

RBI / 2004-05 / 47  
Ref No. DBOD. Dir. BC. 9 /13.03.00/2004-05

July 16, 2004

All Commercial Banks  
(Excluding Regional Rural Banks)

Dear Sir,

**Master Circular on Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident (NRO) and Non-Resident (External) (NRE) Accounts**

As you are aware, Reserve Bank of India has issued a Master Circular on Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident (NRO) and Non-Resident (External) (NRE) Accounts vide DBOD No. Dir. BC. 11/13.03.00/2003-04 dated August 14, 2003. Certain amendments have also been made thereto from time to time. In order to enable the banks to have all existing instructions on the subject at one place, a Master Circular has been prepared by incorporating the instructions issued upto June 30, 2004 and has been placed on the RBI website (<http://www.rbi.org.in>).

2. It may be noted that the instructions contained in the directives/circulars listed in Annexure VI have been incorporated in the Master Circular.

Yours faithfully,

**( Prashant Saran )**  
**Chief General Manager**

Encls: As above

**Master Circular on Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident (NRO), and Non-Resident (External) (NRE) Accounts**

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**Master Circular on Interest Rates on Rupee Deposits held  
in Domestic, Ordinary Non-Resident (NRO) and  
Non-Resident (External) (NRE) Accounts**

Commercial banks should not pay interest on deposits of money accepted or renewed by them in Domestic, Ordinary Non-Resident (NRO) and Non-Resident (External) Accounts (NRE) except in accordance with the rates as specified in the Annexures I and II hereto, whichever is applicable, and on the terms and conditions specified in the paragraphs below:

**1. Definitions**

For the purpose of this circular,

- (a) "Demand liabilities" and "Time liabilities" means the liabilities as shown in the return submitted by the bank under sub-section (2) of Section 42 of the Reserve Bank of India Act, 1934;
- (b) "Demand deposit" means a deposit received by the bank, which is withdrawable on demand;
- (c) "Savings deposit" means a form of demand deposit which is a deposit account whether designated as "Savings Account", "Savings Bank Account", "Savings Deposit Account" or other account by whatever name called which is subject to the restrictions as to the number of withdrawals as also the amounts of withdrawals permitted by the bank during any specified period;
- (d) "Term deposit" means a deposit received by the bank for a fixed period and which is withdrawable only after the expiry of the said fixed period and shall also include deposits such as Recurring/Cumulative/Annuity/Reinvestment deposits, Cash Certificates, and so on;
- (e) "Notice deposit" means term deposit for specific period but withdrawable on giving at least one complete banking day's notice;
- (f) "Current Account" means a form of demand deposit wherefrom withdrawals are allowed any number of times depending upon the balance in the account or upto a particular agreed amount and shall also be deemed to include other deposit accounts which are neither Savings Deposit nor Term Deposit;
- (g) "Countervailing interest" means any benefit of interest allowed on any account in the nature of current account maintained with the bank by its borrower;
- (h) "Budgetary allocation" means the allocation of funds by the Government made through the budget, wherein all the Government's expenditure is reflected. Any institution, irrespective of the fact that it is a Government Department, Semi-Government or Quasi-Government Body, which

receives grants, loans or subsidies from the Government is said to depend on budgetary allocation. Government grants to institutions are also in the nature of the budgetary allocation. Government's subscription to the share capital of these institutions also forms part of the budgetary allocation. Local bodies like Municipal Corporations, Zilla Parishads, Taluka Panchayats and Gram Panchayats are given grants in the nature of 'compensation and assignments', which also form part of budgetary allocation, although taxes collected by these bodies are not covered under the definition and scope of budgetary allocation of Central and State Governments;

- (i) "Public Sector Bank" means the State Bank of India constituted under the State Bank of India Act, 1955 or any subsidiary bank as defined in clause (k) of Section 2 of the State Bank of India (Subsidiary Banks) Act, 1959 or any corresponding new bank as defined in clause (b) of Section 2 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980.

