

# Banks' CD Issuances Drop To 4-month Low In August Amid FCNR (B) Mobilisation, Surplus Liquidity

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Banks have raised Rs 68,130 crore through CDs in August.

Short-term fundraising by banks through the certificates of deposit (CD) route dropped to a four-month low in August, due to higher mobilisation of deposits through the concessional Foreign Currency Non-Resident (Bank) or FCNR(B) scheme and huge surplus liquidity in the banking system.

According to the Prime Database, banks have raised Rs 68,130 crore through CDs in August, the lowest since April 2026, when the issuances stood at Rs 45,700 crore. In comparison, the banks have raised Rs 1.11 lakh crore in May, Rs 1.80 lakh crore in June and Rs 95,945 crore in July.

HDFC Bank, Small Industries Development Bank of India, Bank of Baroda, Canara Bank, and Central Bank of India, were top five issuers in August, together raising Rs 46,770 crore, or 68.7% of the total issue, the data showed.

"In anticipation of large FCNR inflows, some regular issuers reduced their issuance," said Alok Singh, group head treasury at CSB Bank.

Anshul Chandak, head of treasury at RBL Bank, said the fall in issuances can be seen as most banks have retired their bulk deposits and CDs with the FCNR (B) deposits.

Certificates of deposit are short-term debt instruments issued by banks to raise funds. They generally have maturities ranging from seven days to one year.

Money market experts said that the dependence on CDs by banks has reduced after they received heavy inflows in the FCNR (B) deposits, which replaced the majority of the bulk deposits. Additionally, the inflows into the FCNR (B) deposits have also reduced the rollovers by the banks.

"Rollover ratios fell to around 55%, with larger banks stepping back amid comfortable deposit accretion. Consequently, three month CD yields softened to around 6.40 per cent from 7.20% before the FCNR (B) scheme," said V. Ramachandra Reddy, head of treasury at The Karur Vysya Bank.

The Reserve Bank of India had introduced a special FCNR(B) deposit mobilisation scheme, under which banks were allowed to offer higher interest rates to attract foreign currency deposits. The scheme, which was open for mobilisation till August 31, has resulted in significant inflows into the banking system.

Banks mobilised about \$65.4 billion through FCNR(B) deposits under the RBI's special USD-INR swap facility as of August 21. The mobilisation brought foreign currency into the banking system, while the subsequent swaps with the RBI provided rupee liquidity to banks.

Besides FCNR(B) inflows, month-end government expenditure, including payments towards salaries and pensions, also added to liquidity in the banking system.

Currently, liquidity in the banking system is estimated to be in surplus of around Rs 6.65 lakh crore as on August 31, according to the RBI's data.

In order to remove excess surplus liquidity from the banking system, the central bank has conducted 23 variable rate reverse repo (VRRR) auctions in August and two on Sept. 1. Auctions with an overnight maturity have received a good response; however, VRRRs with longer maturities got a tepid response.

During the month, rates on these instruments remained on the lower side due to lower issuances and higher surplus liquidity.

Reddy said that September has a hefty Rs 1.83 lakh crore CD maturity. Given the current rollover trend, full amount rollover looks unlikely despite quarter-end requirements. "However, CRR or other durable liquidity tightening measures by RBI could revive issuance and push rates higher."

Chandak said that issuances will pick up from October on anticipation that the central bank will do liquidity tightening in October policy.