RBI FCNR Special Deposit Scheme
Past (2013) & Present (2026)

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RBI FCNR(B) Special Scheme – June 2026

Key Highlights of RBI's Special FCNR(B) Facility (Announced June 2026)

- **Mobilization** Window: Fresh 3–5 year FCNR(B) deposits from June 8 to September 30, 2026.
- **Swap Facility:** RBI bears 100% hedging cost (at-par USD-INR swap).
- Banks can swap deposits with RBI.
- **Exemptions:** Incremental deposits under this scheme exempt from CRR & SLR → Banks pass on higher rates.
- **Lock-in**: 1-year lock-in on deposits; swaps non-cancellable.
- **Goal:** Attract \$20–40 billion inflows to support forex reserves and rupee stability (similar to 2013 scheme).

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What are the Other Supportive Measures ?

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Shoring up INR | RBI's June 2026 support measures can be meaningful

Expand government securities available for investment	- **Expanded the universe of securities under the Fully Accessible Route (FAR)** by including all new issuances of 15-, 30- and 40-year tenor securities (G-secs) - **Removed limits on FPI investment under the General Route** pertaining to short-term investment, concentration and individual securities
Removal of taxes on capital gains and interest income on government securities	- India's government announced the **removal of taxes on capital gains and interest income for foreign institutional investors on government securities**, and applicable retrospectively from 1 April 2026
Increased investment options for NRIs	- **Increased investment limits by Non-Resident Indians** in equity instruments traded on the stock market without SEBI registration have been increased
Concessional FX swap facility on ECBs by PSUs	- RBI is providing a **concessional FX swap facility** to **incentivise ECBs (External Commercial Borrowing) by PSUs (Public Sector Undertakings)** until 30th September 2026
Fully subsidising FX hedging costs for fresh FCNR(B) deposits	- **RBI will bear the full FX hedging cost to raise fresh 3-5 year FCNR(B) (Foreign Currency Non Resident) deposits** till 30th September 2026.
Reverting to previous USD export proceed repatriation timing	- The time for realisation of USD export proceeds has been restored to 9 months from the previous temporary extension of 15 months.

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Source: RBI June 2026 Governor's Statement, MUFG GMR

Scenario Analysis For FX Inflow :

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RBI FCNR(B) Swap Scheme - June 2026 | Expected Capital Inflows

SCENARIO ANALYSIS & SENSITIVITY					
	Scenario	Key Assumptions	Inflows (USD Bn)	Probability	Impact on Forex Reserves
SCENARIO SUMMARY	Conservative (Low)	Lower leverage uptake, modest bank mobilization, narrower spreads persist	**$19**	25%	+2.71% on $700B reserves
	Base Case (Most Likely)	Moderate leverage, strong bank push, rates 6-6.5%, good NRI response	**$26**	50%	% on reserves
	Optimistic (High)	High leverage (7-10x), aggressive bank competition, rates >6.5%, very strong inflows	**$53**	25%	+7.6% on reserves

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Scenario Analysis For FCNR Inflow :

RBI FCNR(B) Swap Scheme - June 2026 | Expected Capital Inflows Calculation Model

(Based on 2013 Precedent + Economic Scaling + Policy Impact)

Sr. No	MAIN DRIVERS OF THE ESTIMATE	Value (Optimistic)	Description	Value (Pessimistic)	Value Moderate
1.	Historical Benchmark (2013 FCNR inflows)	26	Billion USD	26	26
2.	GDP Scaling Factor (2013 → 2026)	2.20	x (4T / 1.80T)	2.20	2.20
3.	Discount for inter bank churning	75%	(20-30% discount)	75%	75%
4.	Policy & Leverage Uplift	135%	(Full hedge absorption + leverage potential)	1.1	1.2
5.	Rate Differential & Window Adjustment	90%	(Narrower spreads offset by higher absolute rates)	40%	50%
CALCULATED BASE (using above drivers)					
	Expected Inflow : Formula: 26 × 2.23 × 0.75 × 1.35 × 0.90	$52.8	Billion USD	$18.9bn	$25.7

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Lessons from the 2013 Scheme