**Note:** NRO/NRE deposits can be accepted only by banks, which are authorized by Reserve Bank to accept such deposits.

**2. Rates of interest payable on Savings deposits and on term deposits of not less than 15 days (7 days in the case of term deposits of Rs. 15 lakh and above and 1 year in the case of NRE deposits)**

- (i) Bank should pay interest on savings deposits and term deposits at the rates specified in the Annexures I & II to this circular. On Domestic Term Deposits, a bank may offer floating rate clearly linked to an anchor rate. A bank must obtain prior approval of its Board/Asset Liability Management Committee (if powers are delegated by the Board) for fixing interest rates of various maturities.
- (ii) Such interest should be paid at quarterly or longer rests.
- (iii) In the case of savings deposits, interest should be calculated on the minimum balance to the credit of the deposit account during the period from the 10<sup>th</sup> to the last day of each calendar month and credited to the account only when it is Re.1/- or more.
- (iv) 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.
- (v) Interest rates on NRE deposits for one to three years 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

LIBOR/SWAP rates as on the last working day of the preceding month would form the base for fixing ceiling rates for the interest rates that would be offered effective from the following month. The interest rates as determined above for three year deposits would also be applicable in case the maturity period exceeds three years.

### **3. Payment of interest on fixed deposit - Method of calculation of interest**

Indian Banks' Association (IBA) Code for Banking Practice is issued by IBA for uniform adoption by the Member Banks. The Code is intended to promote good banking practices by setting out minimum standards which Member Banks will follow in their dealings with customers. IBA, for the purpose of calculation of interest on domestic term deposit, have prescribed that on deposits repayable in less than three months or where the terminal quarter is incomplete, interest should be paid proportionately for the actual number of days reckoning the year at 365 days. It has been reported to us that some of the banks are adopting the method of reckoning the year at 366 days / 365 days in Leap year and in other years respectively. While banks are free to adopt their methodology, they should provide information to their depositors about the manner of calculation of interest appropriately while accepting the deposits and display the same at their branches.

### **4. Additional interest to Army Group Insurance Directorate (AGID) Naval Group Insurance Fund (NGIF) and Air-Force Group Insurance Society (AFGIS)**

A Public Sector Bank is permitted to pay additional interest of 1.28 per cent per annum over and above the normal rate of interest permissible in terms of directives on interest rates on deposits issued by Reserve Bank of India, from time to time, on term deposits for 2 years and above of Army Group Insurance Directorate (AGID), Naval Group Insurance Fund (NGIF) and Air-Force Group Insurance Society (AFGIS) only, provided such deposits are not in any way linked with payment of insurance premia by the bank.

### **5. Discretion to Regional Rural Banks/Local Area Banks to pay additional interest**

Regional Rural Banks/Local Area Banks may, at their discretion, allow additional interest of half percent per annum on savings deposits. These banks are, however, encouraged not to pay any additional interest on saving bank accounts over and above what is payable by commercial banks.

### **6. Discretion to pay additional interest not exceeding one per cent on deposits of bank's staff and their exclusive associations**

A bank may, at its discretion, allow additional interest at a rate not exceeding one per cent per annum over and above the rate of interest stipulated in the Annexures I & II to this circular subject to following conditions:

- (1) in respect of a savings or a term deposit account opened in the name of:

- (a) a member or a retired member of the bank's staff, either singly or jointly with any member or members of his/her family; or
- (b) the spouse of a deceased member or a deceased retired member of the bank's staff; and
- (c) an Association or a fund, members of which are the members of the bank's staff;

A bank should obtain a declaration from the depositor concerned, that the monies deposited or which may, from time to time, be deposited into such account belong to the depositor as stated in clauses (a) to (c) above.

