The FCNR(B) and NRE Deposit Window Closes 30 September 2026

A finite RBI window that changes the economics of non-resident deposits

Four RBI instruments. One deadline. No announced extension.

FCNR(B) | NRE TERM DEPOSITS | FEMA | INCOME-TAX ACT 2025

The Hard Date: 30 September 2026

The mobilisation window, not the deposit tenor, is what closes.

Fresh FCNR(B) Deposits

Minimum three year and maximum five year tenor, mobilised between 8 June 2026 and 30 September 2026.

Fresh NRE Term Deposits

Tenor of three years or more, mobilised between 19 June 2026 and 30 September 2026.

Renewals Count

A deposit that matures before 30 September 2026 and is renewed for a qualifying tenor is treated as mobilised inside the window.

No Extension Announced

Deposits booked inside the window run for their full contracted tenor. Deposits mobilised after 30 September 2026 do not attract the concessional treatment. There is no announced extension.

Four Instruments, One Objective

A sequence of RBI actions between June and August 2026 created the current window.

Date	Reference	Action
5 June 2026	Governor's Statement	Announced a US Dollar to Rupee swap facility for fresh non-resident foreign currency funds.
8 June 2026	FMOD.MAOG.No.S-56/01.06.016/2026-27	Operationalised the swap for fresh FCNR(B) dollar funds, minimum three year and maximum five year tenor.
8 June 2026	CRR and SLR Second Amendment Directions	Exempted qualifying fresh FCNR(B) deposits from CRR and SLR maintenance.
19 June 2026	Third Amendment Directions	Extended the same CRR and SLR exemption to fresh NRE term deposits of three years or more.
7 August 2026	RBI/2026-27/232	Excluded advances against those deposits from Adjusted Net Bank Credit, in force with immediate effect.

What Circular RBI/2026-27/232 Actually Changed

Reference FIDD.CO.PSD.BC.No.08/04.09.001/2026-27, dated 7 August 2026. Priority Sector Lending, Targets and Classification, Second Amendment Directions, 2026.

1 The Problem It Solved

Every commercial bank must lend a prescribed proportion of its Adjusted Net Bank Credit to priority sectors. ANBC is the denominator. Raise a large book of three to five year foreign currency deposits, lend against it, and ANBC rises, taking the absolute priority sector obligation up with it. That cost would have partly cancelled the CRR and SLR exemption.

2 The Fix

Advances extended in India against qualifying FCNR(B) and NRE deposits are excluded from the ANBC computation.

3 The Mechanics

The circular partially modifies item VI in the table at paragraph 6.1 of the PSL Directions 2025, as updated to 19 January 2026, and deletes foot note 3.

4 The Cap

The amount excluded from ANBC shall not exceed the fresh FCNR(B) or NRE deposits that are themselves eligible for the CRR and SLR exemption.

Why Bank Pricing Is Aggressive Right Now

Three of the four costs of holding this money have been removed for a defined period.

No Reserve Cost

Qualifying deposits are exempt from CRR and SLR maintenance.

No Incremental Priority Sector Obligation

Advances against them sit outside ANBC.

No Currency Risk on Principal

The RBI swap is a plain buy and sell foreign exchange swap covering only the principal amount and not the interest component.

The Consequence for the Depositor

The rate on the screen is a function of the window, not of the market. There is no assurance it survives 30 September 2026, and RBI has not fixed any rate. What a bank offers is a commercial decision and it varies between banks.

⚠ The window closes 30 September 2026. No extension has been announced.

The Tenor and Eligibility Grid

Instrument	Minimum Tenor	Maximum Tenor	Key Conditions
FCNR(B) under swap facility	3 years	5 years	Swap tenor matches the underlying deposit. Swap conducted in US Dollars. Covers principal only.
NRE term deposits	3 years	No stated maximum	CRR and SLR exemption only, mobilised from 19 June 2026.
ECBs and overseas foreign currency borrowings	3 years average maturity	5 years (swap cap)	Per RBI's own FAQ this limb runs to 31 December 2026, later than the 30 September 2026 deposit window.
Credit against the deposit	Matches deposit	Matches deposit	Indian banks, including their overseas branches, may extend loans to a non-resident or issue a standby letter of credit in favour of overseas lenders against these FCNR(B) deposits, and may mark a lien on the deposit.