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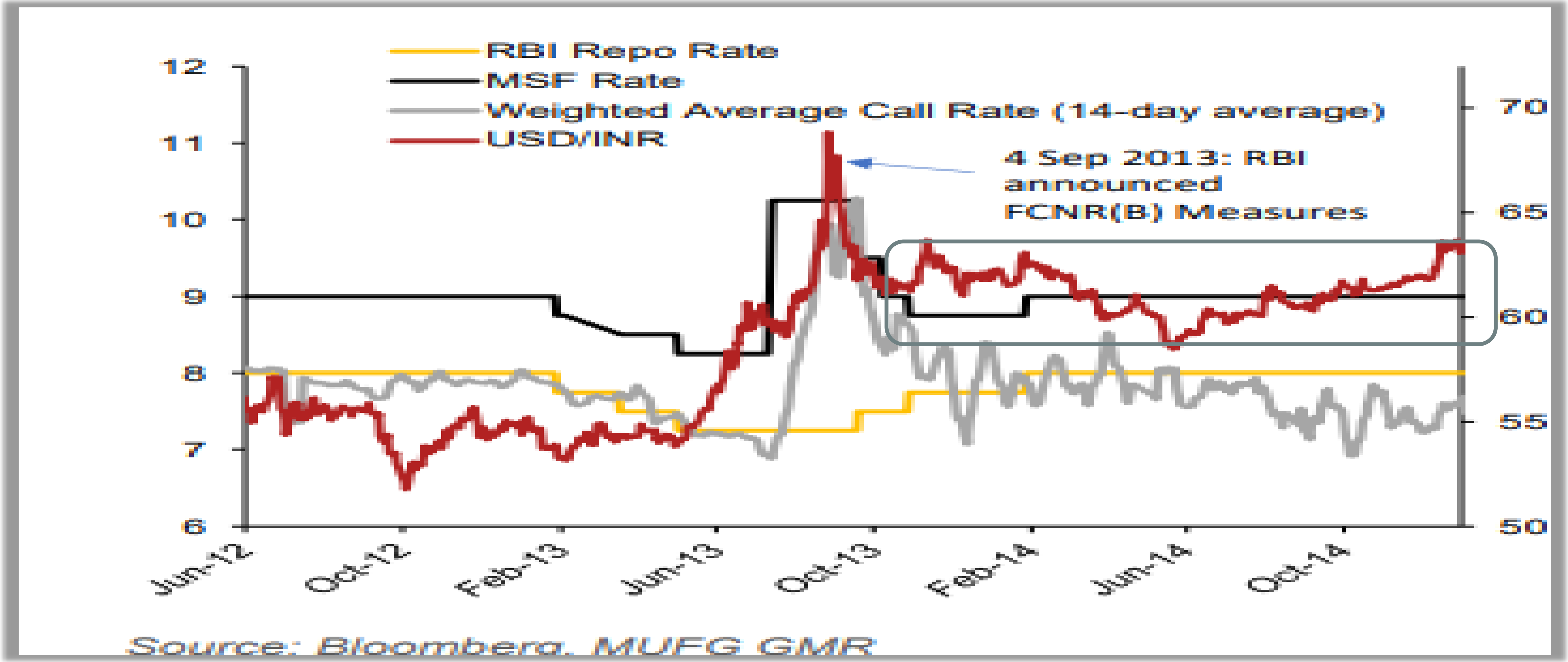
