

April 19, 2006

**All Regional Rural Banks/Sponsor Banks**

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, announced on April 18, 2006 (copy of the paragraph enclosed).

2. In this context, please refer to our circular RPCD.No.RRB.BC.49/03.05.33(C)/2005-06 dated November 22, 2005 on Interest Rates on NRE Deposits. 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:

**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. All other instructions issued earlier shall remain unchanged. An amending directive RPCD.No.RRB.DIR.742/03.05.33(C)/2005-06 dated April 19, 2006 is enclosed.

4. Please acknowledge receipt to our concerned Regional Office.

Yours faithfully,

**(G.Srinivasan)**  
**Chief General Manager**

Encl: As above.

April 19, 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 our Directive RPCD.No.RRB.Dir..391/03.05.33(C)/2005-06 dated November 22, 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 the interest rates on NRE term deposit shall be as under:

**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".

**(V.S.Das)**  
**Executive Director**

**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.