

March 29, 2006

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir,

Interest Rate on FCNR(B) Deposits

Please refer to item (a) of Annexure I to our Master Circular DBOD.No.Dir.BC. 6 / 13.03.00 / 2005-06 dated July 1, 2005 and the Circular No. DBOD.No.Dir.BC. 62 / 13.03.00 / 2005-06 dated February 8, 2006. In terms of the above guidelines, banks are free to accept FCNR(B) deposits denominated in US dollar, Pound Sterling, EURO, Canadian dollar, Australian dollar and Japanese Yen for maturity period of 1-5 years and pay interest within the ceiling rate of LIBOR / SWAP rates for the respective currency / corresponding maturities minus 25 basis points. On floating rate deposits, interest should be paid within the ceiling of SWAP rates for the respective currency / maturity minus 25 basis points. For floating rate deposits, the interest reset period would be six months.

2. The matter has been reviewed and it has been decided that in respect of FCNR(B) deposits of all maturities contracted effective close of business in India on March 28, 2006, interest shall be paid within the ceiling rate of LIBOR / SWAP rates for the respective currency / corresponding maturities. On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency / maturity. For floating rate deposits, the interest reset period shall be six months.

3. An amending Directive DBOD.No.Dir.BC.74/13.03.00/2005-06 dated March 29, 2006 is enclosed.

Yours faithfully,

(P.Vijaya Bhaskar)
Chief General Manager

Encl. : as above

March 29, 2006

Foreign Currency (Non-Resident) Accounts (Banks) Scheme

In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that item (a) of Annexure I to the Bank's Master Circular DBOD.No.Dir.BC. 6 / 13.03.00 / 2005-06 dated July 1, 2005 shall be substituted by the following :

Interest rates applicable to deposits accepted under Foreign Currency Non-Resident Accounts (Banks) Scheme

(a) In respect of FCNR(B) deposits of all maturities contracted effective close of business in India on March 28, 2006, interest shall be paid within the ceiling rate of LIBOR / SWAP rates for the respective currency / corresponding maturities. On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency / maturity. For floating rate deposits, the interest reset period shall be six months.

2. The other provisions of the above Master Circular, as amended from time to time, shall remain unchanged.

(Anand Sinha)
Executive Director