

RBI/2005-2006/422

DBOD.No.Ret.BC. 91 /12.01.001/2005-2006

June 22, 2006

To All Scheduled Commercial Banks
(excluding Regional Rural Banks)

Dear Sir,

Section 42(1) of Reserve Bank of India Act, 1934 – Maintenance of CRR

Please refer to our Circular DBOD.No.Ret.BC.41/12.01.001/2004-2005 dated September 11, 2004.

2. The Reserve Bank of India (Amendment) Bill, 2006 has been enacted and has come into force with effect from June 22, 2006, with its notification in the Gazette. Consequent upon the amendment to sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934, the Reserve Bank having regard to the needs of securing the monetary stability in the country, can prescribe the Cash Reserve Ratio (CRR) for scheduled banks without any floor rate or ceiling rate. The statutory minimum CRR requirement of 3 per cent of total demand and time liabilities no longer exists with effect from June 22, 2006. In exercise of the powers conferred on Reserve Bank of India, it has been decided to continue the *status quo* on the rate of CRR to be maintained by Scheduled Commercial Banks and the extant exemptions, which will be operative till further changes are notified. Accordingly, Scheduled Commercial Banks shall continue to maintain CRR of 5 per cent of their total demand and time liabilities, subject to the exemptions as indicated in our circular DBOD.No.Ret.BC.93/12.01.001/2005-2006 dated June 22, 2006.

3. Further, as part of the amendments carried out to Reserve Bank of India Act, 1934, sub-section (1B) of Section 42 of the Act has been omitted. Accordingly, the Reserve Bank will not be paying any interest on the CRR balances

maintained by Scheduled Commercial Banks with effect from the fortnight beginning June 24, 2006.

4. A copy of the relative notification DBOD.No.Ret.BC.90 /12.01.001/2005-2006 dated June 22, 2006 is enclosed.

Yours faithfully,

(T.B.Satyanarayan)
General Manager

Encl: as above

June 22, 2006

NOTIFICATION

Consequent upon the amendment carried out to sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934 (2 of 1934), the statutory minimum Cash Reserve Ratio (CRR) requirement of 3 per cent of the total demand and time liabilities no longer exists in respect of Scheduled Commercial Banks with effect from June 22, 2006. Further, in exercise of the powers conferred under the amended sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934 and having regard to the needs of securing monetary stability in the country, the Reserve Bank of India hereby notifies that every Scheduled Commercial Bank should continue to maintain a Cash Reserve Ratio of 5 per cent of its total demand and time liabilities subject to the exemptions as envisaged in Notification No.DBOD. Ret.BC.92/12.01.001/2005-2006 dated June 22, 2006. This is in partial modification of the notification DBOD.No.Ret.BC.40/12.01.001/2004-2005 dated September 11, 2004.

(Anand Sinha)
Executive Director