

Most of \$26-b FCNR(B) deposits raised by banks redeemed

Our Bureau

Redemption did not create any ripple effect, says top banker

Mumbai, December 2:

A chunk of the \$26 billion that banks raised via three-year foreign currency non-resident (bank) deposits in 2013, after the RBI opened a special concessional window for swapping these deposits, is understood to have been redeemed by banks without creating any ripple in the foreign exchange market, say bankers.

When the then Governor Raghuram Rajan took the helm at RBI in September 2013, he said the apex bank wants to help Indian banks bring in safe money to fund India's current account deficit. Hence, the special FCNR(B) scheme was rolled out.

"...People were thinking that if RBI starts giving dollars in the spot market then to that extent rupee liquidity could go out. But now rupee liquidity is in surplus (post-demonetisation of ₹ 500 and ₹ 1,000 bank notes). So, there is absolutely no issue there.

"I think the FCNR(B) has gone through without any problem and the credit goes to the central bank for managing it well, both at the foreign exchange level and at the rupee liquidity level. They planned it very well and the redemption has not created any ripple," said NS Venkatesh, Executive Director, Lakshmi Vilas Bank.

The treasury head of a public sector bank said that during the FCNR(B) redemption period (beginning October 2016), the domestic currency would have moved (declined) by about a rupee to the dollar. But this movement is not because of FCNR(B) redemption alone. It is also because of Republican Donald Trump's election as US President, indications of US tightening interest rates and equity outflows from India.

As regards the management of the imminent FCNR(B) redemptions, in August, Rajan had said the RBI was front-loading liquidity provision through open market operations and spot interventions/deliveries of forward purchases.

FCNR(B) deposits are term deposits which can be opened by non-resident Indians and persons of Indian origin with banks in India.

(This article was published in the Business Line print edition dated December 3, 2016)

MORE FROM BUSINESS LINE

12

[‘Modi refuses to listen to his advisors or the people’](#)

[Ready to go cashless? Know your e-wallets](#)

[Man declares ₹13,000 cr of black money; goes missing](#)