20 True or False

Decide, then check the answer and reason below each statement.

Question 1

NRE accounts are held in Indian rupees and generally offer tax-free interest.

TRUE

NRE accounts park foreign income in rupee terms with tax-free interest treatment.

Question 2

FCNR accounts are held in Indian rupees just like NRE accounts.

FALSE

FCNR accounts are held in foreign currency, which is what eliminates exchange-rate risk.

Question 3

NRO accounts are primarily used to manage income earned inside India, such as rent or pension.

TRUE

NRO stands for Non-Resident Ordinary and mainly holds India-sourced income.

Question 4

Interest earned on an NRO account is generally tax-free in India.

FALSE

NRO account interest is generally taxable, unlike NRE and FCNR interest.

Question 5

FEMA governs who can hold NRI-related accounts and what type of account they are eligible for.

TRUE

The Foreign Exchange Management Act sets the residency and account classification rules.

Question 6

A Person of Indian Origin (PIO) is defined as someone with no ancestral connection to India.

FALSE

A PIO is a foreign citizen with Indian ancestry, such as through parents or grandparents.

Question 7

An Overseas Citizen of India (OCI) is generally treated on par with NRIs for relevant banking facilities.

TRUE

OCI holders also get additional benefits like a lifelong visa for travel to India.

Question 8

The Forex market is controlled by a single centralised global exchange.

FALSE

The Forex market is decentralised, with trading happening over-the-counter across banks and dealers.

Question 9

The Forex market is described as operating 24 hours a day on weekdays.

TRUE

It runs continuously across financial centres following the sun during the working week.

Question 10

MIGA stands for the Multilateral Investment Guarantee Agency.

TRUE

MIGA is a World Bank Group institution that guards investors against political risk.

Question 11

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

TRUE

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

Question 12

MIGA is the institution that arbitrates investor-state disputes, while ICSID issues guarantees.

FALSE

It is the reverse: MIGA issues guarantees against political risk, while ICSID arbitrates disputes.

Question 13

Only NRIs, and not PIOs, are eligible to open NRE accounts.

FALSE

Both NRIs and PIOs are generally eligible to open NRE accounts, subject to FEMA rules.

Question 14

Funds in an NRE account are described as freely repatriable.

TRUE

This repatriability is highlighted as a major draw of NRE accounts for NRIs.

Question 15

A Power of Attorney holder for an NRI account can freely open new NRI accounts on the NRI's behalf.

FALSE

PoA holder powers are limited and typically cannot include opening a new NRI account.

Question 16

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

TRUE

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

Question 17

Residential status under FEMA depends solely on a fixed day count with no consideration of intent to reside.

FALSE

FEMA residency considers both stay in India and intent to reside, and can differ from Income Tax Act rules.

Question 18

The FCNR account is the standard answer for avoiding currency-fluctuation risk on NRI deposits.

TRUE

Because FCNR balances remain in foreign currency, they carry no rupee conversion risk.

Question 19

Confusing NRE with NRO accounts is described as the most common candidate error on this topic.

TRUE

The two account types sound similar but serve different sources of income.

Question 20

Transfers between two different NRIs' accounts are completely unregulated under FEMA.

FALSE

Such transfers are described as being tightly regulated, not unregulated, under FEMA credit rules.