

Residuary Non-Banking Companies (RNBCs) - Interest rate on NRE Deposits

DNBS (PD) C.C. No.31 / 02.01 / 2003-04
September 19, 2003

To

All Residuary Non-Banking Companies

Dear Sirs,

**Residuary Non-Banking Companies (RNBCs) -
Interest rate on NRE Deposits**

It has been decided that, keeping in view the prevailing interest rates on fresh repatriable deposits accepted from non resident Indians in the entire financial system, the rate of interest which the RNBCs can pay on such deposits should also be the same as is payable by the scheduled commercial banks on these deposits. It may be recalled that the scheduled commercial banks can pay interest on these deposits contracted in India for one to three years from the close of business on September 15, 2003 shall not exceed 100 basis points above the LIBOR/SWAP rates for US dollar of the corresponding maturity on fresh rapatriable NRE deposits. These instructions would also be applicable to such deposits renewed hereafter. (A copy of circular DBOD No. Dir. BC 25 / 13.01.09 / 2003-04 dated September 15, 2003 addressed to scheduled commercial banks is enclosed for ready reference.)

2. Other terms and conditions contained in Notification No. FEMA. 5 / 2000-RB dated May 03, 2000 remain unchanged. It may be clarified that the RNBCs are not allowed to accept deposits for a period less than one year. However, the maximum period for NRE deposits would be three years as specified in the FEMA Notification, ibid.

3. In future also, as and when the interest rate for NRE deposits is revised by the Reserve Bank of India for scheduled commercial banks, that rate would ipso-facto be applicable to RNBCs also.

4. You are requested to ensure meticulous compliance with the above directions. A copy of the Notification No. 176 amending the provisions of Residuary Non-Banking Companies (Reserve Bank) Directions, 1987 contained in Notification No.DFC.55/DG(O)-87 dated the 15th May 1987 is enclosed.

Yours faithfully

(O. P. Aggarwal)
Chief General Manager-in-Charge

RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING SUPERVISION
CENTRAL OFFICE
CENTRE I, WORLD TRADE CENTRE
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NOTIFICATION No. DNBS.176/CGM(OPA)-2003 dated September 19, 2003

The Reserve Bank of India, having considered it necessary in the public interest and being satisfied that for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Residuary Non-Banking Companies (Reserve Bank) Directions, 1987, in exercise of the powers conferred by sections 45J, 45K, 45L and 45MA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said directions contained in Notification No.DFC.55/DG(O)-87 dated the 15th May 1987 shall stand amended with immediate effect, as follows, –

In paragraph 5, paragraph 5A shall be added, namely -

“5A On and from September 19, 2003, no residuary non-banking company shall invite or accept or renew repatriable deposits from Non-Resident Indians in terms of Notification No.FEMA.5/2000-RB dated May 03, 2000 under Non-Resident (External) Account Scheme at a rate exceeding the rate specified by the Reserve Bank of India for such deposits with scheduled commercial banks.

Explanation

The period of above deposits shall be not less than one year and not more than three years.”

(O. P. Aggarwal)
Chief General Manager-in-Charge

Department of Non-Banking Supervision
Central Office - Policy Division

Prescription of interest rate on NRE deposits accepted by residuary non-banking companies (RNBCs)

In terms of a decision taken by DGs' Committee we have instructions to non-banking financial companies and miscellaneous banking companies that interest rate on NRE deposits on fresh repatriable NRE deposits to be accepted by them on and from the commencement of business on September 18, 2003, would be the same as is specified by Reserve Bank of India for scheduled commercial banks.

2. We observe that RNBCs are permitted to offer interest rate on their deposits as under :

Type of deposit schemes	Rate of return (on and from April 1, 2003)
(a) daily deposit schemes	not less than 3.5% p. a.
(b) deposits received in lump sum or at monthly or longer intervals	not less than 5% p. a.

3. RNBCs is the only class of NBFCs for which minimum rate of return has been prescribed. In case we prescribe a ceiling rate of interest on NRE deposits for them, it would be appearing incongruous.
4. There are only 5 RNBCs and according to information available with us, none of them has accepted deposits from NRIs. However they are entitled to accept deposits from NRI under NRE Deposit Scheme as provided for in FEMA Notification of May 3, 2000. As such, for abundant precaution, it would be fit that RNBCs may also be covered by the stipulation regarding the cap on interest rate on NRE deposits, on the similar lines as that of the banks and NBFCs.
5. Draft company circular and notification are placed below for approval please. We would not issue any press release for these companies. As there are only 5

recognised RNBCs, we would forward a copy of the circular to each of them through our ROs for their compliance.