



## **NRI Trading Accounts in BSE and NSE Capital Market Segment**

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### **NRI & PIO can invest in the Stock Markets in India**

MSPL offers Online and Offline Trading facility in NSE Equities for Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs).

In order to do equity transactions, NRIs or PIOs need to do the following:

1. Opening of Bank A/c in the name of the client with a PIS (Portfolio Investment Scheme) Designated Bank Branch (Designated branch of Axis Bank, HDFC Bank, ICICI Bank or any other bank branch designated by RBI for PIS accounts) in India.
2. Opening of Demat Account (**Depository Participant Client account**) with MSPL.
3. Opening of Trading/**Investment** A/c with MSPL.

### **Documents Needed to open an account with Bank : NRE or NRO Savings Bank Account and a PIS Account**

- NRE or NRO Savings Bank Account Opening form and PIS Account Opening form Duly filled by client.
- copy of all the pages of the passport
- copy of the valid Visa
- Two passport size photographs
- **RBI** or NRI form given by the bank to be filled and signed by client
- Terms & Conditions Form given by the bank to be signed by client
- Existing secondary market holdings has to be declared in TS4 form(given by bank)
- An initial cheque for Rs.15000/- in the name of the client for opening the bank accounts.

**Note : All copies must be self-attested by client.**

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### **Documents Needed to open Trading account with MSPL :**

- Client Registration form

- Passport Size Photo with client signature across it.
- Copy of IT PAN card (mandatory)
- Foreign Address proof (copy of Telephone Bill / Electricity Bill / Bank Statement / Insurance policy) (dated within the last 3 months)
- Proof of declared Bank Account in the name of client (copy of NRE/NRO SB Account and PIS account front page)
- Proof of declared Demat Account in name of client (copy of Demat statement / Demat Client Id allotment letter) – *not required if Demat account is simultaneously applied for with MSPL.*
- Cancelled cheque Leaf (from bank account specified in form) with signature of client.
- Initial Security Deposit Cheque favouring “Money Spell Private Limited” (from bank account specified) *for minimum of Rs.1000/-*
- Consent form to send contracts & documents by digitally certified email.
- copy of the passport with the valid visa copies.

**Note :** All copies must be self-attested by client.

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#### **Documents Needed to open Demat (DP) account with MSPL :**

- DP Client Registration form
- Passport Size Photo with client signature across the photo.
- Copy of IT PAN card (mandatory)
- Foreign Address proof (copy of Telephone Bill / Electricity Bill / Bank Statement / Insurance policy ) (dated within last 3 months)
- Proof of declared Bank Account in the name of client (copy of NRE/NRO SB Account and PIS account front page)
- Cancelled cheque Leaf (from bank account specified in form) with signature of client.
- Initial Security Deposit Cheque favoring “Money Spell Private Limited” for Rs.1200/- (from bank account specified)
- Consent form to send contracts & documents by digitally certified email.
- copy of the passport with the valid visa copies.

**Note :** All copies must be self-attested by client.

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#### **Trading procedure:**

**Buy transaction:** The Client has to first move the funds from his/her PIS A/c to MSPL using the "Payment Gateway" or Fund Transfer for the buy value. The delivery for the shares bought is Settled by NSE on the 2<sup>nd</sup> Working Day from the Date of Purchase and the shares gets credited to the client's Demat A/c on the same day.

**Sell transaction:** The client can sell the shares in his/her Demat A/c. The demat instruction for the sale delivery will be taken by MSPL, if the DP is MSPL; if other DP then the client has to give the instruction slip for the sale to his DP, by the next day. The Sale proceeds of the shares sold is settled by MSPL on the 2<sup>nd</sup> Day from Date of Sale and the Payment for the same shall be sent by MSPL to the client's PIS Bank A/c.

**Offline Orders:** MSPL also accepts Offline orders through emails or over the phone after confirming the client's identity.

**Contract Notes:** Digitally signed contract notes will be sent to the client's email id. The client can also view, [download or print](#) the Digital Contract notes from the Website.

**Accounts :** Digitally signed account statement is sent to client's email id every week. The client can also view, [download or print](#) the Accounts Statement and Demat Accounts on the Website and have a complete update of all the transactions.

