

RBI/2004/196

RPCD.CO.RF.BC. No. 81 /07.38.01/2003-04

May 12, 2004

All State Co-operative Banks and District Central Co-operative Banks

Dear Sir,

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

Please refer to our Circular RPCD.CO.RF.BC.No.34/07.38.01/2003-04 dated October 18, 2003 specifying interest rates on deposits of money accepted or renewed under different categories of NRE accounts. It has been decided to effect the undernoted changes in the interest rates on NRE Term and Savings Deposits:

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

In terms of our above circular 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 RPCD.RF.Dir.82/07.38.01/2003-04 dated May 12, 2004 is enclosed.

4. The other instructions contained in our Circular RPCD.No. RF. Dir. BC.54/D.1-87/88 dated August 2, 1987 as amended from time to time shall remain unchanged.

5. Kindly acknowledge receipt to our concerned Regional Office.

Yours faithfully,

**(C.S.Murthy)**  
**Chief General Manager In Charge**

Encl: as above

Endt.RPCD.CO.RF.No.1049/07.38.01/2003-04 of date

Copy forwarded for information to:

(As per mailing list)

**(Ipilan Surin)**  
**Deputy General Manager**

May 12, 2004

**Interest Rate on Deposits under Non-Resident (External) Rupee Accounts (NRE Accounts)**

In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) and in modification of our Circular RPCD. No. Dir. BC.54/D.1-87/88 dated November 2, 1987 as amended from time to time on interest rates on deposits, it has been decided to effect the undernoted changes in the interest rates on NRE term and savings deposit Accounts.

**2. i) Interest rate on NRE Term Deposits**

The interest rates on Non-Resident (External) Rupee (NRE) deposits for one to three years maturity, contracted effective close of business in India on April 17, 2004, shall not exceed the LIBOR / SWAP rates for US dollar of corresponding maturity.

The interest rates as determined above shall also be applicable in case the maturity period exceeds three years.

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

**(ii) Interest Rate on Savings Deposits under Non-Resident (External) (NRE) Accounts**

The interest rate on NRE savings deposits shall 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.

**(A.V.Sardesai)  
Executive Director**