(2) For the purposes of sub-paragraph (1) -

- (i) "a member of the bank's staff" means a person employed on a regular basis, whether full-time or part-time and includes a person recruited on probation or employed on a contract of a specified duration or on deputation and an employee taken over in pursuance of any scheme of amalgamation, but does not include a person employed on casual basis.
    - (a) In the case of employees taken on deputation from another bank, the bank from which they are deputed may allow additional interest in respect of the savings or term deposit account opened with it during the same period of deputation.
    - (b) In the case of persons taken on deputation for a fixed duration, or on a contract of a fixed duration, the benefit will cease to accrue on the expiry of the term of deputation or contract, as the case may be.
  - (ii) "a retired member of the bank's staff" means an employee retiring whether on superannuation or otherwise as provided in bank's Service/Staff Regulations, but does not include an employee retired compulsorily or in consequence of disciplinary action;
  - (iii) "family" means and includes the spouse of the member/retired member of the bank's staff and the children, parents, brothers and sisters of the member/retired member of the bank's staff, who are dependent on such member/retired member, but does not include legally separated spouse;
- (3) Payment of additional interest will be subject to the following conditions, namely:
- (i) The additional interest will be payable only so long as the person continues to be eligible for the same and in case of his ceasing to be so eligible, till the maturity of a term deposit account;
  - (ii) In the case of employees taken over pursuant to the scheme of amalgamation, the additional interest will be allowed only if the interest at the contractual rate together with the additional interest does not exceed

the rate which could have been allowed if such employees were originally employed by the bank.

- (4) Bank Employees' Federations in which bank employees are not direct members will not be eligible for additional interest.

**7. Discretion to pay additional interest not exceeding one per cent on deposits of Chairman and Managing Director and Executive Directors of the bank**

A bank may, at its discretion, pay additional interest not exceeding one per cent per annum over and above the rate of interest stipulated in the Annexures I & II to this circular on deposits accepted/renewed from Chairman, Chairman & Managing Director, Executive Director or such other Executive appointed for a fixed tenure and are not eligible to get similar benefit under paragraph 6 above, only during the period of their tenure.

**8. Discretion to pay interest on current accounts maintained by Regional Rural Banks with sponsor banks**

Banks may pay interest on current account of a Regional Rural Bank sponsored by them. However, the banks are encouraged not to pay interest on the current accounts maintained by RRBs with them.

**9. Discretion to pay interest on the minimum credit balance in the composite cash credit account of a farmer**

A bank may, at its discretion, pay interest at a rate based on its perception and other relevant factors on the minimum credit balance in the composite cash credit account of a farmer during the period from the 10<sup>th</sup> to the last day of each calendar month.

**10. Deposit Scheme for Senior Citizens**

The banks have been permitted to formulate, with the approval of their Boards of Directors, fixed deposit schemes specifically for senior citizens offering higher and fixed rates of interest as compared to normal deposits of any size. These schemes should also incorporate simplified procedures for automatic transfer of deposits to nominee of such depositors in the event of death.

**11. Premature withdrawal of term deposit**

- (i) A bank, on request from the depositor, should allow withdrawal of a term deposit before completion of the period of the deposit agreed upon at the time of making the deposit. The bank will have the freedom to determine its own penal interest rate of premature withdrawal of term deposits. The bank will ensure that the depositors are made aware of the applicable penal rate along with the deposit rate. However, the bank, at its discretion, may disallow premature withdrawal of large deposits held by entities other than individuals and Hindu Undivided Families. Bank should, however, notify such depositors of its policy of disallowing



premature withdrawal in advance, i.e., at the time of accepting such deposits.

- (ii) In the case of premature withdrawal of NRE term deposit for conversion into Resident Foreign Currency (RFC) Account, the bank should not levy any penalty for premature withdrawal. If such a deposit has not run for a minimum period of 1 year, the bank may, at its discretion, pay interest at a rate not exceeding the rate payable on savings deposits held in RFC accounts, provided request for such a conversion is made by NRE account holder immediately on return to India.
- (iii) Conversion of NRE deposit into FCNR(B) deposit and vice versa before maturity should be subject to the penal provision relating to premature withdrawal.
- (iv) Conversion of NRSR/NRNR deposit into NRO deposit before maturity will be subject to the penal provision relating to premature withdrawal.
- (v) In view of the discontinuance of NRNR/NRSR schemes with effect from April 1, 2002 the proceeds of NRNR deposits can be credited to NRE accounts on maturity but not to FCNR(B) accounts, while proceeds of NRSR accounts can be credited on maturity to NRO accounts only. In case of premature withdrawal of NRNR/NRSR deposits, the proceeds should be credited to NRO accounts only.

