

## **Interest Rate on FCNR(B) Deposits**

DBOD No. Dir. BC. 98 /13.03.00/2001-02

29 April 2002

All Scheduled Commercial Banks  
(excluding RRBs and LABs)

Dear Sir,

### **Interest Rate on FCNR(B) Deposits**

Please refer to Governor's letter No. MPD. 214 /07.01.279/ 2001-02 dated April 29, 2002 enclosing a copy of the statement on " Monetary and Credit Policy for the year 2002-03". In accordance with the policy announcements, the following measures are being introduced with immediate effect.

2. Currently, banks are free to accept FCNR (B) deposits for a maturity period of 1-3 years and to offer fixed and floating rates, subject to the ceiling of LIBOR/SWAP rates. In view of the prevailing international environment of low interest rates, and to reduce the cost of FCNR(B) deposits, it has been decided to revise the above ceiling rate to LIBOR/SWAP rates for the corresponding maturities minus 25 basis points.
  
3. An amending Directive DBOD. Dir. BC. 97 /13.03.00/ 2001-02 dated April 29, 2002 is enclosed.
  
4. Please acknowledge receipt.

Yours faithfully,  
(M.R. Srinivasan)  
Chief General Manager-in-charge

29 April 2002

All Scheduled Commercial Banks  
(excluding RRBs and LABs)

Dear Sir,

***Issue of Certificates of Deposit (CD) in dematerialized form***

Please refer to Governor's letter No. MPD. 214 /07.01.279/ 2001-02 dated April 29, 2002 enclosing a copy of the statement on "Monetary and Credit Policy for the year 2002-03". In accordance with the policy announcements, the following measures are being introduced with immediate effect.

2. The Reserve Bank of India has issued guidelines for Commercial Paper (CP) in consultation with the market players including the standard procedures and documentation to be followed by the participants in the Commercial Paper(CP) market. In April 2001, instructions were issued to banks and FIs that they should make investments and hold CPs only in the dematerialised form without prejudice to the Provisions of Depositories Act 1996 and convert existing outstandings also into demat form by October 31, 2001. It has now been decided that standard procedures and guidelines for issuing Certificates of Deposit (CDs) may also be prepared for the benefit of issuers of CDs. Accordingly, Fixed Income Money Market and Derivatives Association (FIMMDA) has prepared the guidelines and documentation procedures in consultation with market participants, depositories and RBI. Pending release of final guidelines and as a further step towards transparency, it has been decided that: with effect from June 30, 2002, banks and FIs should issue CDs only in the dematerialised form. The existing outstandings of CDs shall be converted into the dematerialised form by October 31, 2002.

3. Please acknowledge receipt

Yours faithfully,  
(M.R. Srinivasan)  
Chief General Manager-in-charge

29 April 2002

**Foreign Currency (Non-Resident)  
Accounts (Banks) Scheme**

In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act, 1949, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that item (a) of Annexure I to the Bank's Master Directive DBOD No. Dir. BC 09 /13.03.00/2000-01 dated August 11, 2001 shall be substituted by the following:

**Interest rates applicable to deposits accepted under  
Foreign Currency Non-Resident Accounts (Banks) Scheme**

- (a) In respect of deposits of one year and above, interest shall be paid within the ceiling rate of LIBOR/SWAP rates for the respective currency / corresponding maturities minus 25 basis points. On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency/maturity minus 25 basis points. For floating rate deposits, the interest reset period shall be six months.

2. The other provisions of the Master Directive DBOD No. Dir BC 09/13.03.00/2001-02 dated August 11 2001, shall remain unchanged.

**(K.L. Khetarpaul)  
Executive Director**