

Master directive relating to deposits held in FCNR(B) Accounts

**RESERVE BANK OF INDIA
CENTRAL OFFICE
DEPARTMENT OF BANKING OPERATIONS & DEVELOPMENT
CENTRE - 1, WORLD TRADE CENTRE
CUFFE PARADE, COLABA, MUMBAI - 400 005**

DBOD No. Dir.BC. 49/13.03.00/2000-01

November 04, 2000
Kartika 13, 1922 (S)

All Commercial Banks

Dear Sirs,

Master directive relating to deposits held in FCNR(B) Accounts

Please refer to our circular DBOD.No.Dir.BC.96/C347(I)-86 dated 11 September 1986 and DBOD.No.BC.116/13.01.09/93 dated 29 April 1993 relating to deposits accepted under FCNR(A) and FCNR (Banks) Scheme. It has been decided to issue a comprehensive directive on the subject incorporating all the amendments made from time to time (list of circulars is given in Annexure II). Accordingly, the directive DBOD No. Dir. BC. 48/13.03.00/2000-01 dated November 04, 2000 is enclosed.

2. The revised directive comes into force with immediate effect.

3. Please acknowledge receipt.

Yours faithfully,

**(P.V. Subba Rao)
Chief General Manager**

**Master Directive relating to deposits held in FCNR(B) Accounts
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Interest rates on deposits held in FCNR (Banks) Accounts

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CENTRAL OFFICE
DEPARTMENT OF BANKING OPERATIONS & DEVELOPMENT
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DBOD. No. Dir. BC.48/13.03.00/2000-01

November 04, 2000
Kartika 13, 1922 (S)

Interest rates on deposits held in FCNR (Banks) Accounts

In exercise of the powers conferred by sections 21 and 35A of the Banking Regulation Act, 1949 and in supercession of the directive DBOD. No.Dir.BC.95/C.347(I)/86 dated 11 September 1986 and DBOD.No.BC.115/ 13.01.09/93 dated 29 April 1993, as amended from time to time, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that no 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, which came into force from 15 May 1993, except in accordance with the rates as specified in the Annexure I hereto and on the terms and conditions specified in the paragraphs below :

1. Definition of the term “Deposit”

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

2. Other important features of the Scheme

- (i) The Scheme covers deposits in Pound Sterling, US Dollar, Deutsche Mark, Japanese Yen and EURO from non-resident individuals of Indian nationality or origin (NRIs), overseas companies, firms, societies and other corporate bodies which are owned directly or indirectly to the extent of at least 60 per cent by NRIs and overseas trusts in which at least 60 per cent of the beneficial interest is irrevocably held by such persons (OCBs).

Note: Deposits in DM shall be accepted only upto 31 December 2001 and maturity proceeds after this date on such deposits shall be payable only in EURO. Further, conversion of existing DM deposits to EURO may be freely allowed.

- (ii) Repatriation of funds in foreign currencies is permitted.
- (iii) The deposits shall be accepted under the Scheme for the following maturity periods:
 - i. One year and above but less than two years.
 - ii. Two years and above but less than three years.
 - iii. Three years only.

Note: Recurring Deposits shall not be accepted under FCNR (B) Scheme.

- (iv) Transfer of funds from the existing NRE accounts to FCNR(B) accounts and vice versa, of the same account holder, is permissible without the prior approval of Reserve Bank of India.
- (v) Bank shall obtain prior approval of its Board of Directors for the interest rates they will be offering on deposits of various maturities. Board of Directors of bank may authorise the Asset Liability Management Committee to fix interest rates on deposits subject to reporting to the Board immediately thereafter.

3. Manner of payment of interest

- (a) The interest on the deposits accepted under the scheme shall be paid on the basis of 360 days to a year.
- (b) The interest on FCNR (B) deposits shall be calculated and paid in the manner indicated below :
 - (i) For deposits upto one year, at the applicable rate without any compounding effect,
 - (ii) In respect of deposits for more than 1 year, at intervals of 180 days each and thereafter for remaining actual number of days. However, the depositor will have the option to receive the interest on maturity with compounding effect.

4. Discretion to pay additional interest not exceeding one per cent on deposits of bank's staff

In respect of a deposit accepted in the name of -

- (a) a member or a retired member of the bank's staff, either singly or jointly with any other member or members of his/her family, or
- (b) the spouse of a deceased member or a deceased retired member of the bank's staff,

the bank may, at its discretion, allow additional interest at a rate not exceeding one per cent per annum over and above the rate of interest prescribed by the bank, provided that -

- (i) the depositor or all depositors of a joint account is/are non-resident/s of Indian nationality or origin, and;

(ii) the bank shall obtain a declaration from the depositor concerned that the moneys so deposited or which may, from time to time, be deposited, shall be moneys belonging to the depositor as stated in clauses (a) or (b) above.

Explanation: The word 'family' shall mean and include the spouse of the member/retired member of the bank's staff, his/her children, parents, brothers and sisters who are dependent on such a member/retired member but shall not include a legally separated spouse.

