

Interest Rate on FCNR(B) Deposits

**Reserve Bank of India
Central Office
Department of Banking Operations and Development
Centre - 1, World Trade Centre
Cuffe Parade, Colaba, Mumbai - 400 005**

October 8, 2002

Ref. DBOD No. Dir. BC. 31/13.03.00/2002-03

All Scheduled Commercial Banks
(excluding RRBs & LABs)

Dear Sir,

Interest Rate on FCNR(B) Deposits

Please refer to our circular DBOD No. Dir. BC. 98/13.03.00/01-02 dated 29 April 2002 advising therein that in respect of FCNR(B) deposits for a maturity of 1-3 years, banks may offer fixed and floating rates of interest within the ceiling rate of LIBOR/SWAPS rates for the respective currency/corresponding maturities minus 25 basis points. In the context of difficulties experienced by banks in charging of interest at 25 basis points lower than LIBOR on Yen deposits, the matter has been reviewed by us and it has been decided that in respect of Yen deposits, banks may have the freedom to set the FCNR(B) deposit rates which may be equal or less than LIBOR. The other provisions of our above directive remain unchanged.

2. An amending Directive DBOD No. Dir. BC. 30/13.03.00/02-03 dated October 8, 2002 is enclosed.

3. Please acknowledge receipt.

Yours faithfully,

(R.C. Agrawal)
General Manager

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**Foreign Currency (Non-Resident)
Accounts (Banks) Scheme**

In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act, 1949, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that item (a) of Bank's Directive DBOD No. Dir. BC. 97/13.03.00/2001-02 dated April 29, 2002 shall be substituted by the following:

**Interest rates applicable to deposits accepted under
Foreign Currency Non-Resident Accounts (Banks) Scheme**

- (a) In respect of deposits of one year and above, interest shall be paid within the ceiling rate of LIBOR/SWAP rates for the respective currency / corresponding maturities minus 25 basis points. On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency/maturity minus 25 basis points. For floating rate deposits, the interest reset period shall be six months. However, in respect of Yen deposits, banks have the freedom to set the FCNR (B) deposit rates which may be equal or less than LIBOR.

2. The other provisions of the Master Directive DBOD No.Dir.BC. 09/13.03.00/ 01-02 dated 11 August 2001 shall remain unchanged.

(K.L. Khetarpaul)
Executive Director