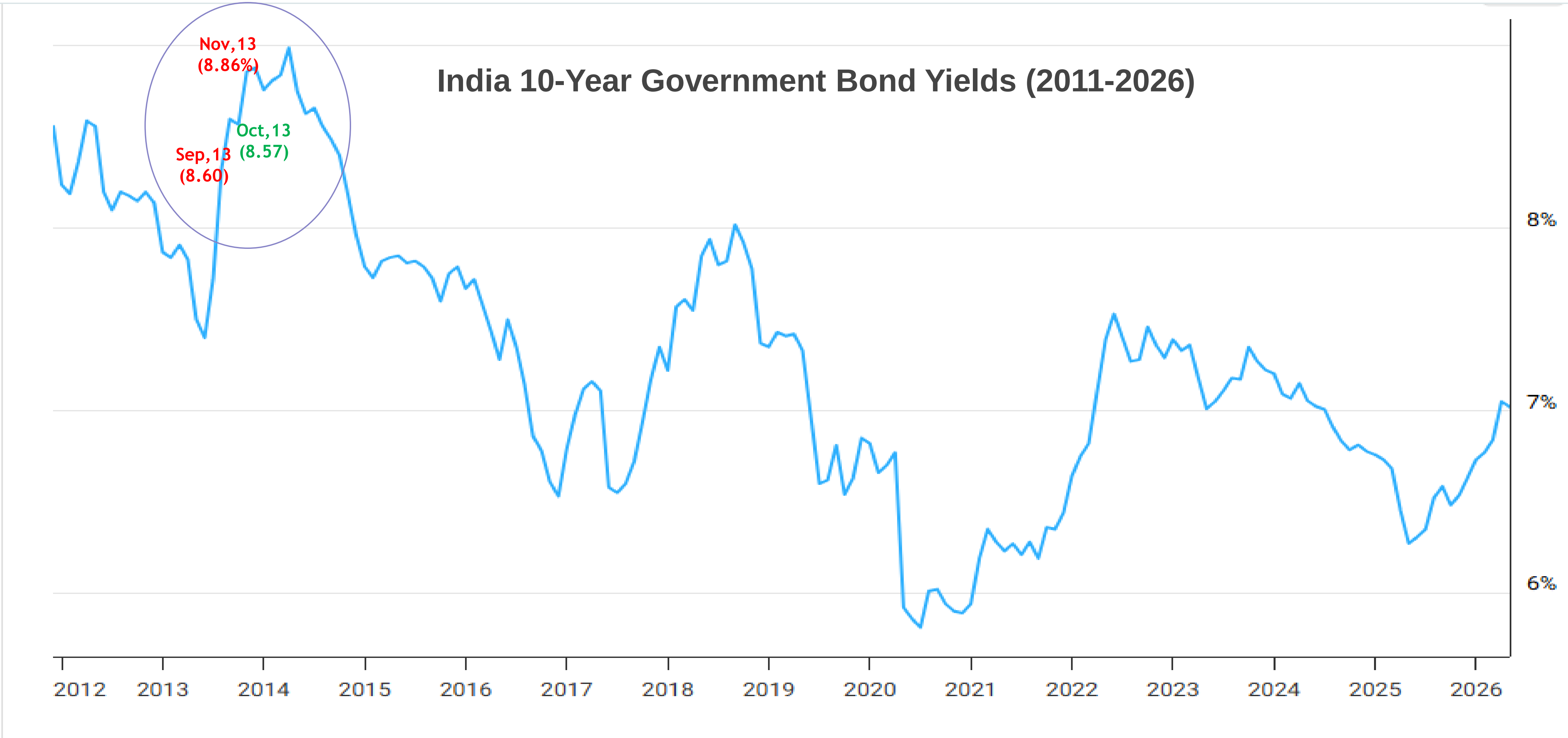
It Helped to Stabilise the Rupee in Past …



