

April 18, 2006

**All Scheduled Commercial Banks
(Excluding RRBS)**

Dear Sir,

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

Please refer to paragraph 112 of the Annual Policy Statement for the year 2006-07 enclosed to Governor's letter No.MPD.BC.279/07.01.279/2005-06 dated April 18, 2006 (copy of the paragraph enclosed).

2. In this context, please refer to item (iii)(a) of Annexure II of our Master Circular DBOD. No.Dir.BC.5/13.03.00/2005-06 dated July 1, 2005 on Interest Rates on Deposits, as amended from time to time. On a review, it has been decided that until further notice and with effect from close of business in India on April 18, 2006, the interest rates on Non-Resident (External) Rupee (NRE) Term Deposits will be as under :

Item (iii)(a) – Term Deposits

The 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 maturities **plus 100 basis points (as against 75 basis points effective since November 17, 2005)**. The interest rates as determined above for three year deposits should 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. The other instructions as contained in our Master Circular referred to above, as amended from time to time, shall remain unchanged. An amending directive DBOD.No.Dir.BC.79/ 13.03.00 / 2005-06 dated April 18, 2006 is enclosed.

Yours faithfully

(P. Vijaya Bhaskar)
Chief General Manager

Paragraph 112 of the Annual Policy Statement for the year 2006-07

(d) Interest Rate on NRE Rupee Deposits: Increase in Ceiling

112. Interest rates on non-resident (external) rupee deposits for one to three years maturity should not exceed 75 basis points above LIBOR/SWAP rates for US dollar of corresponding maturity. On a review of current monetary and interest rate conditions, it is considered appropriate:

- to increase the ceiling by 25 basis points to 100 basis points above LIBOR/SWAP rates for US dollar of corresponding maturity with immediate effect.

April 18, 2006

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 partial modification of the Master Circular DBOD.No.Dir.BC.5/13.03.00/2005-06 dated July 1, 2005 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 (iii)(a) of the Annexure II relating to the interest rates on NRE deposits shall be substituted by the following :

Item (iii)(a) – NRE Term Deposits

“ The interest rates on Non-Resident (External) Rupee (NRE) deposits for one to three years' maturity contracted with effect from close of business in India on April 18, 2006 shall not exceed the LIBOR / SWAP rates of the last working day of the previous month for US dollar of corresponding maturities **plus 100 basis points**. The interest rates as determined above shall also be applicable in case the maturity period exceeds three years. The above changes in interest rates shall also apply to NRE term deposits renewed after their present maturity period. ”

(Anand Sinha)
Executive Director