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20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **NRE accounts hold Indian rupees and generally offer tax-free interest for NRIs.**
   NRE stands for Non-Resident External and is used to park foreign income in rupee terms.

2. **FCNR accounts hold deposits in foreign currency, which eliminates exchange-rate risk on withdrawal.**
   Because balances stay in foreign currency, they are unaffected by rupee fluctuations.

3. **NRO accounts are used to manage income earned inside India, such as rent, dividends and pension.**
   NRO stands for Non-Resident Ordinary and mainly holds India-sourced income.

4. **Interest earned on NRO account balances is generally taxable in India.**
   This contrasts with NRE and FCNR interest, which is generally tax-free.

5. **The Foreign Exchange Management Act (FEMA) governs who can hold NRI-related accounts and what type.**
   FEMA sets the classification rules for NRI, PIO, and OCI status.

6 **A Person of Indian Origin (PIO) is a foreign citizen with Indian ancestry, such as through parents or grandparents.**
PIOs can open NRE and NRO accounts and access certain investment facilities.

7 **An Overseas Citizen of India (OCI) is generally treated on par with NRIs for relevant banking account facilities.**
OCI status also carries added benefits like a lifelong visa for travel to India.

8 **The Foreign Exchange market is described as decentralised, with no single exchange controlling it.**
Trading happens over-the-counter across a global network of banks and dealers.

9 **The Forex market is described as operating 24x5, running continuously on weekdays across financial centres.**
This around-the-clock operation is one of its defining features tested in exams.

10 **MIGA stands for the Multilateral Investment Guarantee Agency, part of the World Bank Group.**
MIGA offers guarantees against non-commercial political risks like expropriation or war.

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11 **ICSID stands for the International Centre for Settlement of Investment Disputes.**

ICSID resolves disputes between foreign investors and host governments through arbitration and conciliation.

12 **A simple memory hook for the two institutions is that MIGA protects investors while ICSID arbitrates disputes.**

This pairing helps distinguish their distinct roles in cross-border investment protection.

13 **An NRE account can be opened by both NRIs and PIOs.**

Eligibility for NRE accounts extends beyond just Non-Resident Indians to Persons of Indian Origin as well.

14 **Funds in an NRE account are described as freely repatriable, a major draw for NRIs.**

This repatriability feature distinguishes NRE accounts from some other account types.

15 **A Power of Attorney (PoA) holder for an NRI account cannot open a new NRI account on the NRI's behalf.**

PoA holder powers are deliberately limited to routine local operations and permitted payments.

16 **An NRE account can be held jointly with a resident relative on a former-or-survivor basis.**

Under this arrangement, the resident relative can operate the account only after the NRI's death.

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17 **Residential status under FEMA is determined by a person's stay in India and their intent to reside there.**
This differs from simple day-count rules and can also differ from Income Tax Act definitions.

18 **An FCNR account is the standard textbook answer when a question asks which account best avoids currency-fluctuation risk on deposits.**
Because FCNR balances remain in foreign currency, they carry no rupee conversion risk.

19 **Examiners frequently test the distinctions between NRE, NRO, and FCNR accounts because they sound similar.**
Confusing these three account types is described as the most common candidate error on this topic.

20 **Permitted credits to NRI accounts typically include inward remittances from abroad and cheques in the account holder's name.**
Transfers between different NRIs' accounts are tightly regulated under FEMA credit rules.

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