**12. Conversion of a term deposit, a deposit in the form of daily deposit or a recurring deposit for reinvestment in term deposit**

A bank, on a request from the depositor, should allow conversion of a term deposit, a deposit in the form of daily deposit or recurring deposit, to enable the depositor to immediately reinvest the amount lying in the aforesaid deposits with the same bank in another term deposit. The bank should pay interest in respect of such a term deposit in the manner indicated in paragraph 11 above without reducing the interest by way of penalty as stated in the said paragraph provided that the deposit remains with the bank after reinvestment for a period longer than the remaining period of the original contract.

**13. Renewal of Overdue deposits**

All aspects concerning renewal of overdue deposits may be decided by individual banks subject to their Board laying down a transparent policy in this regard and the customers being notified of the terms and conditions of renewal including interest rates, at the time of acceptance of deposit. The policy should be non-discretionary and non-discriminatory.

**14. Advance against term deposit - Manner of charging interest**

- (a) When an advance is granted against a term deposit and the deposit stands in the name of -
  - (i) the borrower, either singly or jointly;

- (ii) one of the partners of a partnership firm and the advance is made to the said firm;
- (iii) the proprietor of a proprietary concern and the advance is made to such a concern;
- (iv) a ward whose guardian is competent to borrow on behalf of the ward and where the advance is made to the guardian of the ward in such a capacity;

the bank would be free to charge interest rate without reference to its Benchmark Prime Lending Rate (BPLR) including on advances granted against NRE term deposits and repaid in Foreign Currency or Rupees.

If the term deposit against which an advance was granted is withdrawn before completion of the prescribed minimum maturity period, such an advance should not be treated as advance against the term deposit and interest should be charged as prescribed in terms of the Reserve Bank of India's Directive on Interest Rates on Advances issued from time to time.

- (b) When an advance is granted against a term deposit which is not in the nature of those at items (i) to (iv) in sub-clause (a) above a bank would be free to charge interest rate without reference to the Benchmark Prime Lending Rate, provided the advance is upto Rs.2 lakh. However, if the advance exceeds Rs. 2 lakh, bank should charge interest at the rate prescribed in terms of Reserve Bank of India's directive relating to interest rates on advances issued from time to time.

A bank, at its discretion, may not apply the rate of interest as stipulated at (a) above in the case of advances upto Rs.3 lakh granted to a member/retired member of the bank's staff or the spouse of a deceased member/retired member of the bank's staff against their term deposits specified in paragraph 6 above.

- (c) The account holder of NRE savings deposits can withdraw savings deposit at any time and therefore, bank should not mark any type of lien, direct or indirect, against these deposits. ( As regards domestic saving deposits, banks may follow the guidelines issued by IBA / existing practices approved by their Board in this regard. )

#### **15. Margin on advance against term deposit**

The decision in regard to margin against term deposit has been left to the discretion of individual banks subject to their Board laying down a transparent policy in this regard.

#### **16. Interest payable on the deposit account of deceased depositor**

- (a) In the case of a term deposit standing in the name/s of
  - (1) a deceased individual depositor, or

- (2) two or more joint depositors, where one of the depositor has died,

The criterion for payment of interest on matured deposits in the event of death of the depositor in the above cases has been left to the discretion of individual banks subject to their Board laying down a transparent policy in this regard.

- (b) In the case of balances lying in current account standing in the name of a deceased individual depositor/sole proprietorship concern, interest should be paid only from 1<sup>st</sup> May 1983 or from the date of death of the depositor, whichever is later, till the date of repayment to the claimant/s at the rate of interest applicable to savings deposit as on the date of payment.