The Tax Layer: Exemption Is Conditional and Continuous

NRE Term Deposit Interest

Exempt only while the depositor is a person resident outside India under FEMA, 1999. The test keys off FEMA residential status, not the day count used to decide residence for income tax. The two tests are different and they diverge in the year of a move.

FCNR(B) Deposit Interest

Exempt for a non-resident and the exemption also extends to a person who is Resident but Not Ordinarily Resident. That extension is why FCNR(B) is usually the better instrument for a depositor contemplating a return to India inside the tenor.

The Architecture from 1 April 2026

Under the Income-tax Act, 2025, Section 11, headed Incomes not included in total income, provides that income enumerated in Schedules II, III, IV, V and VI is excluded from total income subject to the conditions specified in those Schedules, and that where the conditions are not satisfied in any tax year the income becomes chargeable in that year.

The trap in one sentence: The exemption is a continuing condition, not a permanent attribute of the deposit. The day the depositor's status changes the exemption stops, and a five year deposit booked in September 2026 will still be running.

The FEMA Layer: What Happens on Return to India

NRE Accounts Must Be Redesignated

Once a person returns to India for employment, business or an indefinite stay and becomes a person resident in India under FEMA, the NRE account must be redesignated as a resident rupee account. Interest credited after that point loses the exemption.

FCNR(B) Deposits May Generally Run to Contracted Maturity

At the contracted rate even after the depositor becomes a resident. Combined with the RNOR extension, this is what makes FCNR(B) the more forgiving choice.

Do the Status Projection Before Choosing the Tenor

Map expected FEMA status and expected income tax status, including any RNOR period, across every year of the proposed deposit. Return in year two of a five year deposit and the last three years of interest are unlikely to be exempt. The after tax yield is not what the brochure shows.

Exempt Income Is Still Reportable

Cross border balances are increasingly visible to the Department through information exchange.

Who Should Act Before 30 September 2026

Non-resident Individuals and NRI Families

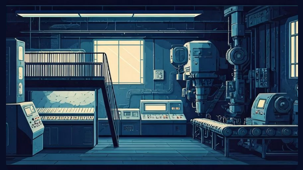
Anyone with maturing term deposits, idle NRE balances, or funds awaiting deployment. A deposit maturing before 30 September can be renewed into the window.

Founders with Non-resident Co-founders or Investors

A non-resident deposit placed in India with credit support drawn against it, in India or offshore, is a genuine structuring option. Price it against the external commercial borrowing route before choosing.

Advisers to Non-resident Clients

This is not a tax notification and it will not appear in any compliance calendar, which is precisely why it gets missed. The value here is sequencing, not product selection.



Resident Companies and MSME Borrowers

Indirectly relevant. Banks holding three to five year foreign currency funding have stronger appetite for term lending, which is the tenor Indian MSMEs are usually starved of.

Three Things to Confirm in Writing

1

Eligibility on the Deposit Advice

Ask the branch to confirm in writing that the deposit qualifies under the relevant RBI circulars. Do not rely on a verbal assurance at the counter.

2

Premature Withdrawal and Lock-in Terms

Deposits placed under this facility may carry conditions that differ from a bank's standard NRE or FCNR(B) product. Published sources conflict on whether a lock-in applies to the 2026 facility, so get the actual terms in the deposit advice rather than relying on any general statement.

3

Rate and Tenor Mechanics Across the Full Term

RBI has reduced the cost to banks of holding this money. It has not fixed a rate, and differential rates by tenor and deposit size are permitted.

The Action Sequence

Identify clients

Status projection

Select instrument

Compare after-tax

Confirm & diarise

Each step must be completed in sequence. Skipping the status projection in Step 2 before comparing rates in Step 4 is the most common and costly error.

Key Dates

1

8 June 2026

FCNR(B) mobilisation window opens. Swap facility operationalised. Circular FMOD.MAOG.No.S-56/01.06.016/2026-27 issued.

2

19 June 2026

NRE term deposit limb begins. Third Amendment Directions extend CRR and SLR exemption.

3

7 August 2026

ANBC exclusion notified via RBI/2026-27/232, in force immediately.

4

30 September 2026

Deposit mobilisation window closes. No announced extension.

5

31 December 2026

ECB and OFCB limb of the swap facility runs to this date per RBI's FAQ.

> An hour of sequencing is worth several years of differential yield. Talk to an Expert. CA Adityavikram Banka, Founder, A S Banka Advisors Private Limited.