

April 4, 2007

All Regional Rural Banks

Dear Sir,

**Section 42(1) of Reserve Bank of India Act, 1934-
Maintenance of Cash Reserve Ratio (CRR)-RRBs**

Please refer to our circular RPCD.CO.RRB.BC.50/03.05.28(B)/2006-07 dated February 14, 2007 read with circular RPCD.RRB.CO.BC. No.51/03.05.28(B)/2006-07 dated March 02, 2007 on the captioned subject. As set out in Press Release: 2006-2007/1336 dated March 30, 2007, it has been decided to increase Cash Reserve Ratio (CRR) of Regional Rural Banks (RRBs) by one-half of one percentage point of their Net Demand and Time Liabilities (NDTL) in two stages, effective from the fortnights as indicated below:

Effective date (i.e. the fortnight beginning from)	CRR on net demand and time liabilities (per cent)
April 14, 2007	6.25
April 28, 2007	6.50

However, the effective CRR maintained by Regional Rural Banks on total demand and time liabilities shall not be less than 3.00 per cent, as stipulated under the Reserve Bank of India Act, 1934.

2. A copy of the relevant notification RPCD.CO.RRB.No.9339/03.05.28(B)/ 2006-07 dated April 4, 2007 is enclosed.

3. Interest on eligible cash balances for CRR

At present, all RRBs are paid interest at the rate 1.00 per cent on eligible cash balances maintained with Reserve Bank of India under proviso to Section 42 (1) and 42 (1A) of the Reserve Bank of India Act, 1934. It has now been decided that with effect from the fortnight beginning on April 14, 2007, RRBs will be paid interest at the rate of 0.50 per cent per annum on eligible cash balances maintained with the Reserve Bank of India under current CRR requirement.

4. Please acknowledge receipt to our Regional Office concerned.

Yours faithfully,

(N.K.Bhatia)
Deputy General Manager