RBI POLICY BRIEF

RBI FCNR(B) Swap Facility 2026

Mechanics & Optics

$40–50B INFLOWS PROJECTED

June 2026

India’s external buffers deteriorated fast - the RBI had to act.

$47B

Forex reserves drawdown

Feb 2026 peak → May 2026

87%

FCNR(B) inflow collapse

$7.1B (FY25) → $946M (FY26)

KEY STRESS INDICATORS

- INR depreciated ~5% in 2026; ~11% over the prior 12 months
- Hormuz crisis pushed Brent above $100/bbl; elevated US rates constrained EM capital flows
- The current outstanding for FCNR (B) deposits as of March, 2026 is $33.8 billion, compared to $32.8 billion a year ago. Flows in FCNR(B) deposits in FY26 were at $946 million compared to $7 billion in FY25.

The RBI removed every cost barrier for banks to attract NRI dollar deposits.

Full Hedging Subsidy

RBI absorbs currency risk via at-par USD/INR swap. Banks receive dollars, swap to INR, and pay zero depreciation cost - full principal protection.

CRR/SLR Exemption

Eligible FCNR(B) deposits fully exempt from mandatory reserve ratios. No sterilisation cost, no liquidity buffer drag on bank economics.

Rate Ceiling Removed

From June 17: no cap on FCNR(B) 3-5yr rates. Banks moved rates up to 6.95% within days - making Indian deposits competitive globally.

June 23 clarifications also permitted loans and SBLCs against FCNR(B) deposits - enabling leverage on NRI capital.

SKG INVESTMENTS & ADVISORY

The 2026 scheme is structurally bolder than 2013 - but the rate environment is far less favourable.

METRIC	2013	2026
US Rates	~0.2%	4.0-4.5%
Spread vs US Alternatives	~5.25%	~2.5%
Scheme Structure	Subsidised swap (3.5% cost)	**Full subsidy (0 cost)**
Inflows	$34B	$40-$50B (est.)

The 2013 arbitrage was a no brainer, near zero US rates versus 8-10% in India left nothing to debate. Today, NRIs are comparing 7% in India against 4.5% in a US CD or money market fund, for a net advantage of roughly 250 basis points. That premium exists, but it has to justify a 3 to 5 year commitment, zero access to funds for the first 12 months, and exposure to Indian banking and currency risk over the deposit tenor. That is a meaningfully different risk-return calculation. For the 2013 scale of $34 billion to repeat, the spread likely needs to widen to 350-400 basis points or beyond, implying FCNR(B) rates of 8% to 8.5%, before the math becomes compelling enough to move large pools of NRI capital at speed.

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