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FCNR(B) Deposits and RBI Swap Scheme in Focus Amid Efforts to Attract NRI Inflows

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Foreign Currency Non-Resident (Bank) [FCNR(B)] deposits have come into focus following discussions on whether the Reserve Bank of India (RBI) may reintroduce a special swap scheme to attract foreign currency deposits from Non-Resident Indians (NRIs) and strengthen India's foreign exchange reserves.?

FCNR(B) deposits are bank accounts that allow NRIs to maintain fixed deposits in designated foreign currencies without bearing exchange rate risk.

The discussion emerged as policymakers evaluate measures to manage external sector risks and ensure adequate foreign exchange liquidity amid global uncertainties.

In 2013, the RBI introduced a special FCNR(B) swap window to attract foreign currency inflows during a period of rupee depreciation and external sector stress.

Under the scheme, banks accepted FCNR(B) deposits from NRIs and swapped the foreign currency with RBI at a concessional rate.

The 2013 FCNR(B) swap scheme attracted substantial foreign currency inflows and helped stabilize the Indian rupee.

Economists believe a similar mechanism could help boost forex reserves if global financial conditions become challenging.

However, RBI has not announced any new FCNR(B) swap scheme as of now.

About FCNR(B) Deposits

FCNR(B) stands for Foreign Currency Non-Resident (Bank) Deposit.

Available only to Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs).

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Deposits are maintained in foreign currencies.

Principal and interest are fully repatriable.

Depositors are protected from exchange rate fluctuations.

Permitted tenure ranges from 1 year to 5 years.

Permitted Currencies Under FCNR(B)

US Dollar (USD)

Pound Sterling (GBP)

Euro (EUR)

Japanese Yen (JPY)

Australian Dollar (AUD)

Canadian Dollar (CAD)

About RBI Swap Scheme

RBI buys foreign currency from banks and provides rupee liquidity.

Helps attract foreign currency inflows into the banking system.

Strengthens India's foreign exchange reserves.

Can help stabilize the rupee during periods of volatility.

The FCNR(B) swap scheme was introduced by RBI in 2013.

About Foreign Exchange Reserves

Managed by the Reserve Bank of India.

Consist of:

Foreign Currency Assets (FCA)

Gold Reserves

Special Drawing Rights (SDRs)

Reserve Position in the IMF

Forex reserves help maintain external stability and support the value of the rupee.

About RBI

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Phone: **044 4353 9988 / 98403 94477 / Whatsapp : 09710729833**

Established: 1 April 1935.

Headquarters: Mumbai.

Governor: Sanjay Malhotra

Nationalised on 1 January 1949.

Functions under the Reserve Bank of India Act, 1934.

Exam Focus Points (Quick Revision Notes):

FCNR(B) Full Form ? Foreign Currency Non-Resident (Bank) Deposit

Eligible Depositors ? NRIs and OCIs

Deposit Currency ? Foreign Currency

Exchange Rate Risk Borne By ? Bank, not depositor

FCNR(B) Tenure ? 1 to 5 years

Major Objective ? Attract foreign currency deposits

Special RBI FCNR(B) Swap Scheme Introduced In ? 2013

Purpose of Swap Scheme ? Boost forex inflows and support rupee stability

India's Forex Reserves Managed By ? RBI

Components of Forex Reserves ? FCA, Gold, SDRs and IMF Reserve Position

RBI Established On ? 1 April 1935

RBI Act ? Reserve Bank of India Act, 1934

RBI Headquarters ? Mumbai