**Note:** In the case of NRE deposit, when the claimants are residents, the deposit on maturity should be treated as domestic rupee deposit and interest be paid for the subsequent period at a rate applicable to the domestic deposit of a similar maturity.

#### **17. Notifying RBI regarding change in interest on deposits and also the break-up of deposits according to different interest rate ranges**

As per the extant instructions issued in September 1997 as and when deposit rate structure and PLR are revised, banks are required to furnish the same to RBI, Department of Banking Operations and Development (DBOD) in the prescribed proforma (Return No. 7 of Manual of Instructions). Since the banks are submitting similar information to our Monetary Policy Department, submission of the return to DBOD has been discontinued.

#### **18. Addition or deletion of the name/s of joint account holders**

A bank may at the request of all the joint account holders allow the addition or deletion of name/s of joint account holder/s if the circumstances so warrant or allow an individual depositor to add the name of another person as a joint account holder. However, in no case should the amount or duration of the original deposit undergo a change in any manner in case the deposit is a term deposit.

A bank may, at its discretion, and at the request of all the joint account holders of a deposit receipt, allow the splitting up of the joint deposit, in the name of each of the joint account holders only, provided that the period and the aggregate amount of the deposit do not undergo any change.

**Note:** NRE deposit should be held jointly with a non-resident only. NRO accounts may be held by non-residents jointly with residents.

#### **19. Rounding off of transactions**

All transactions including payment of interest on deposits/charging of interest on advances should be rounded off to the nearest rupee; i.e., fraction of 50 paise and above shall be rounded off to the next higher rupee and fraction of less than 50 paise shall be ignored. Issue prices of cash certificates should also be

rounded off in the same manner. Cheques issued by clients containing fraction of a rupee should not be rejected or dishonoured.

**20. Issue of term deposit receipt**

A bank should issue term deposit receipt indicating therein full details, such as, date of issue, period of deposit, due date, applicable rate of interest, etc.

**21. Payment of interest on term deposit maturing on Sunday/holiday/non-business working day**

In respect of a term deposit maturing for payment on a Sunday or a holiday or a non-business working day, or Saturday in case of NRE deposits, bank should pay interest at the originally contracted rate on the deposit amount for the Sunday/holiday/non-business working day and also Saturday in case of NRE deposits, intervening between the date of the expiry of the specified term of the deposit and the date of payment of the proceeds of the deposit on the succeeding working day.

**22. Deposit Mobilisation Schemes**

Banks need not obtain prior concurrence of the Indian Banks' Association or prior approval of the RBI for introduction of their new domestic deposit mobilisation schemes. However, before launching new domestic deposit mobilisation schemes with the approval of their respective Boards, banks should ensure that the provisions of RBI directives on interest rates on deposits, premature withdrawal of term deposits, sanction of loans/advances against term deposits, etc., issued from time to time, are strictly adhered to. Any violation in this regard will be viewed seriously and may attract penalty under the Banking Regulation Act, 1949.

**23. Minimum balance in savings bank accounts**

At the time of opening the accounts banks should inform their customers in a transparent manner the requirement of maintaining minimum balance and levying of charges etc., if the minimum balance is not maintained. Any charge levied subsequently should be transparently made known to all depositors in advance with one month's notice. The banks should inform, atleast one month in advance, the existing account holders any change in the prescribed minimum balance and the charges that may be levied if the prescribed minimum balance is not maintained.

**24. Exemptions**

The provisions in the above paragraphs will not apply to -

- (i) a deposit received by the bank:
  - (a) from the institutions permitted to participate in the Call/Notice/Term Money Market both as lenders and borrowers (Annexure III);
  - (b) for which it has issued a participation certificate;

- (c) for a period not exceeding 14 days representing money at call or short notice from the institutions permitted to participate in Call/Notice Money Market only as lenders (Annexure IV);
  - (d) under Foreign Currency (Non-Resident) Accounts (Banks) Scheme, Resident Foreign Currency Account and Exchange Earners Foreign Currency Accounts;
  - (e) under the Capital Gains Accounts Scheme, 1988, framed by the Government of India in pursuance of sub-section (2) of Section 54, sub-section (2) of Section 54B, sub-section (2) of Section 54D, sub-section (4) of Section 54F and sub-section (2) of Section 54G of the Income-Tax Act, 1961; and
  - (f) under the Certificate of Deposit Scheme.
- (ii) payment of interest on delayed collection of outstation instruments like cheques, drafts, bills, telegraphic/mail transfers, etc.

