

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

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

**October 29, 2002
Kartika 7, 1924 (saka)**

DBOD.No.BC. 35/12.01.001/2002-03

**To All Scheduled Commercial Banks
(Excluding Regional Rural Banks and Local
Area Banks)**

Dear Sir,

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

Please refer to paragraphs 61 and 62 of the Governor's statement on Mid-term Review of Monetary and Credit Policy for the year 2002-03 (circular No. MPD BC 222/ 07.01.279/ 2002-03 dated October 29, 2002) regarding maintenance of Cash Reserve Ratio (CRR) and payment of interest thereon. In this connection, we advise as under:

(a) Reduction in Maintenance of Cash Reserve Ratio (CRR)

All Scheduled Commercial Banks are at present required to maintain with Reserve Bank of India a Cash Reserve Ratio (CRR) of 5.00 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 0.25 percentage point from 5.00 per cent to 4.75 per cent from the fortnight beginning November 16, 2002. A copy of the relevant notification DBOD No.BC34/12.01.001/2002-03 dated October 29, 2002 issued in this regard is enclosed.

(b) Daily Minimum Cash Reserve Ratio Maintenance Requirement

As per the extant instructions, all Scheduled Commercial Banks are required to maintain a minimum level of 50 per cent of CRR requirement for the first 7 days of the reporting fortnight and a minimum of 65 per cent for the rest of the fortnight. It has been decided that banks will be required to maintain a minimum of **80 per cent of CRR requirement on daily basis during the fortnight**. The maintenance of minimum level of 80 per cent will be applicable to all the days of the fortnight including the reporting Friday and will come into force with effect from the fortnight beginning November 16, 2002.

2. Please acknowledge receipt.

Yours faithfully,

(R.C.Mittal)
General Manager.

Encl: 1

Notification

Reserve Bank of India
Central Office
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Cuffe Parade, Colaba, Mumbai - 400 005

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DBOD.No.BC. 34/12.01.001/2002-03

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 DBOD No.BC.103/12.01.001/2001-02 dated May 18, 2002, the Reserve Bank of India hereby specifies that the average Cash Reserve Ratio (CRR) required to be maintained by Scheduled Commercial Banks shall be at 4.75 per cent effective from the fortnight beginning November 16, 2002.

However, 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, *ibid*.

(K.L. Khetarpaul)
Executive Director

**Penal Rate of Interest on shortfall
in the maintenance of CRR/SLR**

October. 29, 2002

DBOD No.BC. 36 /12.02.001/2002-03

All Scheduled Commercial Banks

Dear Sir,

**Penal Rate of Interest on shortfall
in the maintenance of CRR/SLR**

We invite your attention to circular No. MPD BC .224/ 07.01.279/ 2002-03 dated October 29, 2002 issued by our Monetary Policy Department, in terms of which the Bank Rate has been reduced by one quarter of one percentage point i.e., from 6.50 per cent per annum to 6.25 per cent per annum with effect from the close of business on October 29, 2002. Consequently, the penal rate of interest charged on the amount of shortfalls in the maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) which is linked to Bank Rate,

stands revised as indicated in Item 10 of the circular referred to above from the close of business on October 29, 2002.

Yours faithfully,

(R.C.Mittal)
General Manager