

RBI/2004-05/269
RPCD.No.RRB.BC.56/03.05.33(C)/2004-05

November 01, 2004

All Regional Rural Banks/Sponsor 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 tem 2(i) of our Circular RPCD.No.RRB.BC.89/03.05.33(C)/2003-04 dated June 08, 2004 on the Interest rates on NRE 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 01, 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 RPCD.RRB.DIR.246.03.05.33(C)/2004-05 dated November 01, 2004 is enclosed.

(G. Srinivasan)
Chief General Manager

Encls : 2

"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"

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

In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949, and in modification of our Directive RPCD.No.RRB.DIR. 90/03.05.33(C)/2003-04 dated June 08, 2004 on interest rates on deposits, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that item 2(i) of the aforesaid Directive relating to the interest rates on NRE deposits shall be substituted by the following :

2. The Interest rates on Non-Resident (External) Rupee (NRE) Deposits for one to three years maturity contracted **with effect from November1, 2004** shall not exceed the LIBOR/SWAP rates of the last working day of the previous month for US dollar of corresponding maturities **plus 50 basis points**. The interest rate 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 term deposits renewed after their present maturity period.

(A.V. Sardesai)
Executive Director