



RBI/2013-2014/234

FMD.MOAG. No.84 /01.06.016/2013-14

September 6, 2013

To

All Scheduled Banks [excluding Regional Rural Banks (RRBs)]

Dear Sir/ Madam,

Swap Window for Attracting FCNR (B) Dollar Funds

Please refer to the [RBI Press Release 2013-2014/494 dated September 04, 2013](#) on the captioned subject.

2. It has been decided to introduce a US Dollar-Rupee swap window for fresh FCNR (B) dollar funds, mobilised for a minimum tenor of three years and over.

3. The salient features of the new swap facility are as under:

(a) The swap facility will be available to the scheduled commercial banks (excluding RRBs) for fresh FCNR(B) deposits mobilized in any permitted currency (as specified in the RBI Master Circular on Interest Rates on FCNR (B) Deposits dated July 1, 2013) for the tenor of minimum three years. However, the swap facility with RBI will be available in US Dollars only. The tenor of the swap will be for three years or more in line with the tenor of the underlying FCNR deposits.

(b) The swap window will be operated on a daily basis on all working days in Mumbai (except Saturdays and holidays). However, a particular bank can avail of the swap facility only once in a week. During any particular week, the maximum amount of dollars that banks would be eligible to swap with RBI would be equal to the fresh FCNR(B) deposits for minimum tenor of three years mobilized in equivalent US Dollar terms during the preceding week(s).

(c) Under the swap arrangement, a bank can sell US Dollars in multiples of USD one million to RBI and simultaneously agree to buy the same amount of US Dollars at the end of the

swap period. The swap will be undertaken at a fixed rate of 3.5 per cent per annum. In the first leg of the transaction, the bank will sell US Dollars to RBI at RBI Reference Rate or any other rate as may be mutually agreed upon. The settlement of the first leg of the swap will take place on spot basis from the date of transaction. In the reverse leg of the swap transaction, Rupee funds will have to be returned to RBI along with the swap premium to get the US Dollars back.

(d) Banks desirous of availing the swap facility will have to furnish a declaration duly signed by their authorised signatories that they have mobilised the fresh FCNR(B) deposits for minimum tenor of three years during the preceding week(s).

(e) The swap facility will be operationalised by the Financial Markets Department of RBI at Mumbai. RBI would exercise the right to decide on the day of operation and the number of banks that can avail of the facility on any particular day keeping in view the market conditions and other relevant factors.

(f) The underlying deposits will have a minimum lock-in period of one year. However, premature withdrawal of such deposits would be permitted after one year. Accordingly, swaps undertaken with RBI cannot be cancelled before one year. In case of premature withdrawal of deposits after one year, the banks may approach RBI for termination of the swap. Banks desirous of terminating a swap will have to furnish a declaration duly signed by their authorised signatories that they have allowed premature withdrawal of FCNR (B) deposits. In the event of pre-termination of a swap, the swap cost would be re-fixed for the completed period of the swap at 400 bps above the concessional contracted rate of 3.5 per cent offered to the banks plus the prevailing USD/INR swap rate in the market for the residual tenor of the original swap (towards the replacement cost). RBI's decision regarding the re-pricing of the swap at the time of termination shall be final and no request for any modification or revision to the same would be entertained.

(g) The new swap window comes into effect on **September 10, 2013 and will remain open up to November 30, 2013**. RBI will reserve the right to close the scheme earlier with prior notice.

(h) The terms and conditions governing the FCNR (B) mobilized during the period the swap window remains open shall remain as specified in the RBI Master Circular on Interest Rates on FCNR (B) Deposits dated July 1, 2013 read with [Circular DBOD.Dir.BC. 38/13.03.00/2013-14 dated August 14, 2013](#) issued by our Department of Banking Operations and Development.

(i) Eligible banks can approach the Financial Markets Department by [e-mail](#) with their request for US Dollar swap facility indicating the amount of US Dollars to be swapped, tenor of the swap along with the declaration as mentioned at (d) above.

Yours sincerely

(G. Mahalingam)

Principal Chief General Manager