5. Premature withdrawal of deposits

- i) Banks shall permit premature withdrawal of deposit under the FCNR(Banks) Scheme and 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 take place before completion of the minimum stipulated period 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 shall be subject to the penal provision relating to premature withdrawal.

6. Payment of interest on overdue FCNR(B) Deposits :

The bank may, at its 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 and the rate of interest payable on the amount of the deposit so renewed shall 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 shall have freedom to recover the interest so paid for the overdue period if the deposit is withdrawn before completion of minimum stipulated period under the scheme, after renewal.

7. Advances against FCNR(B) deposits - Manner of charging interest

- (a) When a loan or an advance is granted against a FCNR(B) term deposit which stands in the name of:
- (i) the borrower either singly or jointly;
 - (ii) one of the partners of a partnership firm and the advance is made to the said firm;
 - (iii) the proprietor of a proprietary concern and the advance is made to such a concern;
 - (iv) a ward whose guardian is competent to borrow on behalf of the ward, and where advance is made to guardian of the ward in such a capacity;

the bank shall be free to charge a rate of interest without reference to its own Prime Lending Rate (PLR).

(b) When an advance is granted against a term deposit which is not in the nature of sub-clause (a) above

(i) the bank shall be free to charge a rate of interest without reference to the Prime Lending Rate, provided the advance is upto Rs. 2 lakhs, and

(ii) if the advance exceeds Rs. 2 lakhs, the interest chargeable shall be at the rate prescribed in terms of Reserve Bank of India's directive relating to interest rates on advances issued from time to time.

If the term deposit against which an advance was granted is withdrawn before completion of the prescribed minimum maturity period, such an advance shall not be treated as advance against term deposit and interest shall be charged as prescribed in terms of Reserve Bank of India's directive on interest rates on advances issued from time to time.

(c) When a loan or advance is granted out of resources mobilized under the scheme, interest rate chargeable shall be at the rate as prescribed in terms of Reserve Bank of India's directive relating to Interest Rates on Advances.

Provided that the bank, at its discretion, may charge a rate of interest less than what was prescribed above in the case of advances upto Rs.3 lakhs, when converted notionally in Rupees at the time of granting advance, to a member or a retired member of the bank's staff or the spouse of a deceased member/retired member of the bank's staff against his/her term deposit specified in paragraph (4) above.

8. Margin on advance against term deposit

A bank may determine the margin on a case-to-case basis.

9. Interest payable on the deposit of a deceased depositor

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

(a) a deceased individual depositor, or

(b) two or more joint depositors, where one of the depositors has died, interest shall be paid in the manner indicated below :

(i) at the contracted rate on the maturity of the deposit;

(ii) in the event of the payment of the deposit being claimed before the maturity date, the bank shall pay interest at an applicable rate prevailing on the date of placement of the deposit, without charging the penalty;

(iii) if the amount of the deposit is claimed after the date of maturity, the bank shall pay interest at the contracted rate till the date of maturity. From the date of maturity till the date of

payment, the bank shall pay simple interest as applicable based on interest rates on deposits operative on the date of maturity.

The interest shall be payable on the above basis only if the depositor has died before the maturity of the deposit. If the depositor has died after the maturity of deposit, no interest will be payable beyond the date of maturity of the deposit.

(iv) 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 shall 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 a rate applicable to the deposit of similar maturity under domestic deposit scheme.

10. Addition or deletion of name/s of joint account holders

A bank may, at the request of 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,

Provided that in no case shall the amount or duration of the original deposit undergo change in any manner whatsoever, and all the joint account holders are non-residents of Indian nationality or origin. The bank shall ascertain the reasons from the applicants for doing so and also satisfy themselves about the bonafide nature of the request. Further, opening of accounts in the names of Pakistani/Bangladeshi nationals though of Indian origin will require approval of Reserve Bank from exchange control angle.

11. Payment of interest on FCNR(B) deposits of NRIs on return to India

Banks may allow FCNR(B) deposit 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 shall be treated as resident deposits from the date of return of account holder to India. Premature withdrawal of such FCNR(B) deposit shall be subject to penal provision of the Scheme. Banks shall convert the FCNR(B) deposits on maturity into Resident Rupee Deposit Account or RFC Account (if eligible) at the option of the account holder and the rate of interest on the new deposit (Rupee account or RFC account) shall be the relevant rate applicable for such deposit account.

12. Conversion of FCNR(B) Accounts of the Returning Indians into RFC Account - Waiver of Penalty

Penal provision in the case of premature conversion of balances held in FCNR(B) deposits into Resident Foreign Currency Accounts by Non- Resident Indians on their return to India shall not be applicable.

13. Conversion of FCNR(B) Accounts of the Returning Indians into RFC Accounts/ Resident Rupee Accounts - Payment of interest

A bank shall 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.

14. 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 shall pay interest at the originally contracted rate on the 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.

15. Prohibitions

No bank shall -

accept or renew a deposit over three years;
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:

(1) Banks shall, at their discretion decide the currency wise minimum quantum on which differential rates of interest may be offered. For the term deposits below the prescribed quantum with same maturity, the same rate will apply.

