

Deposits under Non- Resident (External) Rupee (NRE) Accounts Scheme

BPD.PCB.Cir. 49 / 13.01.00/ 2002-03

April 29,2003

All Primary (Urban) Co-operative Banks

Dear Sir / Madam,

**Deposits under Non- Resident (External)
Rupee (NRE) Accounts Scheme**

Please refer to our circular UBD. No. PCB. Cir. 70/ 13.01.00 / 93-94 dated May 14, 1994, in terms of which the minimum maturity period of a term deposit under this Scheme was raised from 46 days to 6 months.

2. As indicated in paragraph Nos. 84 and 85 of the Governor's Statement dated April 29,2003 on 'Monetary and Credit Policy for the year 2003-04' (copy of the paragraphs enclosed), it has been decided to provide uniformity in the maturity structure for all types of repatriable deposits whether they are in foreign currency or in rupees. Accordingly, the primary (urban) co-operative banks which have been authorised by Reserve Bank of India to accept deposits under Non-Resident (External) Rupee Accounts Scheme are advised that :

- the maturity period of fresh NRE deposits, with immediate effect, will normally be one year to three years. This will also apply to NRE deposits renewed after their present maturity period.
- In case a particular bank, from its Asset Liability Management point of view, wishes to accept such deposits with maturity of more than 3 years, it may do so provided the interest rate on such long term deposits is not higher than that applicable to 3 year NRE deposits.

3. Amending directive UBD.No. BPD.PCB. Dir. 10 / 13.01.00 / 2002-03 dated April 29, 2003 is enclosed.

4. All other instructions contained in our directive No. UBD. DC.102/ V.1/86-87 dated June 25, 1987 as amended from time to time shall remain unchanged.

5. Please acknowledge receipt to our concerned Regional Office.

Yours faithfully,

**(K.V.Rajan)
Chief General Manager**

BPD. PCB. Dir. 10 /13.01.00 / 2002-03

April 29, 2003

Deposits under Non- Resident (External) Rupee (NRE) Accounts Scheme

In exercise of the powers conferred by Sections 21 and 35 A read with Section 56 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) and in modification of the directive No. UBD. DC.102/ V.1/86-87 dated June 25, 1987 as amended from time to time relating to deposits accepted under Non-Resident (External) Rupee (NRE) Accounts Scheme, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest to do so, hereby directs that with effect from 29 April, 2003, the maturity period of fresh NRE deposits will normally be one year to three years. This will also apply to NRE deposits renewed after their present maturity period. In case a particular bank, from its Asset Liability Management point of view, wishes to accept such deposits with maturity of more than 3 years, it may do so provided the interest rate on such long term deposits is not higher than that applicable to 3 year NRE deposits.

2. Accordingly, Annex-II of the directive No. UBD. DC.102/ V.1/86-87 dated June 25, 1987 may be amended. All other provisions shall remain unchanged.

(N. Sadasivan)
Executive Director

Extract from Governor's Statement on Monetary and Credit Policy for the year 2003-04

(b) Non-Resident External (NRE) Deposits

84. At present, banks can offer FCNR (B) deposits in foreign currency and non-resident external (NRE) deposits in domestic currency to non-resident Indians. Both schemes are now fully repatriable. Whereas the maturity period in case of FCNR(B) scheme is 1-3 years, in case of NRE deposits, the minimum maturity is 6 months. Banks are free to offer fixed and floating rates in both the schemes. The interest rates on FCNR(B) deposits are subject to a ceiling of LIBOR / Swap rates for the corresponding maturities minus 25 basis points, and thus conform to global interest rates in foreign currency deposits in US dollars, pound sterling, euro etc. Similarly, the interest rates offered by banks on NRE rupee deposits are also more or less at par with domestic interest rates on rupee deposits.

85. In order to provide uniformity in the maturity structure for all types of repatriable deposits whether they are in foreign currency or in rupees, it is proposed that :

- The maturity period of fresh NRE deposits, with immediate effect, will be 1 to 3 years in line with FCNR (B) deposits. This will also apply to NRE deposits renewed after their present maturity period.