



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
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July 1, 2015  
Ashadha 10, 1937(Saka)

**All Scheduled Commercial Banks  
(excluding RRBs)**

Dear Sir / Madam

**Master Circular on Interest Rates on  
Deposits held in FCNR (B) Accounts**

Please refer to the [Master Circular DBOD No.Dir.BC.14/13.03.00/2014-15 dated July 1, 2014](#) consolidating the instructions/guidelines issued to banks till June 30, 2014 relating to deposits held in FCNR (B) Accounts. This Master Circular consolidates instructions on the above matter issued up to June 30, 2015.

Yours faithfully

**(Lily Vadera)  
Chief General Manager**

बैंकिंग विनियमन विभाग, केन्द्रीय कार्यालय, 13माला, सीओबी, शहीद भगतसिंह मार्ग, फोर्ट, मुम्बई- 400001

Department of Banking Regulation 13th Floor, COB, Shahid Bhagat Singh Marg, Fort, Mumbai- 400001  
Fax No. 0091-22-22701241 Tel. No.022-22601000 E-mail address-cgmcdbrco@rbi.org.in

हिंदी आसान है, इसका प्रयोग बढ़ाए

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## **Master Circular on Interest Rates on Deposits held in FCNR (B) Accounts**

### **A. Purpose**

This circular consolidates the directives on interest rates on FCNR (B) deposits issued by Reserve Bank of India from time to time.

### **B. Classification**

A statutory guideline issued by the Reserve Bank in exercise of the powers conferred by the Banking Regulation Act, 1949.

### **C. Previous instructions**

This Master Circular consolidates and updates the instructions on the above subject contained in the circulars listed in **APPENDIX**.

### **D. Application**

To all Scheduled Commercial Banks, excluding Regional Rural Banks.

## **1.1 Definition of the term “Deposit”**

The deposits under the Scheme mean “term deposits” received by the bank for a fixed period and withdrawable only after the expiry of the said fixed period and includes Reinvestment Deposits and Cash Certificates or other deposits of similar nature.

## **1.2 Foreign Currency (Non-resident) Accounts (Banks) Scheme**

Foreign Currency (Non-resident) Accounts (Banks) Scheme came into force from May 15, 1993 in terms of directions contained in AD (MA Series), Circular No. 11 dated April 29, 1993. These directions have since been replaced by the regulations contained in the Foreign Exchange Management (Deposit) Regulations, 2000 which came into force on June 1, 2000. A scheduled commercial bank which is an Authorised Dealer in foreign exchange shall pay interest on deposits of money accepted by it or renewed by it under the Foreign Currency (Non-Resident) Accounts (Banks) Scheme except in accordance with the terms and conditions specified in the guidelines given below:

## **1.3 Maturity of deposit**

The deposits should be accepted under the Scheme for the following maturity periods:

- (a) One year and above but less than two years
- (b) Two years and above but less than three years
- (c) Three years and above but less than four years
- (d) Four years and above but less than five years
- (e) Five years only

Note: Recurring Deposits should **not** be accepted under the FCNR (B) Scheme.

#### 1.4 Interest Rates on Deposits accepted under FCNR (B) Scheme

A bank should obtain prior approval of its Board of Directors for the interest rates that it will offer on deposits of various maturities, within the ceiling prescribed by Reserve Bank of India. The Board of Directors of a bank may authorise the Asset Liability Management Committee to fix interest rates on deposits subject to reporting to the Board immediately thereafter.

The interest rates ceiling on FCNR (B) deposits are as under:

<b>Duration</b>	<b>1 year to less than 3 years</b>	<b>3 – 5 years</b>
With effect from March 1, 2014 till date	LIBOR/ Swap plus 200 basis points	LIBOR/ Swap plus 300 basis points
<b>With effect from</b> August 14, 2013 up to February 28, 2014	LIBOR/ Swap plus 200 basis points	LIBOR/ Swap plus 400 basis points
With effect from May 4, 2012 up to August 13, 2013	LIBOR/ Swap plus 200 basis points	LIBOR/ Swap plus 300 basis points
With effect from November 23, 2011 up to May 3, 2012	LIBOR/ Swap plus 125 basis points	LIBOR/ Swap plus 125 basis points
November 15, 2008 to November 22, 2011	LIBOR/ Swap plus 100 basis points	LIBOR/ Swap plus 100 basis points

Notes: a) On floating rate deposits interest shall be paid within the ceiling of Swap rates for the respective currency/ maturity plus 200 basis points/ 300 basis points as the case may be and in case of fixed rate deposits interest shall be paid within the ceiling of LIBOR rates for the respective currency/ maturity plus 200 basis points/ 300 basis points as the case may be.

b) For floating rate deposits, the interest reset period shall be six months.

c) The LIBOR/SWAP rates as on the last working day of the preceding month would form the base for fixing ceiling rates for the interest rates that would be offered effective the following month.