## 25. **Prohibitions**

No bank should -

- (a) pay interest on Current Account save as provided in paragraph 8 and 16(b) above;
- (b) pay countervailing interest on any current accounts maintained with it by its borrowers;
- (c) discriminate in the matter of interest paid on deposits, between one deposit and another, accepted on the same date and for the same maturity, whether such deposits are accepted at the same office or at different offices of the bank, except in respect of fixed deposit schemes specifically for resident Indian senior citizens offering higher and fixed rates of interest as compared to normal deposits of any size and single term deposits of Rs. 15 lakh and above on which varying rates of interest may be permitted on the basis of size of deposits. The permission to offer varying rates of interest will be subject to the following conditions:
  - (i) The permission to offer varying rates of interest for deposits of the same maturity will apply to single term deposits of Rs.15 lakh and above. Banks may, therefore, offer same rate of interest or different rates of interest for deposits of Rs.15 lakh and above. For deposits below Rs.15 lakh of the same maturity the same rate will apply.
  - (ii) Banks should disclose in advance the schedule of interest rates payable on deposits including deposits on which differential interest will be paid. Interest rates paid by the bank should be as

per the schedule and should not be subject to negotiation between the depositor and the bank.

- (d) pay brokerage in the form of commission or gift or incentives on deposits in any manner or in any other form to any individual, firm, company, association, institution or any other person except -
  - (i) commission paid to agents employed to collect door-to-door deposits under a special scheme;
  - (ii) inexpensive gifts costing not more than Rs.250/-; and
  - (iii) incentives granted to staff members as approved by the Reserve Bank of India from time to time.
- (e) employ/engage any individual, firm, company, association, institution or any other person for collection of deposit or for selling any other deposit linked products on payment of remuneration or fees or commission in any form or manner, except to the extent permitted in sub-clause (i) of clause (d) above.
- (f) launch prize/lottery/free trips (in India and/or abroad), etc. oriented deposit mobilisation schemes.
- (g) resort to unethical practices of raising of resources through agents/third parties to meet the credit needs of the existing/prospective borrowers or to grant loans to the intermediaries based on the consideration of deposit mobilisation.
- (h) issue any advertisement/literature soliciting deposits from public highlighting only the compounded yield on term deposits without indicating the actual rate of simple interest offered by bank for the particular period. Simple rate of interest per annum for the period of deposit should be indicated invariably.
- (i) pay interest on margin money held in current account.
- (j) pay interest on "deposit at call" receipts issued by it to the tenderers (contractors) for submission to Government Departments/Semi-Quasi Government bodies, local bodies, etc. against the money held in current account.
- (k) accept interest-free deposit other than in current account or pay compensation indirectly.
- (l) accept deposits from/at the instance of private financiers or unincorporated bodies under any arrangement which provides for either issue of deposit receipt/s favouring client/s of private financiers or giving of an authority by power of attorney, nomination or other-wise, for such clients receiving such deposits on maturity.

- (m) grant advances against fixed deposit receipts or other term deposits of other banks.
- (n) (i) open a savings deposit account in the name of Government departments/bodies depending upon budgetary allocations for performance of their functions/Municipal Corporations or Municipal Committees/ Panchayat Samitis/State Housing Boards/Water and Sewerage/Drainage Boards/State Text Book Publishing Corporations/Societies/Metropolitan Development Authority / State/ District Level Housing Co-operative Societies, etc. or any political party or any trading/business or professional concern, whether such concern is a proprietary or a partnership firm or a company or an association.

