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

Please refer to our circular DBOD.Dir.BC.71/13.03.00/2013-14 dated November 29, 2013 advising banks 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 unchanged up to January 31, 2014, subject to review.

2. On a review and in order to give banks 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 14, 2013, 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 DBOD.Dir.BC. 89/13.03.00/2013-14 dated January 31, 2014 is enclosed.

Yours faithfully,

(Praoksh Chandra Sahoo)
Chief General Manager
Encl: As above
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 in modification of the directive DBOD.Dir.BC.70/13.03.00/2013-14 dated November 29, 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 DBOD.Dir.BC.39/13.03.00/2013-14 dated August 14, 2013 will continue till February 28, 2014. With effect from March 1, 2014, the interest rate ceiling will revert to the position prior to August 14, 2013, i.e. interest rates offered by banks on NRE deposits cannot be higher than those offered by them on comparable domestic rupee deposits.

(B. Mahapatra)
Executive Director