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ROYAL MONETARY AUTHORITY OF BHUTAN

RMA-BD/CRR/2006-07/ 1420

August 29, 2007

Managing Director
Bank of Bhutan
Phuentsholing

Managing Director
Bhutan National Bank
Thimphu

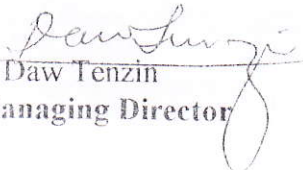
Sub: Notification on Cash Reserve Ratio

This is to inform the two banks that in order to tighten the Monetary Policy Stance of the RMA, it has decided to increase the Cash Reserve Ratio (CRR) from the existing 13 percent of total deposit liabilities to 15 percent and no interest shall be paid. This will be effective from September 1, 2007 (i.e. starting from maintenance of CRR for the month September 2007). The method of CRR calculation will be same as before.

Issued for necessary compliance by the commercial banks.

With regards,

Yours sincerely,


Daw Tenzin
Managing Director