

RBI/2006-2007/250
RPCD.CO.RF.BC.46/07.38.01/2006-07

February 6, 2007

The Managing Director
Maharashtra State Co-operative Bank Ltd.
9, Nagindas Master Road Extension, Fort
Mumbai-1

Dear Sir,

Interest Rate on FCNR(B) Deposits

Please refer to our circular RPCD.CO.RF.BC 72/07.38.01/2005-06 dated March 31, 2006 on Interest Rate on FCNR(B) 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 rates on FCNR(B) deposits will be as under:

In respect of FCNR(B) deposits of all maturities contracted effective from the close of business in India as on January 31, 2007, interest shall be paid within the ceiling rate of LIBOR / SWAP rates for the respective currency / corresponding maturities minus 25 basis points (as against LIBOR /SWAP rates effective from close of business on March 28, 2006). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency / maturity minus 25 basis points. For floating rate deposits, the interest reset period shall be six months.

2. An amending Directive RPCD.RF.DIR. 47/07.38.01/2006-07 dated February 6, 2007 is enclosed.

Yours faithfully,

(G.Srinivasan)
Chief General Manager

February 6, 2007

Foreign Currency (Non-Resident) Accounts (Banks) Scheme

In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies), the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs the following:

Interest rates applicable to deposits accepted under Foreign Currency Non-Resident Accounts (Banks) Scheme

In respect of FCNR(B) deposits of all maturities contracted effective close of business in India on January 31, 2007, interest shall be paid within the ceiling rate of LIBOR / SWAP rates for the respective currency / corresponding maturities minus 25 basis points (as against LIBOR / SWAP rates effective from close of business on March 28, 2006). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency / maturity minus 25 basis points. For floating rate deposits, the interest reset period shall be six months.

(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.