

RBI/2004-05/266
RPCD.CO.RF.BC 53 /07.38.01/2004-05

November 1, 2004

All State and District Central Co-operative Banks

Dear Sir,

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

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

2. In this context, please refer to our Circular RPCD.CO.RF. BC. No 81/07.38.01/2003-04 dated May 12, 2004, specifying interest rates on deposits of money accepted or renewed under different categories of NRE accounts. 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 RPCD.RF.Dir.277/07.38.01/2004-05 dated November 1, 2004 is enclosed.

4. Please acknowledge receipt to our concerned Regional Office.

Yours faithfully,

(G.Srinivasan)
Chief General Manager

Encl: as above

November 1, 2004

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

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 Directive RPCD. No.RF. Dir. BC.53/ 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 change in the interest rates on NRE term deposits Accounts.

The interest rates on Non-Resident (External) Rupee (NRE) deposits for one to three years maturity, contracted **with effect from November 1, 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

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.