

RBI temporarily lifts interest rate ceiling on FCNR(B), NRE deposits

Banks are expecting more inflows through non-resident external (NRE) accounts with the latest relaxation, says an official

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On June 5, the RBI announced a concessional foreign exchange swap facility on FCNR(B) deposits until September 30, 2026 to encourage external commercial borrowings (ECBs) by public sector firms. (Express Photo)

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The Reserve Bank of India (RBI) has decided to temporarily withdraw interest rate restriction on [non-resident external \(NRE\) deposits](#) of 3 year and above tenors in a move aimed at attracting more

capital inflows and stabilising the rupee. The central bank has also withdrawn the interest rate ceiling on fresh FCNR(B) deposits of 3-5 year tenors.

The restriction with respect to interest rates offered on fresh NRE deposits mobilised by banks, including the deposits that are renewed upon maturity, for three years and above tenors, is temporarily withdrawn with effect from June 17, 2026, for the period until September 30, 2026, it said. “Any transfer from NRO accounts to NRE accounts shall not qualify for such exemption.”

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An NRE account allows a customer to deposit foreign currency, which is maintained in Indian rupees. It offers the benefit of allowing both principal and interest to be freely transferred abroad at any time. With the latest relaxation, banks are expecting more inflows through the NRE accounts as well, said a bank official.

Banks reported \$7.94 billion outstanding in 2025-26 under the NRE deposit scheme, according to RBI data. However, under the FCNR(B), the outstanding was only \$946 million in FY26.

Cheaper overseas funds

On June 5, the RBI announced a concessional foreign exchange swap facility on FCNR(B) deposits until September 30, 2026 to encourage external commercial borrowings (ECBs) by public sector firms. At the core, the RBI is effectively lowering the hedging and funding cost of borrowing in foreign currency, enabling banks to raise cheaper funds abroad.

“The interest rate ceiling applicable to fresh FCNR(B) deposits mobilised by banks, including the deposits that are renewed upon maturity, for three years and above-up to and including five years tenors, is temporarily withdrawn with effect from June 17, 2026, for the period until September 30, 2026,” it said in a notification.

The relaxation includes NRE deposits that are renewed upon maturity, from the date of this Amendment Directions till September 30, 2026, the RBI said.

Banks have started offering higher interest rates on FCNR(B) deposits with many offering around 7% rate. “We estimate around \$30-50 billion of inflows from this scheme in CY26, all of which we expect to materialize by Q3 (July-September). Some state and private sector banks have already raised the FCNR (B) deposit rates by around 2-4%,” Goldman Sachs said in a report.

During the 2013 FCNR(B) scheme, banks garnered around \$25 billion of deposits, equivalent to around 2.2% of aggregate bank deposits at the time. Applying the same penetration rate to the current deposit base would imply potential inflows of around \$55-60 billion. “However, we expect a lower take-up this time. First, around 15-20% of the 2013 inflows likely reflected switching from existing NRE deposits rather than entirely new inflows. Second, depositor economics appear less attractive than in 2013, with US funding or leverage costs currently around 4% compared with close to 1% during the previous scheme,” Goldman Sachs said.

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