

RBI/2005-06/354

UBD.(PCB)CO.BPD.Cir No. 42/13.01.000/ 2005-06

April 5, 2006

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

Dear Sir,

Interest Rates on Non-Resident Deposits - UCBs

Please refer to our circular UBD.PCB.No.Cir17/13.01.000/2005-06 dated November 22, 2005 on the captioned subject in terms of which interest rates on fresh repatriable Non-Resident (External) Rupee (NRE) Term deposits for one to three years 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.

2. It was 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 deposits, resulting in significant variation in interest rates offered to non-resident depositors. The matter has been examined and it has been decided that in order to ensure uniformity and transparency in interest rates on NRE deposits, 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 also publish the deposit rates for different maturities on the last working day of each month using a web page that can be accessed by all the subscribers to the Reuters screen. UCBs may make suitable arrangement with Authorised Dealers for obtaining necessary information in this regard.

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

Yours faithfully,

(N S Vishwanathan)
Chief General Manager in-Charge