### **1.5 Benchmark Rates**

FEDAI would quote / display the LIBOR / Swap rates which will be used by banks in arriving at the interest rates on NRI deposits. The first such rates were indicated by FEDAI for the last working day of February, 2006.

### **1.6 Manner of payment of interest**

- i) The interest on the deposits accepted under the scheme should be paid on the basis of 360 days to a year.
- ii) The interest on FCNR (B) deposits should be calculated and paid at intervals of 180 days each and thereafter for the remaining actual number of days. However, the depositor will have the option to receive the interest on maturity with compounding effect.

### **1.7 Rounding of the interest on deposits**

In order to have uniformity and for the sake of operational convenience, the interest rates FCNR(B) deposits should be rounded off to the nearest two decimal points.

### **1.8 Payment of interest on term deposit maturing on Saturday/Sunday/holiday/non-business working day**

In respect of a term deposit maturing for payment on a Saturday / Sunday or a holiday or a non-business working day, banks should pay interest at the originally contracted rate on the original principal deposit amount for the Saturday / Sunday / holiday / non-business working day intervening between the date of expiry of the specified term of the deposit and the date of payment of the proceeds of the deposit on the succeeding working day.

In case of reinvestment deposits, banks should pay interest for the intervening Saturday/Sunday/holiday/non-business working day on the maturity value.

### **1.9 Payment of interest on overdue FCNR (B) deposits**

Banks may, at their discretion, renew an overdue deposit or a portion thereof provided the overdue period from the date of maturity till the date of renewal (both days inclusive) does not exceed 14 days. The rate of interest payable on the amount of the deposit so renewed should be the appropriate rate of interest for the period of renewal as prevailing on the date of maturity or on the date when the depositor seeks renewal, whichever is lower. In the case of overdue deposits where the overdue period exceeds 14 days and if the depositor places the entire amount of overdue deposit or a portion thereof as a fresh FCNR (B) deposit, banks may fix their own interest rates for the overdue period on the amount so placed as a fresh term deposit. Banks will have the freedom to recover the interest so paid for the overdue period if the deposit is withdrawn before completion of the minimum stipulated period under the Scheme, after renewal.

### **1.10 Interest payable on the deposit of a deceased depositor**

In the case of a term deposit standing in the name/s of -

- i) a deceased individual depositor, or
- ii) two or more joint depositors, where one of the depositors has died, interest should be paid in the manner indicated below :
  - (a) at the contracted rate on the maturity of the deposit;
  - (b) in the event of the payment of the deposit being claimed before the maturity date, the bank should pay interest at the rate applicable to the period for which the deposit remained with the bank and not at the contracted rate, without charging penalty;
  - (c) in the event of death of the depositor before the date of maturity of the deposit and the amount of the deposit being claimed after the date of maturity, the bank should pay interest at the contracted rate till

the date of maturity. From the date of maturity to the date of payment, the bank should pay simple interest at the applicable rate operative on the date of maturity, for the period for which the deposit remained with the bank beyond the date of maturity. However, in the case of death of the depositor after the date of maturity of the deposit, the bank should pay interest at a rate operative on the date of maturity in respect of savings deposits held under Resident Foreign Currency (RFC) Account Scheme, from the date of maturity till the date of payment;

(d) if, on request from the claimant/s, the bank agrees to split the amount of term deposit and issues two or more receipts individually in the name/s of the claimant/s, it should not be construed as premature withdrawal of the term deposit for the purpose of levy of penalty provided the period and aggregate amount of the deposit do not undergo any change.

Note: In the case of claimant/s being residents, the maturity proceeds may be converted into Indian rupees on the date of maturity and interest be paid for the subsequent period at the rate applicable to a deposit of similar maturity under the domestic deposit scheme.

### **1.11 Payment of interest on FCNR (B) deposits of NRIs on return to India**

Banks may allow FCNR (B) deposits of persons of Indian nationality/origin who return to India for permanent settlement to continue till maturity at the contracted rate of interest, if desired. Except the provision relating to rate of interest and reserve requirements as applicable to FCNR(B) deposits, for all other purposes, such deposits should be treated as resident deposits from the date of return of the account holder to India. Premature withdrawal of such FCNR (B) deposits should be subject to penal provisions of the Scheme. Banks should convert the FCNR (B) deposits on maturity into Resident Rupee Deposit Account or RFC Account (if eligible) at the option of the account holder. The rate of interest on the new deposit (Rupee account or RFC Account) should be the relevant rate applicable for such deposit account.