(2) The differential rates of interest so offered shall be subject to the overall ceiling prescribed.

(3) Interest rates paid by the bank should be as per the schedule and not subject to negotiation between the depositor and the bank.

pay brokerage, commission or incentives on deposits mobilized under FCNR(B) Scheme in any form to any individual, firm, company, associations, institution or any other person.

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.

(G.P. Muniappan)
Executive Director

Annexure-I
**Interest rates applicable to deposits accepted under
Foreign Currency Non-Resident Accounts (Banks) Scheme**

1. In respect of deposits of maturity of one year and above and floating rate deposits, the interest shall be paid within the ceiling of swap rates for the respective currency/maturity plus 50 basis points. For floating rate deposits, the interest reset period shall be six months
2. The LIBOR/SWAP rates as on the last working day of the preceding week would form the base for fixing ceiling rates for the interest rates that would be offered effective the following week.
3. Banks shall have the option to choose the current swap rates quoted on any online screen based information system while offering FCNR(B) deposits.

FCNR(B)DIRECTIVE

Annexure-II
**Circulars/directives issued after basic directive Dir.BC 95/C.347(I)-86 dated
11 September 1986 excluding circular/directives on interest rates**

1.	DBOD No. Dir. BC	4 & 6/C.347(I)-87	dated 06.07.1987
2.	-do-	9/C.347(I)-87	dated 16.07.1987
3.	-do-	9-10/C.347(I)-88	dated 29.07.1988
4.	-do-	137-138/C.347(I)-89	dated 07.06.1989
5.	-do-	95/C.347(I)-90	dated 17.04.1990
6.	-do-	52-53/C.347(I)-90	dated 24.11.1990
7.	-do-	52/C.347(I)-91	dated 25.11.1991
8.	-do-	56-57/C.347(I)-91	dated 30.11.1991
9.	-do-	100/13.01.09/92	dated 13.03.1992
10.	-do-	1/13.01.09/92	dated 02.07.1992
11.	-do-	68/13.01.09/93	dated 20.01.1993
12.	-do-	115-116/13.01.09/93	dated 29.04.1993
13.	-do-	51/13.01.09/94	dated 02.05.1994
14.	-do-	123/13.01.09/94	dated 17.10.1994
15.	-do-	21/13.01.09/95	dated 22.02.1995
16.	-do-	143-144/13.01.09/96	dated 22.10.1996
17.	-do-	132-133/13.01.09/97	dated 21.10.1997

18.	-do-	139-140/13.01.09/97	dated 21.10.1997
19.	-do-	7/13.01.09/98	dated 20.01.1998
20.	-do-	28/13.01.09/98	dated 04.04.1998
21.	-do-	35/13.03.00/98	dated 29.04.1998
22.	DBOD No. Dir.BC	47/13.01.09/98	dated 28.05.1998
23.	-do-	41A-41B/13.03.00/99	dated 28.04.1999
24.	-do-	51/13.03.00/99	dated 22.05.1999
25.	-do-	108/13.01.09/99	dated 29.10.1999
26.	-do-	152/13.03.00/2000	dated 23.03.2000
27.	-do-	167-168/13.03. 00/ 2000	dated 27.04.2000
28.	-do-	28/13.03.00/2000-01	dated 06.10.2000

FCNR(B) - Interest Rates Circulars/Directives

1.	DBOD No. Dir. BC	118-119/13.01.09/93	dated 08.05.1993
2.	-do-	125-126/13.01.09/93	dated 07.06.1993
3.	-do-	143-144/13.01.09/93	dated 28.07.1993
4.	-do-	163-164/13.01.09/93	dated 11.09.1993
5.	-do-	187-188/13.01.09/93	dated 22.10.1993
6.	-do-	197-198/13.01.09/93	dated 27.11.1993
7.	-do-	208-209/13.01.09/93	dated 23.12.1993
8.	-do-	6/7-13.01.09/94	dated 03.02.1994
9.	-do-	24-25/13.01.09/94	dated 07.03.1994
10.	-do-	33-34/13.01.09/94	dated 29.03.1994
11.	-do-	67-68/13.01.09/94	dated 20.05.1994
12.	-do-	84-85/13.01.09/94	dated 07.07.1994
13.	-do-	89-90/13.01.09/94	dated 23.07.1994
14.	-do-	136-137/13.01.09/94	dated 16.11.1994
15.	-do-	2-3/13.01.09/95	dated 07.01.1995

16.	-do-	40-41/13.01.09/95	dated 06.04.1995
17.	-do-	62-63/13.01.09/95	dated 27.05.1995
18.	-do-	70-71/13.01.09/95	dated 08.07.1995
19.	DBOD No. Dir. BC	76-77/13.01.09/95	dated 15.07.1995
20.	-do-	85-86/13.01.09/96	dated 29.06.1996
21.	-do-	117-118/13.01.09/96	dated 07.09.1996
22.	-do-	131-132/13.01.09/96	dated 17.10.1996
23.	-do-	146-147/13.01.09/96	dated 16.11.1996
24.	-do-	40-41/13.01.09/97	dated 15.04.1997