

RBI/ 2004 -05 /270

UBD.PCB.Cir.27/13.01.00/2004-05

November 1, 2004

Chief Executive Officers of
All Primary (Urban) Co-operative Banks

Dear Sir,

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

Please refer to the paragraph 71 of the statement on "Mid-term Review of the Annual Policy Statement for the year 2004-05" (copy of the paragraph enclosed).

2. In this context, please refer to item (ii) of Annexure 2 of our Master Circular UBD.11/13.01.00/04-05 dated September 17, 2004 on Interest rates on Rupee deposits. On a review, it has been decided that until further notice, the interest rates on NRE deposits for one to three years maturity contracted **with effect from November 1, 2004** should not exceed the LIBOR/SWAP rates, as on the last working day of the previous month, for US dollar of corresponding maturity **plus 50 basis points**. 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.
3. An amending directive UBD.PCB. Dir. 1/13.01.00/2004-05 dated November 1, 2004 is enclosed.
4. Please acknowledge receipt of this circular to our concerned Regional Office.

Yours faithfully,

(N.S.Vishwanathan)
Chief General Manager

Encls:As above

Extract of Mid- term Review of Annual Policy Statement for the year 2004-05

Interest Rate Policy

(a) Ceiling on Interest Rates on NRE Deposits

71. With a view to aligning interest rates on Non-Resident (External) Rupee (NRE) deposits with international interest rates, ceiling on NRE deposit rates linked to the US dollar LIBOR/SWAP rates of corresponding maturities was introduced effective July 17, 2003. The ceiling interest rates on NRE deposits have since been revised from time to time. On a review, it is proposed:

To raise the ceiling on NRE interest rates to LIBOR/SWAP rates of US dollar of corresponding maturities plus 50 basis points from the existing level of US dollar LIBOR/SWAP rates.