**Explanation:**

For the purposes of this clause, 'political party' means an association or body of individual citizens of India, which is, or is deemed to be registered with the Election Commission of India as a political party under the Election Symbols (Reservation and Allotment) Order, 1968 as in force for the time being.

- (ii) The above prohibition will not apply in the case of organisations/agencies listed in Annexure V.

**ANNEXURE I****Rates of Interest on Deposits held in Domestic/Ordinary Non-Resident/(NRO) Accounts**

[Per cent per annum]

Category of Account

(i)	Current	Nil
(ii)	Savings	3.5
(iii)	<u>Term Deposits:</u>	
	(a) Below Rs. 15 lakh, 15 days and above	Free
	(b) Rs. 15 lakh and above, 7 days and above	Free

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**ANNEXURE II****Interest rates applicable to deposits held in  
Non-Resident (External) Accounts**

[Per cent per annum]

(i)	Current	Nil
(ii)	Savings account	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 of six months maturity 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)	Term Deposits:	(a) Interest rates on NRE deposits for one to three years contracted effective close of business in India on April 17, 2004 should not exceed the LIBOR/SWAP rates for US dollar of corresponding maturity.
		(b) The LIBOR/SWAP rates as on the last working day of the preceding month would form the base for fixing ceiling rates for the interest rates that would be offered effective from the following month.
		(c) The above changes in interest rates will also apply to repatriable NRE deposits renewed after their present maturity period.
		(d) For the purposes of operational convenience, the interest rates could be rounded off to the nearest decimal point. For example, a computed interest rate of 3.67 per cent would become 3.7 per cent, and 3.64 per cent would become 3.6 per cent.
		(e) The maturity period of fresh NRE deposits, with effect from 29.04.2003 will normally be one year to three years. This will also apply to NRE deposits renewed after their present maturity period.
		(f) In case a particular bank, from its Asset Liability Management point of view, wishes to accept 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.

**ANNEXURE III****List of institutions permitted to participate in the Call/  
Notice/Term Money Market both as lenders and borrowers**

1. All Scheduled Commercial Banks
2. Co-operative Banks other than Land Development Banks
3. Discount and Finance House of India Ltd.
4. Securities Trading Corporation of India Ltd.
5. PNB Gilts Ltd.
6. SBI Gilts Ltd.
7. Gilt Securities Trading Corporation Ltd.
8. ICICI Securities and Finance Company Ltd.
9. ABN Amro Securities (India) Pvt. Ltd.
10. J.P. Morgan Securities India Pvt. Ltd.
11. Kotak Mahindra Capital Company (Unlimited).
12. DSP Merrill Lynch Ltd.
13. Deutsche Securities (India) Pvt. Ltd.
14. IDBI Capital Market Services Ltd.
15. Corpbank Securities Ltd.
16. HSBC Primary Dealership (India) Pvt. Ltd.
17. Standard Chartered-UTI Securities India Pvt. Ltd.
18. Banc of America Securities (India) Pvt. Ltd.
19. BOB Capital Markets Ltd.
20. Citicorp Capital Markets Ltd.

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**ANNEXURE IV****List of institutions permitted to participate in the  
Call/Notice Money Market only as lenders**

