

**CREDIT CONTROL AND OTHER MEASURES
APRIL 1998**

Selected circulars issued by the Reserve Bank of India during April 1998 are reproduced below.

Ref. UED No. BR.PCB.CIR. 52/16.26.00/97-98 dated April 29, 1998

All Primary (Urban) Co-operative Banks

Penal Rate of interest on the shortfall in the maintenance of CRR/SLR

It has been decided, with effect from the close of business on April 29, 1998 to reduce the bank rate by one percentage point from 10.00 per cent per annum to 9.00 per cent per annum. Accordingly, the penal rate of interest applicable on the amounts of shortfall in the maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) which is linked to Bank Rate stands revised from that date.

Ref. UED No. DS.PCB.CIR. 53/13.01.00/97-98 dated April 29, 1998

All Primary Co-operative Banks

Interest rate on deposits

Please refer to our directive No. UED.DC.102/V.1/86-87 dated June 25, 1987 (printed booklet) as amended from time to time the last directive being UED.No.DS.PCB.Dir.5/13.01.00/97-98 dated October 21, 1997. In view of the "Monetary and Credit Policy for the

First Half of 1998-99", the consequent changes in policy measures on the above subject are detailed below:

Deposit Rates

(a) Minimum period of maturity of domestic term deposits

In terms of Circular UED.No.DS.PCB.Cir. 2/13.01.00/96-97 dated July 1, 1996 the minimum period of domestic term deposits was reduced from 46 days to 30 days. It has now been decided to further reduce the minimum period of maturity of domestic term deposits from 30 days to 15 days.

(b) Premature withdrawal of domestic term deposits/NRE deposits

As per our circular UED.No.DS.PCB.Cir. 45/13.01.00/96-97 dated April 19, 1997, banks are required to allow premature withdrawal of term deposits and pay interest at the rate applicable to the period for which the deposit had remained with the bank or at a contracted rate, whichever is lower, less one per cent penalty for the premature withdrawal. It has now been decided to permit banks to determine their own penal interest rates for premature withdrawal of domestic term deposits and NRE term deposits. This relaxation will apply to fresh deposits and renewal of existing deposits. Banks shall, however, ensure that the depositors are made aware of the applicable penal rate along with the deposit rate.

(c) Interest rates on domestic term deposits

It has been decided to permit banks at their discretion to offer differential rates of interest on domestic term deposits of the same maturity, subject to the following conditions:

(i) The permission to offer varying rates of interest for deposits of the same maturity will apply to domestic term deposits of Rs. 15 lakh and above. Banks may, therefore, offer same rate of interest on differential rates of interest for deposits of Rs. 15 lakh and above of the same maturity. For deposits below Rs. 15 lakh the same rate will apply for deposits of the same maturity.

(ii) Banks should disclose in advance the schedule of interest rates payable on deposits including deposits on which differential interest will be paid. Interest rates paid by the bank should be as per the schedule and not be subject to negotiation between the depositor and the bank.

(iii) The Boards of banks should lay down a policy in this regard.

Banks should announce the effective date

of change in the policy at the earliest.

(d) Renewal of overdue FCNR (B) and NRE deposits

As per existing instructions in case of overdue FCNR/NRE deposits where the overdue period exceeds 14 days, the banks are required to pay simple interest as specified in the directive UBD.DC.12/V.1(B)/88-89 dated July 30, 1988. It has now been decided to permit the banks to fix their own interest rates on overdue FCNR (B) and NRE deposits subject to these deposits being renewed.

The effective dates of changes in interest rates on domestic term deposits, [FCNR(B)] and NRE deposits shall be announced by banks as early as possible.

Rate of Interest on Deposits

(excluding non-resident deposits)

Category of Account	Per cent per annum
(i) Current	NIL
(ii) Savings	4.5
(iii) Term Deposits	
15 days and over	Free