INR to appreciate in the short term but weaken subsequently tracking structural factors.

No Visible Impact on 10 Year G-Sec Yield in 2013…



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Risks to softer bond yields

- Fiscal deficit likely breaching 4.3% target due to higher food subsidies
- Inflation moving closer to 5.5% due to adverse monsoons]
- INR still elevated at 94.5-95 range keeping energy import bills on the higher side
- Uncertainty over US Fed policy under the new Governor Kevin Warsh
- Bond yields ion advanced economies including Japan, UK and the USA

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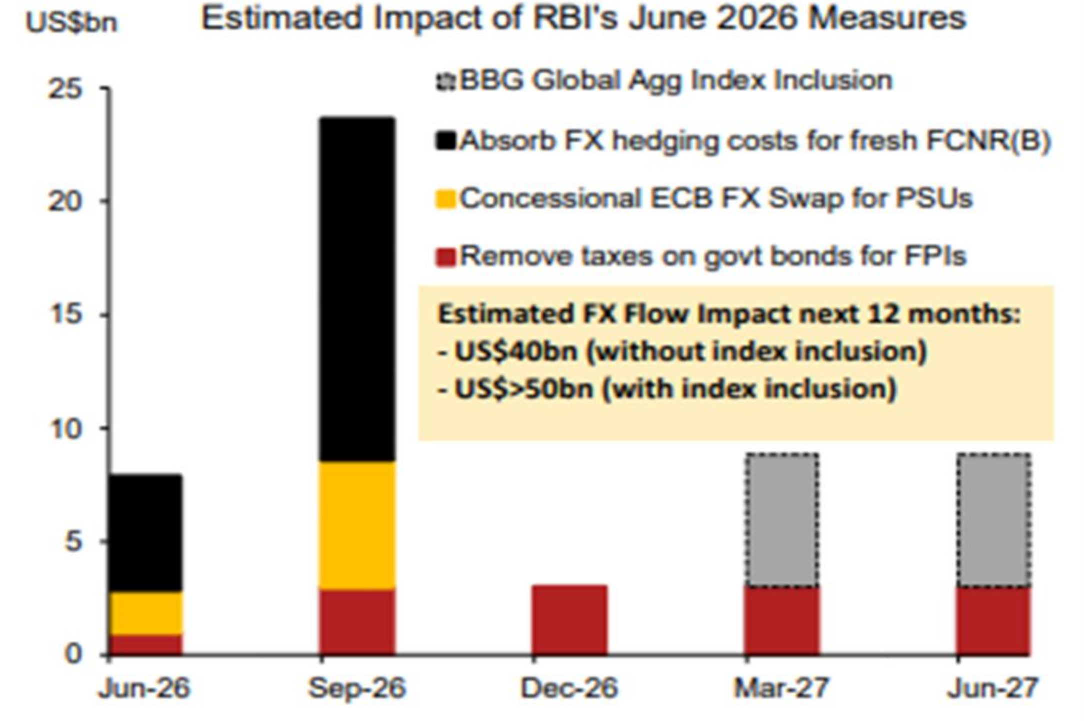
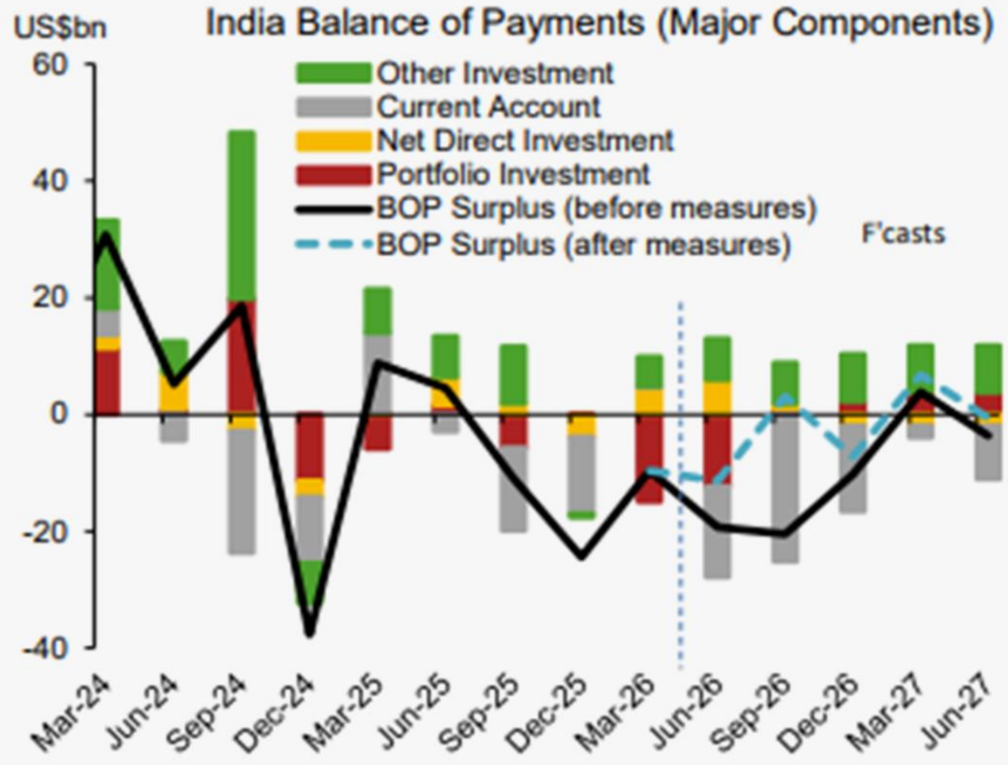
Bloom Berg Expectation for : FX Flow + BOP Balance



