

April 26, 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.44/07.38.01/2006-07 dated February 6, 2007 on Interest Rate on NRE Rupee 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 in India as on April 24, 2007, the interest rate on Non-Resident (External) Rupee (NRE) Term Deposits will be as under:

The interest rate 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 maturities (as against LIBOR / SWAP rates plus 50 basis points effective from close of business on January 31, 2007). The interest rate as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The change in interest rate 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.CO.RF.BC.Dir.No.78/07.38.01/2006-07 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

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 Non-Resident (External) Rupee (NRE) deposits:

"With effect from close of business as on April 24, 2007, 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 maturities (as against LIBOR /SWAP rates plus 50 basis points effective from close of business on January 31, 2007). 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."

(V.S.Das)
Executive Director