



2. A copy of the relative notification DBOD.No.Ret.BC.40/12.01.001/2004-2005 dated September 11, 2004 is enclosed.

3. Interest on cash balances maintained with Reserve Bank of India under Cash Reserve Ratio

At present, all Scheduled Commercial Banks are paid interest at the Bank Rate on eligible cash balances maintained with Reserve Bank under proviso to Section 42 (1) and 42 (1A) of the Reserve Bank of India Act, 1934. It has now been decided that with effect from fortnight beginning September 18, 2004, the Scheduled Commercial Banks will be paid interest at the rate of 3.5 per cent per annum on eligible cash balances maintained with the Reserve Bank of India under CRR requirement.

4. Please acknowledge receipt.

Yours faithfully,

Sd/-
(T.B. Satyanarayan)
General Manager

Encl :1



DBOD.No.Ret.BC.40/12.01.001/2004-05

**September 11, 2004
Bhadra 20, 1926**

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.98/12.01.001/2002-03 dated April 29, 2003, the Reserve Bank of India hereby specifies that the average Cash Reserve Ratio (CRR) required to be maintained by Scheduled Commercial Banks shall, from effective dates mentioned below, be at the percentage points as indicated thereagainst.

Effective date (ie the fortnight beginning from)	CRR on net demand and time liabilities (per cent)
September 18, 2004	4.75
October 2, 2004	5.00

However, the effective CRR maintained by Scheduled Commercial Banks on total demand and time liabilities shall not be less than 3.00 per cent, as stipulated under the Act, *ibid*.

**Sd/-
(Usha Thorat)
Executive Director**