investments

2. Who can apply for a Portfolio Investment Scheme (PIS) Account?

Non-Resident Indian (NRIs) and Persons of Indian Origin (PIO) can purchase or sell shares/fully and mandatorily convertible debentures of Indian companies on the Stock Exchanges under the Portfolio Investment Scheme. 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.

An NRI or a PIO can purchase shares up to 5 per cent of the paid up capital of an Indian company. All NRIs/PIOs taken together cannot purchase more than 10 per cent of the paid up value of the company.

The sale proceeds of the repatriable investments can be credited to the NRE/NRO, etc. accounts of the NRI/PIO, whereas the sale proceeds of non-repatriable investment can be credited only to NRO accounts. However, the following investments are not to be done through this scheme:

- Sale of securities purchased from the secondary market while the customer was a resident
- Purchase of securities from IPO
- Purchase/sale of mutual funds
- Sale of all securities not purchased under PIS

The sale of shares will be subject to payment of applicable taxes.

3. What are the key points to be kept in mind for opening account under PIS?

While applying, the NRI should also undertake that:

- (i) the particulars furnished are true and correct;
- (ii) he has no dealing with/he will not deal with any other designated branch/bank under PIS;
- (iii) he will ensure that total holding in shares/convertible debentures, both on repatriation and non-repatriation basis in any one Indian company at no time shall exceed 5 per cent of the paid up capital/paid up value of each series of convertible debentures of that company;
- (iv) the designated branch of the AD bank will grant one time permission to the NRI applicant for purchase and sale of shares convertible debentures of an Indian company. Two distinct permission letters (for repatriation basis and non-repatriation basis) shall be issued as per the prescribed format;
- (v) designated branch shall open a separate sub account of NRE/NRO account (opened and maintained by an NRI in terms of the Foreign Exchange Management (Deposit) Regulations, 2000) for the exclusive purpose of routing the transactions under PIS on behalf of an NRI. NRE (PIS) account for investment made by the NRI on repatriation basis and NRO (PIS) account for investment made on non-repatriation basis under the Scheme. The designated branch shall ensure that amounts due to sale proceeds of shares/convertible debentures which have been acquired by modes other than PIS, such as underlying shares acquired on conversion of ADRs/GDRs, shares/convertible debentures acquired under FDI Scheme, shares/convertible debentures purchased outside India from other NRIs,

shares/convertible debentures acquired under private arrangement from residents/non-residents, shares/convertible debentures purchased while resident in India, do not get credited/debited in the accounts opened exclusively for routing the PIS transactions.

4. What are the permissible credits and debits in the NRE (PIS) account for routing PIS transactions?

Permissible Credits

- (i) Inward remittances in foreign exchange through normal banking channels;
- (ii) Transfer from applicant's other NRE accounts or FCNR (B) accounts maintained with AD bank in India;
- (iii) Net sale proceeds (after payment of applicable taxes) of shares and convertible debentures which were acquired on repatriation basis under PIS and sold on stock exchange through registered broker;
- (iv) Dividend or income earned on investments under PIS.

Permissible debits

- (i) Outward remittances of dividend or income earned;
- (ii) Amounts paid on account of purchase of shares and convertible debentures on repatriation basis on stock exchanges through registered broker under PIS; and
- (iii) Any charges on account of sale/purchase of shares or convertible debentures under PIS.

5. What are the permissible credits and debits in the NRO (PIS) account for routing PIS transactions?

Permissible credits

- (i) Inward remittances in foreign exchange through normal banking channels;
- (ii) Transfer from applicant's other NRE accounts or FCNR (B) accounts or NRO accounts maintained with AD bank in India;
- (iii) Net sale proceeds (after payment of applicable taxes) of shares and convertible debentures which were acquired on repatriation (at the NRI's option) and non-repatriation basis under PIS and sold on stock exchange through registered broker; and
- (iv) Dividend or income earned on investments under PIS.

Permissible debits

- (i) Outward remittances of dividend or income earned;
- (ii) Amounts paid on account of purchase of shares and convertible debentures on non-repatriation basis on stock exchanges through registered broker under PIS;
- (iii) Any charges on account of sale/purchase of shares or convertible debentures under PIS.

6. What is the process of selling the shares/convertible debentures acquired under PIS?

Shares/convertible debentures acquired by the NRI under this permission can be sold on recognised stock exchange in India through registered broker without any lock in period. NRI shall not engage in short selling and shall take delivery of the shares and convertible debentures purchased and give the delivery of the shares and debentures sold.

Shares/convertible debentures acquired by the NRI under the Scheme shall not be transferred out of his name by way of gift except to his close relatives as defined in Section 6 of the Companies Act, 1956, as amended from time to time or Charitable Trust duly registered under the laws in India with prior approval of AD bank. Shares/convertible debentures acquired by the NRI under the Scheme shall not be transferred out of his name by way of sale under private arrangement without prior approval of the Reserve Bank .

Shares/convertible debentures acquired by the NRI under the Scheme shall not be pledged for giving loan to a third party without prior permission of the Reserve Bank.

NRI is permitted to buy or sale shares/convertible debentures through his own broker who is an authorised member of a recognised stock exchange. Both purchase and sale contract notes, in original, should be submitted by the NRI within 24/48 hours of execution of the contract to his designated branch with whom his PIS account is maintained. The onus is on the NRI for submission of contract notes to the designated branch of the AD bank.