

**Section 42 (1) of the Reserve Bank of India Act, 1934 –
Reduction in Cash Reserve Ratio**

BC. 156 /12.01.001/ 99-2000

April 01, 2000

To All Scheduled Commercial Banks
(Excluding Regional Rural Banks)

Dear Sir,

Section 42 (1) of the Reserve Bank of India Act, 1934 –
Reduction in Cash Reserve Ratio

Please refer to circular No. MPD BC 194 /07.01.279/ 99-2000 dated April 01, 2000 on the captioned subject. Under Section 42 (1) of the Reserve Bank of India Act, 1934 all Scheduled Commercial Banks {excluding Regional Rural Banks (RRBs)} are, at present, required to maintain with the Reserve Bank of India a Cash Reserve Ratio (CRR) of 9 per cent of the Net Demand and Time Liabilities (NDTL) (excluding liabilities subject to zero CRR prescription). On a review of liquidity and market conditions, it has been decided to reduce the CRR. Accordingly, the CRR to be maintained by the Scheduled Commercial Banks (excluding RRBs) will be reduced by one percentage point from the present level of 9 per cent to 8 per cent of NDTL in two installments as set out below:

Effective from the fortnight beginning from	CRR on Net Demand and Time Liabilities (per cent)
April 08, 2000	8.50
April 22, 2000	8.00

2. Copies of the relative notification DBOD No BC. 155 /12.01.001/99-2000, dated April 01, 2000 is enclosed.

3. It may be reiterated that in view of the multiple prescriptions of CRR on different categories of liabilities including zero prescription of CRR on certain liabilities , as stipulated under the law , effective CRR maintained by Scheduled Commercial Banks on total Net Demand and Time Liabilities should not be less than 3 per cent.

4. Please acknowledge receipt.

Yours faithfully,

(S.P.Padgaonkar)
General Manager.

Reserve Bank of India
Central Office
Department of Banking Operations & Development

**World Trade Centre - I, Cuffe Parade Colaba
Mumbai-400 005**

DBOD.NO. BC. 155/12.01.001/99-2000

April 01, 2000

NOTIFICATION

In exercise of the powers conferred by the Proviso to Sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934 (2 of 1934) and in supersession of its Notification No. DBOD.BC.110/12.01.001/99-00 dated October 29,1999 the Reserve Bank of India hereby specifies that the average Cash Reserve Ratio (CRR) required to be maintained by Scheduled Commercial Banks (excluding Regional Rural Banks) shall, from effective dates mentioned below, be at the percentage points as indicated thereagainst.

Effective date (ie. the fortnight beginning from)	CRR on net demand and time liabilities (per cent)
April 08, 2000	8.50
April 22, 2000	8.00

(G.P.Muniappan)
Executive Director.

Endt . DBOD No /12.01.001/ 99-2000 of date.

Copy forwarded for information and necessary action to :

1. The Deputy General Manager, Department of Banking Operations and Development Reserve Bank of India, All Regional offices,
2. The General Manager, Department of Banking Supervision, Reserve Bank Of India, all Regional Offices,
3. The Chief General Manager, Department of Banking Supervision, Reserve Bank of India, Central Office, Mumbai.
4. The Adviser- in – Charge, Department of Economic and Statistical Analysis & Computer Services, Reserve Bank Of India, Central Office, Mumbai.
5. The Adviser- in – Charge , Department of Economic Analysis & Policy, Reserve Bank of India, Central Office , Mumbai.
6. The Adviser- in – Charge , MPD , RBI , Central Office , Mumbai - 400 001 with reference to its letter No MPD BC.194 /07.01.279 / 99-2000 dated April 01,2000.

(Rajesh Verma)
Deputy General Manager.