

**February 8, 2006**

**All Commercial Banks**  
**(excluding RRBs)**

Dear Sir,

**Interest Rates on Non-Resident Deposits**

Please refer to our Master Circulars DBOD. No. Dir. BC. 5 & 6 / 13.03.00/ 2005-06 dated July 1, 2005 on Interest Rates on Domestic and NRI Deposits.

2. In terms of our extant guidelines, interest rates on NRE deposits of one to three years' maturity should not exceed the LIBOR/ SWAP rates as on the last working day of the previous month for US dollar of corresponding maturity plus 75 basis points. Similarly, rates of interest on FCNR(B) deposits of one year and above should be within the ceiling rate of LIBOR/ SWAP rates for the respective currency/ corresponding maturities minus 25 basis points. The maturity period of NRE deposits varies from 1 to 3 years and that of FCNR(B) deposits from 1 to 5 years. Banks have been allowed to accept FCNR(B) deposits denominated in US dollar, Pound Sterling, EURO, Canadian dollar, Australian dollar and Japanese Yen. At present, LIBOR/ SWAP rates as on the last working day of the month form the base for fixing ceiling rates for interest on NRE/ FCNR(B) deposits that would be offered effective from the following month.

3. Some of the banks have represented that in the absence of any directions on how to set rates based on LIBOR/SWAP rates, banks are using different methods, sources and cut-off timings to decide the interest rates on NRE/ FCNR(B) deposits, resulting in significant variation in interest rates offered to non-resident depositors. The matter was examined and it has been decided that in order to ensure uniformity and transparency in interest rates on NRE/ FCNR(B) deposit, FEDAI would quote/ display the LIBOR/ SWAP rates which will be used by banks in arriving at the interest rates on NRI deposits. FEDAI will publish the deposit rates for five maturities in six currencies on the last working day of each month using a web page that can be accessed by all the subscribers to the Reuters screen. The first such rates would be indicated by

FEDAI for the last working day of February 2006. FEDAI will shortly inform the relevant details in this regard.

4. All other terms and conditions applicable to the NRI deposits remain unchanged.

**Yours faithfully,**

**(P. Vijaya Bhasker)**  
**Chief General Manager**