

RESERVE BANK OF INDIA**CENTRAL OFFICE****DEPARTMENT OF BANKING OPERATIONS AND DEVELOPMENT**

CENTRE - 1, WORLD TRADE CENTRE

CUFFE PARADE, COLABA, MUMBAI - 400 005

RBI/2004/151

DBOD. No. Dir. BC.76/13.01.09/2003-04

April 17, 2004

All Scheduled Commercial Banks
(excluding RRBs and LABs)

Dear Sir,

**Interest rates on Deposits under Non Resident
(External) Rupee Account (NRE Accounts)**

Please refer to Annexures I and II to our Master Circular DBOD. Dir. BC. 11/13.03.00/2003-04 dated August 14, 2003 as amended from time to time specifying interest rates on deposits of money accepted or renewed under different categories of deposit accounts. It has been decided to effect the undernoted changes in the interest rate on NRE Term and Savings Deposits:

2. (i) Interest rate on NRE Term Deposit Accounts

In terms of our circular DBOD. No. Dir. BC. 36/13.01.09/2003-04 dated October 18, 2003 the interest rates on Non Resident (External) Rupee (NRE) Deposits for one to three years maturity, contracted effective close of business in India on October 18, 2003, should not exceed 25 basis points above LIBOR/SWAP rates for US dollar of corresponding maturity. On a review, it has now been decided that, until further notice, the interest rates on NRE Deposits for one to three years maturity, contracted effective close of business in India on April 17, 2004, should not exceed the LIBOR/SWAP rates for US dollar of corresponding maturity.

The interest rates as determined above for three-year deposits would also be applicable in case the maturity period exceeds three years.

The changes in interest rates will also apply to NRE deposits renewed after their present maturity period.

**(ii) Interest Rate on NRE
Savings Deposit Accounts**

With a view to aligning interest rates on various categories of NRE deposits, it has been decided to link the interest rate on NRE savings deposits also to LIBOR/SWAP rates with effect from close of business in India on April 17, 2004.

The interest rates on NRE savings deposits should not exceed the LIBOR/SWAP rate for six months maturity on US dollar deposits and may be fixed quarterly on the basis of the LIBOR/SWAP rate of US dollar on the last working day of the preceding quarter. For the quarter April-June 2004, the US dollar LIBOR/SWAP rate as on the last working day of March 2004 would be applicable.

(iii) Advance against NRE Savings Deposits

It is clarified that since the account holder of NRE savings deposits can withdraw savings deposits at any time, banks should not mark any type of lien, direct or indirect, against these deposits.

3. An amending directive DBOD No. Dir. BC.75/13.01.09/2003-04 dated April 17, 2004 is enclosed.

4. The other instructions contained in our Master Circular DBOD. No. Dir.BC. 11/13.03.00/2003-04 dated August 14, 2003 as amended from time to time shall remain unchanged.

Yours faithfully,

(Prashant Saran)
Chief General Manager

Encl: as above