### **Guidelines for NRI Trading**

**Payments to MSPL** for investments in the Secondary Market should to be done only from client's PIS Bank Account. Online transfer of funds can be done through the "**Payment Gateway**" utility in MSPL's website [www.MSPL.com](http://www.MSPL.com)>Internet Trading.

**Payments for Purchases** should to be made for the total Purchase value on same day through PIS Account.

**Payments for Sale proceeds** shall be sent to client's PIS Account on 2nd working day from the date of Sale. Sale proceeds cannot be used directly for fresh purchases, the money has to be credited first to client's PIS Account and then transferred back to MSPL for reinvestment.

**Buying and selling on the same day :** NRI's are not allowed to do **Speculative Trades**. This means they cannot 'buy and sell' or 'Sell and Buy' on the same day and cannot 'Buy today Sell Tomorrow' the shares of the same company without taking delivery.

**Sales of shares bought earlier :** Shares bought can be sold only after the shares are delivered to Client's Demat a/c.

**Approved Shares :** List of RBI approved shares details for NRI's [http://www.rbi.org.in/scripts/BS\\_FiiUSer.aspx](http://www.rbi.org.in/scripts/BS_FiiUSer.aspx)

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## **FAQ**

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### **Products offered to NRI / PIO by MSPL**

- ✓ **Investments in equities under PIS on NSE**
- ✓ **Portfolio Management Services for NRI's and PIOs.**

### **NRI (Non Resident Indian ) ?**

- The Term NRI, Generally, means a non-resident who is either an Indian Citizen residing outside India and includes Foreign Citizen of Indian origin residing outside India.
- Investment by PIO in Indian Securities is treated the same as the investment by non-resident Indians and requires same approvals and enjoys the same exemptions.

### **PIO (Person of Indian Origin) ?**

FEMA defines a person of Indian Origin, PIO as a person, being a citizen of any country (a) who at any time held an Indian Passport or (b) a person who himself or either of his parents or any of his grand parents were citizens of India by virtue of the Constitution of India or the Citizenship Act, 1955, or (c) spouse of an Indian citizen or (d) spouse of a person covered under (a) or (b) above. However, the citizens of Bangladesh, Pakistan, Sri Lanka, Afghanistan, China, Iran, Nepal and Bhutan are not considered as PIO even if they satisfy the above conditions under FEMA for different purposes under different regulations.

Source: [www.nritaxservices.com](http://www.nritaxservices.com)

### **What an NRI needs to start investing in the Indian Stock Market ?**

- An NRI should have a bank account (NRE/NRO or both) with designated bank, which is approved by RBI (Reserve Bank of India) for this purpose.
- He should apply for a general approval for investment in Indian Stock Market through his designated bank branch.
- He should open a Trading and DP Account with MSPL.

### **Procedure for Resident Indian who becomes a non-resident ?**

NRI can continue to hold the securities, which he/she had purchased as a resident Indian, even after he/she has become a non-resident Indian, but has to transfer the shares to his NRO (Non Resident Ordinary) account.

### **Type of saving bank account(s) to be opened by an NRI or PIO in India?**

NRI/PIO can open two types of savings accounts with any bank in India. They are NRE and NRO bank accounts. Money can be transferred from NRE to NRO account. But can't be transferred from NRO to NRE account.

#### **What is an NRE Account?**

A NRE bank account is an external saving bank account opened for Non resident Indians. This is why it is known as Non-Resident External account. Any money lying in an NRE account can be taken outside the country, (fully repatriable). This money can be converted into any foreign currency at the behest of the account holder and can be remitted outside the country.

#### **What is an NRO Account?**

A NRO bank account is an ordinary saving bank account opened for Non resident Indians. Also known as Non-Resident Ordinary account. This is a normal savings bank account and monies lying in an NRO account cannot be taken outside the country (are not repatriable).

#### **What is PIS ?**

Portfolio Investment Scheme (PIS) is a scheme of the Reserve Bank of India (RBI) and is defined in Schedule 3 of Foreign Exchange Management Act 2000 under which the 'Non Resident Indians (NRI's)' and 'Person of Indian Origin (PIOs)' can purchase and sell shares and convertible debentures of Indian Companies on a recognized stock exchange in India by routing all such purchase/sale transactions through their account held with a Designated Bank Branch.

