RBI/2013-14/488
RPCD.CO.RRB.RCB.BC.NO.85/03.05.33/2013-14
February 11, 2014

All Regional Rural Banks/
State/Central Cooperative Banks

Dear Sir/Madam,

Deregulation of Interest Rates on Non-Resident (External) Rupee (NRE) Deposits

Please refer to our circulars RPCD.CO.RRB.BC.No.65/03.05.33/2013-14 and RPCD.CO.RCB.BC.No.68/07.51.014/2013-14 dated December 2, 2013 advising Regional Rural Banks (RRBs) and State/Central Cooperative Banks (StCBs/CCBs) that the freedom to offer interest rates on incremental NRE deposits with maturity of 3 years and above without any ceiling in order to pass on the benefit of exemption provided on such deposits from CRR/SLR requirements will remain valid up to January 31, 2014, subject to review.

2. On a review and in order to give the RRBs/StCBs/CCBs some time, it has been decided to extend the above dispensation till February 28, 2014. With effect from March 1, 2014, the interest rate ceiling will revert to the position prior to August 19, 2013, for RRBs and August 22, 2013, for StCBs/CCBs i.e. interest rates offered by banks on NRE deposits cannot be higher than those offered by them on comparable domestic rupee deposits.

3. All other instructions in this regard, as amended from time to time, will remain unchanged.

4. An amending directive RPCD.CO.RRB.RCB.No.86/03.05.33/2013-14 dated February 11, 2014 is enclosed.

Yours faithfully,

(A. Udgata)
Principal Chief General Manager
Deregulation of Interest Rates on Non-Resident (External) Rupee (NRE) Deposits

In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949, and Section 35A of the Banking Regulation Act, 1949, (AACS) and in modification of the directive RPCD.CO.RRB.Dir.No.66/03.05.33/2013-14 and RPCD.CO.RCB.Dir.No.67/07.51.014/2013-14 dated December 2, 2013 on Deregulation of Interest Rates on Non-Resident (External) Rupee (NRE) Deposits, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that instructions issued vide directive RPCD.CO.RRB.Dir.No.23/03.05.33/2013-14 dated August 19, 2013 for RRBs and RPCD.CO.RCB.Dir.No.25/07.51.014/2013-14 dated August 22, 2013 for StCBs/CCBs will continue till February 28, 2014. With effect from March 1, 2014, the interest rate ceiling will revert to the position prior to August 19, 2013, for RRBs and August 22, 2013 for StCBs/CCBs i.e. interest rates offered by banks on NRE deposits cannot be higher than those offered by them on comparable domestic rupee deposits.

Dr.(Smt.) Deepali Pant Joshi
Executive Director