

Section 42 (1) of the Reserve Bank of India Act, 1934
Maintenance of Cash Reserve Ratio (CRR)

DBOD.BC103/12.01.001: 2000- 2001

April 19, 2001
Chaitra 29, 1923 (Saka)

All Scheduled Commercial Banks
(excluding Regional Rural Banks)

Dear Sir,

Section 42 (1) of the Reserve Bank of India Act, 1934
Maintenance of Cash Reserve Ratio (CRR)

Please refer to paragraphs 75, 76 and 77 of the Governor's statement on Monetary & Credit Policy for the year 2001- 2002 (MPD. BC. 206/07.01.279/2000- 01 dated April 19, 2001) regarding maintenance of Cash Reserve Ratio (CRR) and payment of interest thereon. In this connection we advise as under :

2(a) Relaxation in Daily Minimum
Cash Reserve Ratio
Maintenance Requirement

As per the extant instructions , the scheduled commercial banks (excluding RRBs) are required to maintain a minimum level of 65.0 per cent of CRR balances required to be maintained by banks on each of the day of the reporting fortnight beginning the first working day upto the 13th day and on the 14th day of the reporting fortnight , banks are allowed to maintain less than 65.0 per cent of the required cash balances to adjust the average of daily balances to the required level.

With a view to providing further flexibility to banks and enabling them to choose an optimum strategy of holding reserves depending upon their intra-period cash flows, it has been decided to reduce the maintenance of daily minimum requirement of 65.00 per cent of CRR balances required to be maintained to 50.0 per cent for the first seven days of the reporting fortnight. The existing minimum requirement of 65.0 percent for the rest of the fortnight will be applicable to all seven days including the reporting Friday without any exception. This measure will come into effect from the fortnight beginning August 11, 2001.

2(b) Interest on Cash Balances Maintained
with Reserve Bank of India under
Cash Reserve Ratio

At present, all scheduled commercial banks (excluding Regional Rural Banks) are paid interest on eligible cash balances maintained with RBI at the rate of 4.0 per cent per annum under Section 42(1B) of the Reserve Bank of India Act, 1934. It has now been decided that with effect from the fortnight beginning April 21, 2001, all scheduled commercial banks, will be paid interest at the rate of 6.0 per cent per annum on eligible cash balances maintained with Reserve Bank of India under proviso to Section 42(1) and

42(1A) of Reserve Bank of India Act, 1934. The banks will be intimated separately of the format required to be submitted, regarding interest claim for the quarter ended June 2001.

2(c) Exemption of Inter- bank Term Liabilities of more than 15days maturity from Minimum Cash Reserve Requirement (CRR)

At present, all Scheduled Commercial Banks (excluding Regional Rural Banks) are exempted from maintenance of average CRR on all inter-bank liabilities from the fortnight beginning April 25, 1997 subject to maintenance of minimum CRR requirement of 3.00 per cent of total of demand and time liabilities as shown in the return referred to in sub section (2) of the Section 42 of the Reserve Bank of India Act , 1934. It has now been decided to exempt inter-bank term liabilities of maturity of 15 days and above from the prescription of minimum statutory CRR requirement of 3.0 per cent. This measure will be effective from the fortnight beginning August 11, 2001. A copy of the relative Notification DBOD. No. BC. 102/12.01.001/ 2000- 2001 dated April 19, 2001 is enclosed.

3. In view of the multiple prescriptions on different categories of liabilities including prescription of zero reserve requirement on some liabilities, as stipulated under the law, effective CRR maintained by scheduled commercial banks on total demand and time liabilities excluding interbank liabilities of maturity of 15 days and above should not be less than 3.00 per cent.

4. Please acknowledge receipt.

Yours faithfully,

(R. C. MITTAL)
General Manager
Encl.: 1.

DBOD.No.BC. 102 /12.01.001/2000- 2001

April 19, 2001
Chaitra 29, 1923 (Saka)

NOTIFICATION

In exercise of the powers conferred by sub-Section (7) of Section 42 of the Reserve Bank of India Act, 1934 (2 of 1934) and in partial modification of the Notification DBOD. No. BC.45/12.01.001/96-97 dated April 15, 1997, Reserve Bank of India hereby exempts inter-bank term liability of maturity of 15 days and above of all scheduled commercial banks (excluding Regional Rural Banks) with effect from the fortnight beginning August

11,2001 from the prescription of the maintenance of minimum Cash Reserve Ratio requirement of 3.0 per cent of total of demand and time liabilities in India.

(K. L. Khetarpaul)
Executive Director