

RBI/2006-2007/352
RPCD.CO.RF.BC.No.81/ 07.38.01/2006-07

April 26, 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.46 / 07.38.01 / 2006-07 February 6, 2007 on Interest Rate on FCNR(B) Deposits. In the Annual Policy Statement for the year 2007-08, announced on April 24, 2007 (extract of paragraphs 114,115 and 116 enclosed), it has been decided that until further notice and with effect from close of business as on April 24, 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 April 24, 2007, interest shall be paid within the ceiling rate of LIBOR / SWAP rates for the respective currency / corresponding maturities minus 75 basis points (as against LIBOR /SWAP rates minus 25 basis points effective from close of business on January 31, 2007). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency / maturity minus 75 basis points. For floating rate deposits, the interest reset period shall be six months.

2. An amending Directive RPCD.CO.RF.BC.Dir.No.80/07.38.01/2006-07 dated April 26, 2007 is enclosed.

Yours faithfully,

(C.S.Murthy)
Chief General Manager-in-Charge

Paragraphs 114, 115, 116 of the Annual Policy Statement for the year 2007- 08

Interest Rate Prescriptions

114. In the context of large capital inflows and implications for liquidity and monetary management, there is a need to review the interest rate prescriptions related to NRI deposits, viz., foreign currency non-resident (banks) (FCNR(B)) deposits and Non-Resident (External) Rupee Account (NR(E)RA) deposits, especially in the light of inflation and interest rate differentials between India and the rest of the world. In this context, the following measures are proposed:

(a) Interest Rates on FCNR (B) Deposits

115. Currently, the interest rate ceiling on FCNR (B) deposits of all maturities has been fixed at LIBOR/SWAP rates for the corresponding maturities minus 25 basis points for the respective foreign currencies. In view of the prevailing monetary conditions, it is proposed:

- to reduce, with immediate effect, the interest rate ceiling on FCNR (B) deposits by 50 basis points, *i.e.*, to Libor minus 75 basis points.

(b) Interest Rate on NR(E)RA Deposits

116. Currently, the interest rate ceiling on NR(E)RA for one to three years maturity should not exceed 50 basis points above LIBOR/SWAP rates for US dollar of corresponding maturity. In view of the prevailing monetary conditions, it is proposed:

- to reduce, with immediate effect, the interest rate ceiling on NR(E)RA deposits by 50 basis points, *i.e.*, to LIBOR/SWAP rates.

April 26, 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 as on April 24, 2007, interest shall be paid within the ceiling rate of LIBOR / SWAP rates for the respective currency / corresponding maturities minus 75 basis points (as against LIBOR / SWAP rates minus 25 basis points effective from close of business on January 31, 2007). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency / maturity minus 75 basis points. For floating rate deposits, the interest reset period shall be six months.

(V.S.Das)
Executive Director