### **1.12.1 Prohibition on payment of additional interest not exceeding one per cent on deposits of bank's staff**

As per instructions prevalent upto July 17, 2012, in the case of FCNR(B) deposits of staff members, existing or retired, interest rate including any additional interest paid to them by virtue of their being staff members, should not exceed the ceiling stipulated by Reserve Bank of India from time to time.

With effect from July 18, 2012, banks should not allow the benefit of additional interest rate on any type of deposits of non-residents. Accordingly, the discretion given to banks to allow the benefit of additional interest rate of one per cent per annum as available to bank's own staff on deposits under FCNR (B) accounts stands withdrawn.

### **1.12.2 Prohibition on payment of additional interest on deposits of Senior Citizens**

Banks are prohibited from payment of additional interest on non-resident deposits of senior citizens including FCNR (B) deposits.

### **1.13 Premature withdrawal of deposits**

- (i) Banks on request from the depositor shall permit premature withdrawal of deposits under the FCNR(B) Scheme. Banks are free to levy penalty for such premature withdrawal at their discretion. Banks may also, at their discretion, levy penalty to recover the swap cost in the case of premature withdrawal of FCNR(B) deposits. Where premature withdrawal of FCNR(B) deposits takes place before completion of the minimum stipulated period of one year, in which case no interest is payable, banks may at their discretion levy penalty to cover the swap cost. However, the components of penalty should be clearly brought to the notice of the depositors at the time of acceptance of the deposits. If the depositors are not informed of the penalty provisions at the time of acceptance of deposits, the exchange loss arising out of premature withdrawal will have to be borne by the banks.

- (ii) Conversion of FCNR (B) deposits into NRE deposits or vice-versa before maturity should be subject to the penal provision relating to premature withdrawal.

## **1.14 Advances against FCNR (B) deposits - Manner of charging interest**

### **1.14.1 Rupee advance against FCNR (B) deposits**

When a loan or an advance is granted against an FCNR (B) term deposit which stands in the name of a borrower either singly or jointly, a bank would be free to charge a rate of interest without reference to its own Base Rate.

### **1.14.2 Rupee advances against FCNR (B) deposit to a third party or out of the resources mobilised under the scheme**

When a loan or advance is granted against the deposit to a third party or out of resources mobilised under the Scheme, interest rate chargeable should be at the rate as prescribed in terms of Reserve Bank of India's directive relating to Interest Rates on Advances.

### **1.14.3 Advances granted in foreign currency out of the resources of FCNR (B) deposits**

Loans in foreign currency out of eligible resources are not governed by our interest rate directives. Banks have the freedom to determine the interest rates on such loans.

## **1.15 Addition or deletion of name/s of joint account holders**

A bank may, at the request of the depositor/ all the joint holders, allow the addition or deletion of name/s of joint account holder/s if the circumstances so warrant or allow an individual depositor to add the name of another person as a joint holder. However, in no case should the amount or duration of the original deposit undergo a change in any manner whatsoever. The bank should ascertain the reasons from the applicants for doing so and also satisfy themselves about the bona fide nature of the request. Further, opening of

FCNR (B) accounts jointly with a resident as well as opening of accounts in the names of Pakistani/Bangladeshi nationals, though of Indian origin, will be subject to the instructions issued by Foreign Exchange Department, Reserve Bank of India from time to time.

#### **1.16 Conversion of FCNR (B) Accounts of Returning Indians into RFC Account - Waiver of penalty**

The penal provisions would not be applicable in the case of premature conversion of balances held in FCNR (B) deposits into RFC Accounts by Non-Resident Indians on their return to India.

#### **1.17 Conversion of FCNR (B) Accounts of Returning Indians into RFC Accounts/Resident Rupee Accounts- Payment of interest**

A bank should pay interest at its discretion at the time of conversion of FCNR(B) Account into RFC/Resident Rupee Account even if the same has not run for a minimum maturity period, subject to the condition that the rate of interest should not exceed the rate payable on savings bank deposits held under RFC Account Scheme.

#### **1.18 Prohibitions**

No bank should:

- (i) accept or renew a deposit over five years.
- (ii) discriminate in the matter of rate of interest paid on the deposits, between one deposit and another accepted on the same date and for the same maturity, whether such deposits are accepted at the same office or at different offices of the bank, except on the size group basis. The permission to offer varying rates of interest based on size of the deposits will be subject to the following conditions:
  - a) Banks should, at their discretion, decide the currency-wise minimum quantum on which differential rates of interest may be offered. For term

deposits below the prescribed quantum with the same maturity, the same rate should apply.

