

February 6, 2007

All State Co-operative Banks (StCBs) and  
District Central Co-operative Banks (DCCBs)

Dear Sir,

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

Please refer to our Circular RPCD.CO.RF.BC No. 75/07.38.01/2005-06 dated April 19, 2006 on Interest Rates on NRE Rupee Deposits. In the Third Quarter Review of the Annual Policy Statement for the year 2006-07, announced on January 31, 2007 (extract of paragraph 86 enclosed), it has been decided that until further notice and with effect from close of business as on January 31, 2007, the interest rate on Non-Resident (External) Rupee (NRE) Term Deposits will be as under:

The interest rates on fresh Non-Resident (External) Rupee (NRE) Term deposits for one to three years' maturity should not exceed the LIBOR/SWAP rates, as on the last working day of the previous month, for US dollar of corresponding maturity **plus 50 basis points (as against LIBOR / SWAP rates plus 100 basis points effective from close of business on April 18, 2006)**. The interest rates as determined above for three year deposits will 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.

2. The other instructions as contained in our Circular RPCD.No.RF.Dir.BC 54/D.1-87/88 dated November 2, 1987 shall remain unchanged. An amending directive RPCD RF.Dir.45/7.38.01/2006-07 dated February 6, 2007 is enclosed.

Yours faithfully,

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

**February 6, 2007**

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

In exercise of the powers conferred by Section 35 A of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) and in partial modification of Directive RPCD No.Dir.BC.53/D.1-87/88 dated November 2, 1987, as amended from time to time, 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 undernoted changes in the interest rates on NRE term deposit accounts:

"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 January 31, 2007 shall not exceed the LIBOR/ SWAP rates of the last working day of the previous month for US dollar of corresponding maturities **plus 50 basis points (as against LIBOR / SWAP rates plus 100 basis points effective from close of business on April 18, 2006)**. The interest rates as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The above changes in interest rates will also apply to NRE term deposits renewed after their present maturity period."

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

**Paragraph 86 of the Third Quarter Review of the Annual Policy Statement  
for the year 2006-07**

**Interest Rate on NRE Rupee Deposits and FCNR(B) Deposits: Decrease in  
Ceiling**

**86** A sizeable increase in Non-Resident (External) Rupee Account [NR(E)RA] and Foreign Currency Non-Resident (Banks) [FCNR(B)] deposits has been observed in 2006-07 so far. At the same time, there are reports of large growth in advances being granted against such deposits. It may be recalled that, based on the prevailing monetary conditions, the interest rate ceilings on NR(E)RA and FCNR(B) deposits have been reviewed on an ongoing basis and have been adjusted on several occasions. In the current context, it has been decided to reduce the interest rate ceilings on NR(E)RA and FCNR(B) deposits by 50 basis points and 25 basis points, respectively. Furthermore, keeping in view the objective of making these facilities available to individual NRIs and considering the prevailing monetary conditions, there is merit in avoiding upward pressure on asset prices in sensitive sectors through utilisation of this facility. Pending a review of the extent of large advances to high net worth individuals, banks are being prohibited from granting fresh loans in excess of Rs. 20 lakh against the NR(E)RA and FCNR(B) deposits, either to depositors or to third parties. Banks are also being advised not to undertake artificial slicing of the loan amount to circumvent the ceiling.