RBI/2011-12/307
RPCD.CO.RRB.BC.No.45 /03.05.33 (C) /2011-12 December 19, 2011

The Chairmen
All Regional Rural Banks (RRBs)

Dear Sir,

Deregulation of Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and Ordinary Non-Resident (NRO) Accounts

Please refer to paragraph 4 of our circular RPCD.CO.RRB.BC.No. 33/03.05.33/2011-12 dated November 23, 2011 on Deregulation of Savings Bank Deposit Interest Rate and paragraph 1 of our circular RPCD.CO.RRB.BC.No. 36/03.05.33(C)/2011-12 dated November 24, 2011 on Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR (B) Deposits.

2. With a view to providing greater flexibility to RRBs in mobilising non-resident deposits and also in view of the prevailing market conditions, it has been decided to deregulate interest rates on Non-Resident (External) Rupee (NRE) Deposits and Ordinary Non-Resident (NRO) Accounts (the interest rates on term deposits under Ordinary Non-Resident (NRO) Accounts are already deregulated). Accordingly, RRBs are free to determine their interest rates on both savings deposits and term deposits of maturity of one year and above under Non-Resident (External) Rupee (NRE) Deposit accounts and savings deposits under Ordinary Non-Resident (NRO) Accounts with immediate effect. However, interest rates offered by RRBs on NRE and NRO deposits cannot be higher than those offered by them on comparable domestic rupee deposits.

3. Prior approval of the Board/Asset Liability Management Committee (if powers are delegated by the Board) may be obtained by an RRB while fixing interest rates on such deposits. At any point of time, individual banks should offer uniform rates at all their branches.
4. The revised deposit rates will apply only to fresh deposits and on renewal of maturing deposits. Further, RRBs should closely monitor their external liability arising on account of such deregulation and ensure asset-liability compatibility from systemic risk point of view.

5. An amending directive RPCD.CO.RRB.BC.Dir.No. 44 /03.05.33 dated December 19, 2011 is enclosed.

Yours faithfully,

(C. D. Srinivasan)  
Chief General Manager

Encl: As above
Deregulation of Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and Ordinary Non-Resident (NRO) Accounts

In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949, and in modification of the directive RPCD.CO.RRB.BC. Dir.No. 27 /03.05.33 / 2011-12 dated October 25, 2011 on Deregulation of Savings Bank Deposit Interest Rate and RPCD.CO.RRB.Dir.No.35/03.05.33(C)/2011-12 dated November 24, 2011 on Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) Deposits, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that Regional Rural Banks (RRBs) are free to determine their interest rates on both savings deposits and term deposits of maturity of one year and above under Non-Resident (External) Rupee (NRE) Deposit accounts and savings deposits under Ordinary Non-Resident (NRO) Accounts with immediate effect. However, interest rates offered by RRBs on NRE and NRO deposits cannot be higher than those offered by them on comparable domestic rupee deposits.

(V. K. Sharma)
Executive Director