Source: Bloomberg, CEIC, MUFG GMR estimates. Note: We do not assume index inclusion in our base case



Source: Bloomberg, CEIC, MUFG GMR estimates. Note: We do not assume index inclusion in our base case

ESTIMATE THAT RBI'S FX MEASURES IN JUNE 2026 COULD BRING AROUND US$40BN OF INFLOWS, AND MORE SO WITH INDEX INCLUSION

THIS COULD HELP EASE STRESS IN BoP IN FY2026/27

Is it as Attractive As FCR (Special) Deposit Scheme 2013 ?

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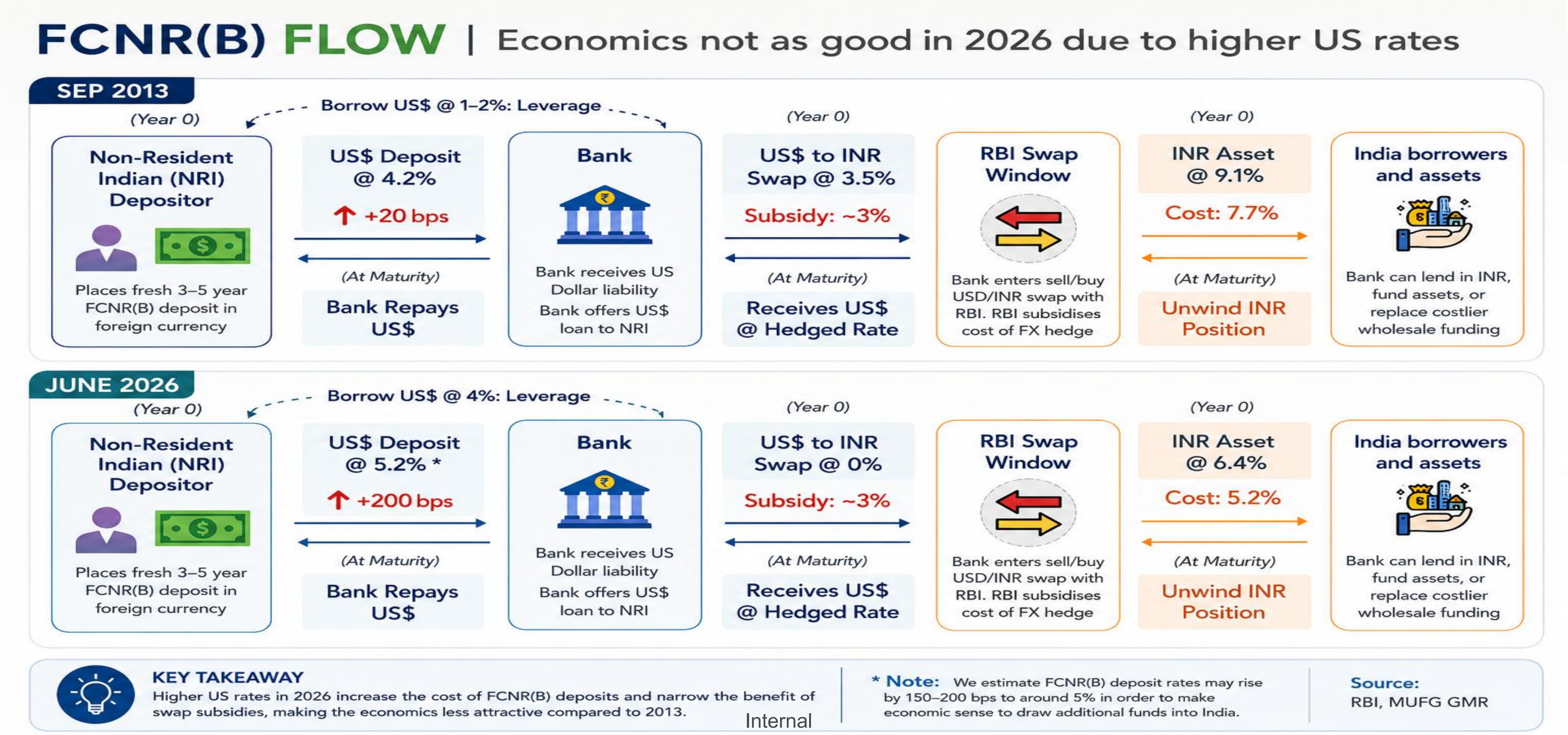
Low Interest rate differentials could make current scheme less attractive



