

April 24, 2007

All Scheduled State Co-operative Banks

Dear Sir,

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

Please refer to our Circulars RBI/2006-2007/276 RPCD.RF.BC.54/07.02.01/ 2006-07 dated March 02, 2007 and RBI/2006-07/307 RPCD.CO.RF.BC.No.64/ 07.02.01/2006-07 dated April 04, 2007 on the captioned subject. Government of India in their Extraordinary Gazette notification No.S.O.337 (E) dated March 9, 2007 have notified April 01, 2007 as the date on which the provisions of Section 3 of the Reserve Bank of India (Amendment) Act, 2006 shall come into force. Consequent upon the provisions of Section 3 of the Reserve Bank of India (Amendment) Act, 2006 coming into force, the amendment carried out to sub-section (1) of Section 42 of Reserve Bank of India Act, 1934 has been brought into force with effect from April 01,2007. Accordingly, the statutory minimum CRR requirement of 3 per cent of total demand and time liabilities no longer exists with effect from the said notified date. The Reserve Bank of India, having regard to the needs of securing the monetary stability in the country, may from time to time prescribe the CRR for Scheduled State Co-operative Banks without any floor and ceiling rate.

2. In exercise of the powers conferred on the Reserve Bank of India, it has been decided to continue the status quo on the rate of CRR to be maintained by Scheduled State Co-operative Banks and the extant exemptions which will be operative till further changes are notified. Accordingly, Scheduled State Co-operative Banks shall continue to maintain CRR on their total demand and time liabilities, subject to the exemptions as indicated in our circular RPCD.CO.RF.BC.No.77/07.02.01/2006-07 dated April 24, 2007 from the fortnights as detailed 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

3. Further, in view of Section 3 of the Reserve Bank of India (Amendment) Act, 2006 coming into force, sub-section (1B) of Section 42 of the Reserve Bank of India Act, 1934 stands omitted with effect from April 01, 2007. Consistent with the amendment and in partial modification of our Circulars RBI/2006-2007/276 RPCD.CO.RF.BC.54/07.02.01/2006-07 dated March 02, 2007 and RBI/2006-07/307 RPCD.CO.RF.BC.No.64/07.02.01/2006-07 dated April 4, 2007, it has been decided that with effect from the fortnight beginning March 31, 2007, the Reserve Bank of India will not be paying any interest on the CRR balances maintained by Scheduled State Co-operative Banks.

4. A copy of the relative notification RPCD.CO.RF.BC.No.74/07.02.01/2006-07 dated April 24, 2007 is enclosed.

5. Please acknowledge receipt to our Regional Office concerned.

Yours faithfully,

(K.Bhattacharya)
General Manager