

**Deposits under Non-Resident (External) Rupee Accounts (NRE Accounts)**

Ref. No. DBOD. Dir. BC. 101/13.01.09/2002-03

April 29, 2003

**Deposits under Non-Resident (External) Rupee Accounts (NRE Accounts)**

In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act, 1949 and in modification of its Master Circular DBOD No. Dir. BC. 12/13.03.00/2002-03 dated 31 July 2002 relating to deposits accepted under Non-Resident (External) Rupee Accounts Scheme, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that with effect from 29 April 2003, the maturity period of fresh NRE deposits will normally be one year to three years. This will also apply to NRE deposits renewed after their present maturity period. In case a particular bank, from its Asset Liability Management point of view, wishes to accept deposits with maturity of more than 3 years, it may do so provided the interest rate on such long term deposits is not higher than that applicable to 3 year NRE deposits.

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

**Deposits under Non-Resident (External) Rupee Accounts (NRE Accounts)**

DBOD. No. Dir. BC.102/13.01.09/2002-03

April 29, 2003

All Scheduled Commercial Banks  
(excluding RRBs and LABs)

Dear Sir

**Deposits under Non-Resident (External) Rupee Accounts (NRE Accounts)**

Please refer to paragraph 2 of our Circular DBOD. No. BC. 54/13.01.09/94 dated May 14, 1994, in terms of which the minimum maturity period of a term deposit under this Scheme was raised from 46 days to 6 months.

2. As indicated in paragraphs 84 and 85 of the statement on 'Monetary and Credit Policy' for the year 2003-04 enclosed with Governor's letter

No.MPD.BC.230/07.01.279/2002-03 dated April 29, 2003 (extracts enclosed), it has been decided to provide uniformity in the maturity structure for all types of repatriable deposits whether they are in foreign currency or in rupees. Accordingly, it has been decided that

- ❖ the maturity period of fresh NRE deposits, with immediate effect, will normally be one year to three years. This will also apply to NRE deposits renewed after their present maturity period.
  - ❖ In case a particular bank, from its Asset Liability Management point of view, wishes to accept deposits with maturity of more than 3 years, it may do so provided the interest rate on such long term deposits is not higher than that applicable to 3 year NRE deposits.
3. Above instructions are issued under Section 21 and 35A of Banking Regulation Act, 1949 and will have immediate effect.
  4. The other instructions contained in our Master Circular DBOD No.Dir. BC.12/13.03.00/2002-03 dated 31 July 2002 as amended from time to time shall remain unchanged.
  5. Amending directive DBOD No.Dir.BC.101/13.03.00/2002-03 dated 29 April 2003 is enclosed.

Yours faithfully

**(R. C. Agrawal)**  
**General Manager**

**Extracts of paragraphs 84 and 85 of the statement on  
'Monetary and Credit Policy' for the year 2003-04**

84. At present, banks can offer FCNR (B) deposits in foreign currency and non-resident external (NRE) deposits in domestic currency to non-resident Indians. Both schemes are now fully repatriable. Whereas the maturity period in case of FCNR (B) scheme is 1-3 years, in case of NRE deposits, the minimum maturity is 6 months. Banks are free to offer fixed and floating rates in both the schemes. The interest rates on FCNR (B) deposits are subject to a ceiling of LIBOR/Swap rates for the corresponding maturities minus 25 basis points, and thus conform to global interest rates in foreign currency deposits in US dollars, pound sterling, euro, etc. Similarly, the interest rates offered by banks on NRE rupee deposits are also more or less at par with domestic interest rates on rupee deposits.

85. In order to provide uniformity in the maturity structure for all types of repatriable deposits whether they are in foreign currency or in rupees, it is proposed that:

- The maturity period of fresh NRE deposits, with immediate effect, will be 1 to 3 years in line with FCNR (B) deposits. This will also apply to NRE deposits renewed after their present maturity period.