1. PIS account is applicable only for NRI's and not for resident Indians.
2. It is only for trading in Indian markets and not any other foreign markets.
3. It is applicable only for equity trades and not MF investments.

#### **What are the types of PIS account ?**

There are two types of PIS accounts:

- NRE PIS account
- NRO PIS account

#### **Why is PIS required ?**

For all the Indian companies or companies listed on Indian stock exchanges, there are certain limits which have to be monitored under FEMA regulations. For any company the foreign investment into that company cannot cross certain limits. This limit is different from company to company and sector to sector. Also individually any NRI or a PIO cannot invest more than 5% in any Indian listed company.

#### **Can NRIs invest in all products through PIS account ?**

No. Any investment done in secondary market should be routed through a PIS account. For other products the investment can be done through direct subscription route.

### **What is a NON-PIS Account ?**

It is a normal savings bank account, which can be opened with any bank in India. Non-PIS is an account for which the transactions are not reported to RBI. This account takes care of selling all those shares, which are not allowed under PIS. Shares acquired under IPO or received as gift or bought as resident Indian can be sold under Non-PIS account.

### **Types of NON PIS Account ?**

There are two types of NON-PIS accounts :

- NRE NON PIS account
- NRO NON PIS account

### **Type of transactions is allowed under NON PIS account ?**

- a. Sale of shares, which were, acquired other than PIS.
- b. Shares acquired through IPO's
- c. Gifts from relatives or otherwise
- d. Shares bought as resident Indian
- e. Fresh acquisition through IPO's.
- f. Investment in Mutual Funds

### **Guidelines for NRI's Investments**

- Investments in shares of company, by each NRI (both on repatriation and non-repatriation basis) shall not exceed 5% of the paid-up value of Shares of the company concerned.
- Investments in convertible debentures of a company, by each NRI (both repatriation and non repatriation basis) shall not exceed 5% of the paid – up value of convertible debentures in each series, issued by the company concerned.
- Aggregate investments by NRI's will be subject to a ceiling of (a) 10% of the total paid up equity capital of the company concerned and (b) 10% of the total paid- up value of each series of convertible debentures issued by the company concerned, such Indian companies shall however raise the ceiling of 10% to 24% or such ceilings a may be decided by the companies, by passing a special resolution in the general body of the company.
- In case of Investments on repatriation basis, the payment for purchase of shares / debentures should be by way of debit to the investor' NRE account. Incase of investments on non-repatriation basis, the payment for purchase of shares / debentures shall be by way of debit to the investor's NRO account.
- The net sale / maturity proceeds of shares / convertible debentures, after payment of taxes, shall be credited only to the investor's NRO account if the investment was made on non-repatriation basis: and shall be remitted abroad / credited to the investor's NRE / NRO account if the investment was made on repatriation basis.

### **Prior Holdings of shares and Debentures:**

A non-resident customer opening an asset with the bank, under PIS, may bring with him previous holding of stock to be credited to his Demat Account. Incase of such transfers of stock, the designated branch will verify the following:

- Whether the shares have been purchased out of repatriable / non – repatriable funds
- Incase the shares have been purchased out of repatriable funds, the same should be supported by one of the following evidences:
  - A Bank certificate to this effect
  - Company's certificate that allotment has been made out of NRI quota of shares

- The relative share / debenture certificate which is branded as being allotted out of NRI quota.
- In case the nature of investment cannot be verified, the status of the scrip will have to be ascertained by referral to RBI.

**Computation of Capital Gains:**

The tax liability of the non-resident customer will be computed by the designed branch in respect of sale of shares / debentures on a first – in – first – out basis. A customer-wise register will have to be maintained in the branch for this purpose. Shares fall under financial assets category. If there is a capital gain on financial assets held for 12 months or more, they come under the purview of Long Term capital Gains (LTCG), otherwise they come under Short Term Capital Gains (STCG).

Tax Rates:

Short Term Capital Gain (STCG) : 15% + surcharge

Long Term Capital Gain (LTCG) : NIL

The capital gains tax will be deducted by the Bank and the necessary TDS (Tax deducted at source) certificates will be sent to the customer by the bank.