

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

DBOD.No.BC. 34 /12.01.001/2001-02

October 22, 2001
Ashwin 30,1923 (saka)

**To 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 the paragraphs 54 and 57 of the Governor's statement on Mid-term Review of Monetary and Credit Policy for the year 2001-02 (circular No. MPD BC 210 /07.01.279/2001-02 dated October 22, 2001) regarding maintenance of Cash Reserve Ratio (CRR) and payment of interest thereon. In this connection we advise as under:

2. (a) **Reduction and Rationalisation of Cash Reserve Ratio (CRR)**

All Scheduled Commercial Banks (excluding Regional Rural Banks) are at present required to maintain with Reserve Bank of India a Cash Reserve Ratio (CRR) of 7.50 per cent of the Net Demand and Time Liabilities (NDTL) (excluding liabilities subject to zero CRR prescriptions) under Section 42(1) of the Reserve Bank of India Act, 1934. It has now been decided to reduce CRR by two percentage points from 7.50 per cent to 5.50 per cent as indicated below.

Effective fortnight beginning	CRR on NDTL (percent)
November 3, 2001	5.75
December 29, 2001	5.50

(b) **Withdrawal of exemptions in certain categories of Liabilities from the maintenance of Cash Reserve Ratio**

Simultaneous with the reduction in CRR, as indicated above, it has also been decided that all exemptions on the liabilities will be withdrawn except inter-bank liabilities (as provided vide our Circulars DBOD.BC.50/12.01.001/1996-97 dated April 15,1997 and DBOD.No.BC.5/12.01.001/2001-02 dated August 07, 2001), for the computation of NDTL (for requirement of maintenance of CRR) with effect from fortnight beginning November 3,

2001. Accordingly, it is now advised that the following exemptions provided earlier by the Bank stand withdrawn for the computation of NDTL for the requirement of maintenance of CRR with effect from the fortnight beginning November 3, 2001.

- ? Non-Resident External Rupee Accounts (NRE).
- ? Non-Resident Non-Repatriable Rupee Accounts (NRNR).
- ? Foreign Currency Non-Resident (Banks) Accounts [FCNR(B)].
- ? Exchange Earners' Foreign Currency (EEFC) Accounts.
- ? Resident Foreign Currency Accounts (RFCA).
- ? ESCROW Accounts by Indian Exporters.
- ? Foreign Credit Line for Pre-Shipment Credit Accounts in Foreign Currency (PCFC).
- ? Any other bank specific or general exemptions.

In view of the rationalisation of CRR prescription, however, it is clarified that the effective CRR maintained by Scheduled Commercial Banks on total Demand and Time Liabilities shall not be less than 3.0 per cent, as stipulated under the Act.

A copy of the relative notification DBOD No.BC 33/12.01.001/2001-02 dated October 22, 2001 together with a copy each of the earlier Notifications issued vide DBOD.No.BC.45/12.01.001/96-97 dated April 15, 1997 and DBOD No.BC.102/12.01.001/2000-2001 dated April 19,2001 is enclosed.

(c) 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 Reserve Bank at the rate of 6.0 percent per annum under Section 42(1B) of Reserve Bank of India Act,1934. In the annual policy statement of April 2001, it was announced that at a subsequent stage, interest would be paid at the Bank Rate. It has now been decided that with effect from the fortnight beginning November 3, 2001, all Scheduled Commercial Banks will be paid interest at the Bank Rate on eligible cash balances maintained with Reserve Bank under provisio to Section 42(1) and 42(1A) of Reserve Bank of India Act, 1934.

Yours faithfully,

Sd/-

(R. C. Mittal)
General Manager.

Encls : 3

Endt. DBOD No. BC. 675 / 12.01.001/2001-02 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 -in- Charge, Department of Banking Supervision, Reserve Bank of India, Central Office, Mumbai,
4. The Adviser-in-Charge, Department of 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, Monetary Policy Department, Reserve Bank of India, Central Office, Mumbai 400 001, with reference to their circular No.MPD BC 210/07.01.279/2001-02 dated October 22, 2001.

(Sudarsan Oram)
Deputy General Manager

Telegrams

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DBOD.No.BC. 33 /12.01.001/2001-02

October 22, 2001
Ashwin 30,1923 (Saka)

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)(the Act) and in supersession of its Notification DBOD No.BC.121/12.01.001/2000-01 dated May 12, 2001 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 (i.e. the fortnight beginning from)	CRR on net demand and time liabilities (percent)
November 3, 2001	5.75
December 29, 2001	5.50

2. The Reserve Bank of India further directs that all exemptions granted to Scheduled Commercial Banks (excluding Regional Rural Banks) under Sub-section (7) of Section 42 of the Reserve Bank of India Act, 1934 (2 of 1934), stand withdrawn with effect from November 3, 2001, except liabilities as computed under clause (d) of Explanation to Sub-section (1) of Section 42, ibid. and as provided under Notifications issued vide DBOD.No.BC.45/12.01.001/96-97 dated April 15, 1997 and vide DBOD No.BC.102/12.01.001/2000-2001 dated April 19,2001.

(K.L.Khetarpaul)
Executive Director

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DBOD.No.BC. 45 /12.01.001/96-97

April 15,1997,
Chaitra 25, 1919 (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) Reserve Bank of India hereby exempts with from the fortnight beginning April 26, 1997, every scheduled commercial bank (excluding Regional Rural Banks) from maintenance of average Cash Reserve Ratio (CRR) specified in the Notification DBOD.No.BC. 140/12.01.001/96-97 dated 19, October, 1996, with reference to its liabilities as computed under clause (d) of Explanation to Sub-section(1) of Section 42, *ibid*.

2. The exemption stipulated above shall be subject to the CRR maintained by a scheduled commercial bank at not less than 3 percent of its total of the demand and time liabilities as computed under section 42 (1) of the Reserve Bank of India Act, 1934.

(J.R. Prabhu)
Executive Director

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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 its 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 percent of total of demand and time liabilities in India.

(K.L.Khetarpaul)
Executive Director