1. Life Insurance Corporation of India
2. Unit Trust of India
3. General Insurance Corporation of India and its subsidiaries
4. Industrial Development Bank of India
5. National Bank for Agriculture and Rural Development
6. Industrial Credit and Investment Corporation of India Ltd.
7. Industrial Investment Bank of India
8. Export Credit and Guarantee Corporation of India Ltd.
9. SBI Mutual Fund
10. Canbank Mutual Fund
11. Industrial Finance Corporation of India
12. National Housing Bank
13. Tourism Finance Corporation of India Ltd.
14. Export-Import Bank of India
15. LIC Mutual Fund
16. Small Industries Development Bank of India
17. BOI Mutual Fund
18. Indian Bank Mutual Fund
19. PNB Mutual Fund
20. GIC Mutual Fund
21. BOB Mutual Fund
22. IDBI – Principal Mutual Fund
23. Birla Mutual Fund
24. Morgan Stanley Mutual Fund
25. Shriram Mutual Fund
26. J. M. Mutual Fund
27. Pioneer ITI Mutual Fund Pvt. Ltd.
28. Prudential ICICI Mutual Fund
29. Alliance Capital Mutual Fund
30. Zurich India Mutual Fund
31. Taurus Mutual Fund
32. Tata Mutual Fund
33. Reliance Capital Mutual Fund
34. Jardine Fleming Mutual Fund
35. H. B. Mutual Fund
36. Templeton Mutual Fund
37. Sun F&C Mutual Fund
38. ITC Threadneedle Mutual Fund
39. Escorts Mutual Fund
40. Sundaram Mutual Fund
41. DSP Merrill Lynch Mutual Fund
42. Kotak Mahindra Mutual Fund
43. Infrastructure Leasing and Financial Services Ltd. Mutual Fund
44. Dundee Mutual Fund
45. ING Savings Trust Mutual Fund
46. Chola Mutual Fund

47. Standard Chartered Mutual Fund
  48. HDFC Mutual Fund
  49. ICICI Prudential Life Insurance Company Ltd.
  50. Royal Sundaram Alliance Insurance Ltd.
  51. IFFCO-Tokio General Insurance Company Ltd.
  52. HDFC Standard Life Insurance Company Ltd.
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**ANNEXURE V****List of organisations/bodies to which prohibition contained in  
Clause 22(n)(i) of the directive will not be applicable**

- (1) Primary Co-operative Credit Society which is being financed by the bank.
- (2) Khadi and Village Industries Boards.
- (3) Agriculture Produce Market Committees.
- (4) Societies registered under the Societies Registration Act, 1860 or any other corresponding law in force in State or a Union Territory.
- (5) Companies governed by the Companies Act, 1956 which have been licensed by the Central Government under Section 25 of the said Act, or under the corresponding provision in the Indian Companies Act, 1913 and permitted, not to add to their names the words 'Limited' or the words 'Private Limited'.
- (6) Institutions other than those mentioned in clause 22(n) (i) and whose entire income is exempt from payment of Income-tax under the Income-Tax Act, 1961.
- (7) Government departments / bodies / agencies in respect of grants/ subsidies released for implementation of various programmes / Schemes sponsored by Central Government / State Governments subject to production of an authorization from the respective Central / State Government departments to open savings bank account.
- (8) Development of Women and Children in Rural Areas (DWCRA).
- (9) Self-help Groups (SHGs), registered or unregistered, which are engaged in promoting savings habits among their members.
- (10) Farmers' Clubs – Vikas Volunteer Vahini – VVV.

**Annexure VI****List of directives/circulars instructions which have been incorporated in the Master Circular on Interest Rates on Rupee Deposits held in Domestic/NRO/NRE Accounts**

1.	DBOD No. Dir.BC. 1 / 13.01.09 / 2003-04	17.07.2003
2.	DBOD No. Dir.BC. 2 / 13.01.09 / 2003-04	17.07.2003
3.	DBOD No. Dir.BC. 11 / 13.03.00 / 2003-04	14.8.2003
4.	DBOD No. Dir.BC. 25 / 13.01.09 / 2003-04	15.09.2003
5.	DBOD No. Dir.BC. 26 / 13.01.09 / 2003-04	15.09.2003
6.	DBOD No. Dir.BC. 35 / 13.01.09 / 2003-04	18.10.2003
7.	DBOD No. Dir.BC. 36 / 13.01.09 / 2003-04	18.10.2003
8.	DBOD No. Dir.BC. 68 / 13.03.00 / 2003-04	13.02.2004
9.	DBOD No. Dir.BC. 69 / 13.03.00 / 2003-04	13.02.2004
10.	DBOD No. Dir.BC.75 / 13.01.09 / 2003-04	17.04.2004
11.	DBOD No. Dir.BC.76 / 13.01.09 / 2003-04	17.04.2004
12.	DBOD No. Dir.BC.78 / 13.03.00 / 2003-04	22.04.2004

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