- b) The differential rates of interest so offered should be subject to the overall ceiling prescribed.
  - c) Interest rates paid by the bank should be as per the schedule and not subject to negotiation between the depositor and the bank.
- (iii) pay brokerage, commission or incentives on deposits mobilized under FCNR(B) Scheme in any form to any individual, firm, company, association, institution or any other person.
  - (iv) employ/ engage any individual, firm, company, association, institution or any other person for collection of deposit or for selling any other deposit linked products on payment of remuneration or fees or commission in any form or manner.
  - (v) accept interest-free deposit or pay compensation indirectly.

#### **1.19 Compliance with Foreign Exchange Management (Deposit) Regulations, 2000**

Banks should note to adhere to the directions contained in Schedule 2 to the Foreign Exchange Management (Deposit) Regulations, 2000 as amended from time to time.

## APPENDIX

### List of circulars consolidated in the Master Circular on Interest Rates on FCNR(B) Deposits

SI	Circular No.	Date	Subject
1.	DBOD.No.Dir.BC.48 &49/13.03.00/2000-01	04.11.2000*	Interest Rates on Deposits held in FCNR (Banks) Accounts
2.	DBOD.No.Dir.BC.63&64/13.03.00/2000-01	03.01.2001	Foreign Currency (Non-Resident) Accounts (Banks) Scheme
3.	<a href="#">DBOD. No.Dir. BC.105 &amp;107/13.03.00/2000-01</a>	19.04.2001	Foreign Currency (Non-Resident) Accounts (Banks) Scheme
4.	DBOD.No.Dir.BC.09/13.03.00/2001-02	11.08.2001	Deposits held in FCNR(B) Accounts
5.	<a href="#">DBOD.No.Dir.BC.97&amp;98/13.03.00/2001-02</a>	29.04.2002	Interest Rate on FCNR(B) Deposits
6.	<a href="#">DBOD.No.Dir.BC.30 &amp; 31/13.03.00/2002-03</a>	08.10.2002	Interest Rate on FCNR(B) Deposits
7.	<a href="#">DBOD.No.Dir.BC.51/13.03.00/2004-05</a>	01.11. 2004	Mid- term Review of Annual Policy Statement for the year 2004-05 – Foreign Currency Non-Resident (Banks) Accounts
8.	Mailbox clarification	13.05.2005	Clarification on Payment of Additional Interest on NRE / FCNR(B) Deposits of Banks' Staff Members / Senior Citizens
9.	<a href="#">DBOD.No.Dir.BC.22/13.03.00/2005-06</a>	26.07.2005	FCNR (B) Deposit Scheme
10	Mailbox clarification	29.12.2005	Interest Rates on FCNR(B) Deposits
11	<a href="#">DBOD.No.Dir.BC.62/13.03.00/2005-06</a>	08.02.2006	Interest Rates on Non-

SI	Circular No.	Date	Subject
			Resident Deposits
12	<a href="#">DBOD.No.Dir.BC.75/13.03.00/2005-06</a>	29.03.2006	Interest Rate on FCNR(B) Deposits
13	Mailbox clarification	4.10.2006	Rounding Off the Interest Rates on Domestic, NRE and FCNR(B) Deposits
14	<a href="#">DBOD.No.Dir.BC.55/13.03.00/2006-07</a>	31.01.2007	Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) Deposits
15	<a href="#">DBOD.No.Dir.BC.88 &amp; 89 /13.03.00/2006-07</a>	24.04.2007	Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) deposits
16	<a href="#">DBOD.No.Dir.BC.44/13.03.00/2008-09</a>	16.09.2008	Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) Deposits
17	<a href="#">DBOD.No.Dir.BC.64/13.03.00/2008-09</a>	15.10.2008	Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR (B) Deposits
18	<a href="#">DBOD.No.Dir.BC.82/13.03.00/2008-09</a>	15.11.2008	Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) deposits
19	<a href="#">DBOD.No.Dir.BC.58 &amp; 59/13.03.00/2011-12</a>	23.11.2011	Interest rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) Deposits
20	<a href="#">DBOD.No.Dir.BC.101 &amp;102/13.03.00/2011-12</a>	04.05.2012	Interest Rates on FCNR(B) Deposits
21	<a href="#">DBOD.Dir.BC.30/13.03.00/2012-13</a>	18.07.2012	Interest Rates on Deposits held in FCNR(B) Accounts
22	<a href="#">DBOD. Dir.BC. 38/ 13.03.00/ 2013-14</a>	14.08.2013	Interest Rates on

SI	Circular No.	Date	Subject
			FCNR (B) Deposits
23	<a href="#">DBOD.No.Dir.BC.73/ 13.03.00/ 2013-14</a>	29.11.2013	Interest Rates on FCNR (B) Deposits
24	<a href="#">DBOD.No.Dir.BC.92/13.03.00/2013-14</a>	31.01.2014	Interest Rates on FCNR (B) Deposits

\* The circular dated November 4, 2000 is a comprehensive directive on the subject incorporating all the amendments made upto that date.