Low Interest rate differentials could make current scheme less attractive

Sr.No.	Factor	Sep 2013	2026 Scenario	Better
1	NRI Deposit Rate	4.2%	5.2%	2026
2	US Funding Cost	1-2%	4%	2013
3	Difference (1-2)	3.2	1.2	2013
4	INR Asset Yield	9.1%	6.5-7%	2013
5	Arbitrage Opportunity	High	Moderate	2013
6	Bank Interest Income	High	Lower	2013
7	Attractiveness to NRIs	High	Moderate	2013
8	Policy Need for RBI	Very High	Moderate	2013

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NRI Leverage Analysis :

Leverage Multiple	Equity Invested (Own Money)	Borrowed Amount	Total FCNR Deposit	FCNR Interest Earned (6.5%)	Borrowing Cost (4.0%)	Net Profit	**Return on Equity (RoE)**	Risk Level
0x (No Leverage)	$100,000	$0	$100,000	$6,500	$0	**$6,500**	**6.5%**	Very Low
1x	$100,000	$100,000	$200,000	$13,000	$4,000	**$9,000**	**9.0%**	Low
2x	$100,000	$200,000	$300,000	$19,500	$8,000	**$11,500**	**11.5%**	Moderate
3x	$100,000	$300,000	$400,000	$26,000	$12,000	**$14,000**	**14.0%**	Moderate-High
4x	$100,000	$400,000	$500,000	$32,500	$16,000	**$16,500**	**16.5%**	High
5x	$100,000	$500,000	$600,000	$39,000	$20,000	**$19,000**	**19.0%**	Very High

As overseas interest rates are higher relative attractiveness vs 2013 scheme is lower

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Historical Context (2013–2015) &Trends in Bank Credit and Deposit Growth

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Financial Year	Deposit Growth (YoY %)	Credit Growth (YoY %)	Credit-Deposit (C-D) Ratio	Key Notes on FCNR Impact
FY13 (Pre-Scheme)	14.3	14.1	77.9	Baseline before 2013 crisis measures
FY14 (Scheme Launched Sep 2013)	14.6	14.3	76.46	$26 Bn FCNR + $8 Bn ECB inflows (~$34 Bn total). Boosted forex reserves & bank liquidity.
FY15	12.8	12.6	76.46	Inflows helped stabilize rupee but overall credit growth was moderate due to NPA issues & slowdown.
FY16	9.7	10.3	77.60	Lingering positive effect on bank funding; C-D ratio started rising.
FY17	11.8	5.1	72.95	Credit growth weak due to demonetisation.
Avg (FY24-FY26)	12.2	15.0		Deposit growth lagging credit → liquidity pressure on banks.
FY27 (etd)	11.0	13.0 (RBI estimate)	82.91	Credit growth to remain elevated
`FY27 with $26bn FCNR	11.93	13.0	82.0-82.5	NRI deposits to improve deposit growth by 72 bps and reduce CD ratio by 51 bps. But the ratio to remain above 80%

Inflows of $26bn to keep CD ratio high and may not alleviate liquidity pressures significantly.

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Economic Research Vertical

Madhavankutty G (Chief Economist)
Samir Kumar (Senior Manager)

For Suggestions and views please contact, Economic Research Vertical

080-2222 3169 (Chief Economist)
080-2227 3275 (Section)

chiefeconomist@canarabank.com
hoersection@canarabank.com

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