

RBI permits NRIs to invest in chit funds

Indians abroad can subscribe to chit funds through banking channels, including accounts maintained in India

The Reserve Bank India (RBI) has permitted non-resident Indians (NRIs) to invest in regulated chit funds. This permission comes with riders. Indians abroad can subscribe to chit funds through banking channels, including accounts maintained in India.

The state governments or Registrar of Chits may permit chit funds to accept subscription from NRIs on non-repatriation basis. This should be done in accordance with the provisions of the chit fund Act, RBI stated.

The regulator has not put any ceiling on the amount of investment NRIs can make in chit funds.

The extant guidelines for subscription to chit funds have been reviewed in consultation with the Government of India, RBI said.

The regulator has also amended relevant provisions of foreign exchange management regulations. Earlier, persons residing outside India were barred from making investment in chit funds operating in India.

Early this week, RBI had highlighted the need for a stronger regulatory framework to deal with the menace of Ponzi schemes across the country.

"Banking system plays a very important role and they have to share a fair share of the blame as ultimately whatever may be the shape and size of the scheme, ultimately the money goes through the banking system," RBI Deputy Governor S S Mundra had said in his address at the multi-disciplinary school of economic intelligence at the National Academy of Customs, Excise and Narcotics.

The need for a stronger regulatory framework to ensure that such schemes can be nipped in the initial days was also stressed upon.

"One important thing we have seen in recent deliberations is that many Ponzi schemes are falling under a regulatory vacuum, as there is no clarity on whose regulatory turf it falls in, and therefore remains a grey area," Mundra said.

(Business Standard)