

June 28, 2007

All Regional Rural Banks

Dear Sir,

Authorisation to open/maintain NRO/NRE Accounts in rupees and to accept FCNR deposits

Please refer to our circular RPCD.RRB.No.BC.89/03.05.33(C)/99-2000 dated April 28, 2000 on authorisation to RRBs to open and maintain non-resident accounts in rupees.

2. As announced in the Union Budget for 2007-08, it has been decided to permit RRBs to accept FCNR (B) deposits. In this context, the eligibility criteria prescribed for authorisation to open / maintain Non-Resident (Ordinary / External) accounts in rupees have also been reviewed. Accordingly, in supersession of the instructions contained in our aforesaid circular, the following criteria shall be applicable for opening/maintaining Non-Residents (Ordinary / External) accounts in rupees and for acceptance of FCNR (B) deposits by RRBs:

- i) The bank should have a positive net-worth;
- ii) The bank should not have defaulted in maintenance of CRR/SLR requirements on more than three occasions during the preceding two years;
- iii) The bank should have earned net profit during the preceding year;
- iv) Net NPA level of the bank should not exceed five per cent of the outstanding advances as on March 31 of the preceding year;
- v) The bank should adhere to the 'Know Your Customer (KYC)' / 'Anti- Money Laundering (AML)' norms, as may be prescribed from time to time;
- vi) The bank should possess requisite skills and capabilities to deliver such services;
- vii) While the FCNR deposit receipts would be issued by RRBs to the depositors concerned, the foreign currency funds received as deposits could be either placed by the RRBs as deposits matching foreign currency deposits with their sponsor banks or swapped with the sponsor bank into rupees. In both cases, the RRB should not carry any foreign currency or maturity mismatch risk in their books. The operational and accounting details etc. may be decided by mutual agreement between the RRBs and the sponsor banks;
- viii) The RRB will maintain CRR/SLR on rupee equivalent of such deposits in accordance with the instructions issued by the Reserve Bank from time to time;
- ix) For acceptance of FCNR (B) deposits, the RRB should enter into a tie-up arrangement with its sponsor bank regarding the modalities for maintenance/operation of accounts, placement of

deposits with sponsor banks, management of currency and other attendant risks, etc., subject to the guidelines issued by our Foreign Exchange Department (FED) in this regard;

x) The sponsor bank should undertake to provide necessary guidance to the RRB in compliance with various directives/guidelines that might be issued by Reserve Bank of India; and

xi) The bank should have furnished satisfactory compliance on the serious irregularities pointed out in the latest inspection report of NABARD.

3. Maintenance of and operations on the NRO/NRE/FCNR(B) accounts shall be governed by regulations/directives issued by Reserve Bank of India from time to time.

4. RRBs, desirous of opening such accounts, may submit their applications, along with necessary details, to our concerned Regional Offices of Foreign Exchange Department for grant of necessary authorisation in this regard.

5. Please acknowledge receipt to our respective Regional Office.

Yours faithfully,

(G. Srinivasan)
Chief General Manager