

Non-Banking Financial Companies Miscellaneous Non-Banking Companies – Interest rate on NRI Deposits

DNBS (PD) C.C. No.30 / 02.01 / 2003-04

September 17, 2003

To
All Non-Banking Financial Companies and
Miscellaneous Non-Banking Companies

Dear Sirs,

**Non-Banking Financial Companies
Miscellaneous Non-Banking Companies –
Interest rate on NRI Deposits**

It has been decided that, keeping in view the prevailing interest rates on fresh repatriable deposits accepted from non resident Indians in the entire financial system, the rate of interest which the Non Banking Financial Companies (NBFCs) and Miscellaneous Non-Banking Companies (MNBCs) can pay on such deposits should also be the same as is payable by the scheduled commercial banks on these deposits. It may be recalled that the scheduled commercial banks can pay interest on these deposits contracted in India for one to three years from the close of business on September 15, 2003 shall not exceed 100 basis points above the LIBOR/SWAP rates for US dollar of the corresponding maturity on fresh rapatriable NRE deposits. These instructions would also be applicable to such deposits renewed hereafter. (A copy of circular DBOD No. Dir. BC 25 / 13.01.09 / 2003-04 dated September 15, 2003 addressed to scheduled commercial banks is enclosed for ready reference.)

2. Other terms and conditions contained in Notification No. FEMA. 5 / 2000-RB dated May 03, 2000 remain unchanged. It may be clarified that the NBFCs are not allowed to accept deposits for a period less than one year. However, the maximum period for NRE deposits would be three years as specified in the FEMA Notification, *ibid*.

3. In future also, as and when the interest rate for NRE deposits is revised by the Reserve Bank of India for scheduled commercial banks, that rate would ipso-facto be applicable to NBFCs and MNBCs also.

4. You are requested to ensure meticulous compliance with the above directions. A copy each of the Notifications No. 174 and 175 amending the provisions of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 contained in Notification No. .DFC.118/DG(SPT)/98 dated January 31,1998 and Miscellaneous Non-Banking Companies (Reserve Bank) Directions, 1977 contained in Notification No.DNBC.39/DG(H)-77 dated June 20, 1977 is enclosed.

Yours faithfully

Sd/-
(O. P. Aggarwal)
Chief General Manager-in-Charge

**Reserve Bank of India
Department of Non-Banking Supervision
Central Office
Centre I, World Trade Centre,
Cuffe Parade, Colaba,
Mumbai 400 005**

Notification No.DNBS.174/CGM(OPA)-2003 dated September 17, 2003

The Reserve Bank of India, having considered it necessary in the public interest and being satisfied that for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Non-Banking Financial Companies Acceptance of Public Deposit (Reserve Bank) Directions, 1998, in exercise of the powers conferred by sections 45J, 45K, 45L and 45MA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said directions contained in Notification No.DFC.118/DG(SPT)/98 dated January 31,1998 shall stand amended with immediate effect, as follows, –

In paragraph 4, after sub-paragraph (7), sub-paragraph (7A) shall be added, namely -

“(7A) On and from September 18, 2003, no non-banking financial company shall invite or accept or renew repatriable deposits from Non-Resident Indians in terms of Notification No.FEMA.5/2000-RB dated May 03, 2000 under Non-Resident (External) Account Scheme at a rate exceeding the rate specified by the Reserve Bank of India for such deposits with scheduled commercial banks.

Explanation

The period of above deposits shall be not less than one year and not more than three years.”

Sd/-
(O. P. Aggarwal)
Chief General Manager-in-Charge

**Reserve Bank of India
Department of Non-Banking Supervision
Central Office
Centre I, World Trade Centre,**

**Cuffe Parade, Colaba,
Mumbai 400 005**

Notification No.DNBS.175/CGM(OPA)-2003 dated September 17, 2003

The Reserve Bank of India, having considered it necessary in the public interest and being satisfied that for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Miscellaneous Non-Banking Companies (Reserve Bank) Directions, 1977, in exercise of the powers conferred by sections 45J, 45K, 45L and 45MA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said directions contained in Notification No.DNBC.39/DG(H)-77 dated June 20, 1977 shall stand amended with immediate effect, as follows, –

- (i) Paragraph 9A shall be renumbered as 9A (1);
- (ii) In paragraph 9A, so re-numbered, after sub-paragraph (1), sub-paragraph (2) shall be added, as follows, -

“(2) On and from September 18, 2003, no non-banking financial company shall invite or accept or renew repatriable deposits from Non-Resident Indians in terms of Notification No.FEMA.5/2000-RB dated May 03, 2000 under Non-Resident (External) Account Scheme at a rate exceeding the rate specified by the Reserve Bank of India for such deposits with scheduled commercial banks.

Explanation

The period of above deposits shall be not less than one year and not more than three years.”

Sd/-

**(O. P. Aggarwal)
Chief General Manager-in-Charge**