

**Interest Rates on advances against  
domestic/NRE/FCNR(B) term deposits**

**Reserve Bank of India  
Central Office  
Department of Banking Operations & Development  
Centre - 1, World Trade Centre  
Cuffe Parade, Colaba,  
Mumbai 400 005**

DBOD.Dir.BC. 153 /13.03.00/99-2000

March 23 , 2000

All Scheduled Commercial Banks  
(Excluding RRBs)

Dear Sirs,

**Interest Rates on advances against  
domestic/NRE/FCNR(B) term deposits**

Please refer to our Directives DBOD.No.Dir.BC.107/13.01.04/99 and 108/13.01.09/99 dated 29 October 1999 in terms of which banks have been given freedom to charge interest rates without reference to their Prime Lending Rate (PLR) on advances granted to depositors against their own domestic/NRE/FCNR(B) term deposits. However, it has been observed that in certain cases, especially in respect of advances upto Rs.2 lakhs against third party deposits, the rate of interest chargeable becomes lower than that on advances against depositor's own deposits. Accordingly, the matter has been reviewed and it has been decided that banks may be given discretion to charge interest at suitable rates in case of advances upto Rs.2 lakhs against third party deposits, as has been done recently in case of advances to depositors against their own deposits. They will now be free to charge interest on such advances upto Rs.2 lakhs without reference to their Prime Lending Rate (PLR). However, interest rate on advances above Rs.2 lakhs against third party deposits will continue to be determined in terms of Reserve Bank of India's directives on interest rates on advances issued from time to time.

2. Accordingly, amending Directives DBOD.No.Dir.BC 151& 152 /13.03.00/99-2000 dated March 23 , 2000 are enclosed.

3. The following consequential amendments may please be carried out in the Manual of Instructions Vol. I – Part I –

- i) The existing sub-clause (b) of clause (ii) of paragraph 9.VI.I may be amended as per slip 10 enclosed.
- ii) The existing sub-clause (b) of clause (ii)(b) of paragraph 9.VI.2. may be amended as per slip 11 enclosed.
- iii) The existing sub-clause (b) of clause (iii)(b) of paragraph 9.VI.2. may be amended as per slip 12 enclosed.

4. Please acknowledge receipt.

Yours faithfully,

( P.V. Subba Rao )  
Chief General Manager

Encls: As above

**DBOD No. Dir. BC. 151 /13.03.00/99-2000**

March 23 , 2000

Interest Rates on Deposits

In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act, 1949 and in partial modification of its Directive DBOD No. Dir. BC.151/C.347-85 dated December 27, 1985, as amended from time to time, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that sub-clause (b) of paragraph 11 be amended, as under, with immediate effect.

“(b) When an advance is granted against a term deposit, which is not in the nature of those at (i) to (iv) in sub-clause (a) above

- i) the banks shall be free to charge interest rates without reference to the Prime Lending Rate, provided the advance is upto Rs. 2 lakhs, and

- ii) if the advance exceeds Rs. 2 lakhs, the interest chargeable shall be at the rate prescribed in terms of Reserve Bank of India's directive relating to interest rates on advances issued from time to time"

The other provisions of the Directive DBOD No.Dir.BC.151/C.347/85 dated December 27, 1985, as amended from time to time, shall remain unchanged.

(G.P.Muniappan)  
Executive Director

DBOD No. Dir. BC.152 /13.03.00/2000

March 23 , 2000

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 in the Bank's directive DBOD No. BC.115/13.01.09/93 dated April 29, 1993, as amended from time to time, the existing sub-clause (b) of Clause (viii) shall be substituted by the following with immediate effect:

“ (b) When an advance is granted against a term deposit which is not in the nature of sub-clause (a) above

- i) the banks shall be free to charge interest rate without reference to the Prime Lending Rate, provided the advance is upto Rs. 2 lakhs, and
- ii) if the advance exceeds Rs. 2 lakhs, the interest chargeable shall be at the rate prescribed in terms of Reserve Bank of India's directive relating to interest rates on advances issued from time to time.”

The other provisions of the directive DBOD.No.BC. 115/13:01:09-93 dated April 29, 1993, as amended from time, shall remain unchanged.

(G.P. Muniappan)  
Executive Director

Slip10  
(Chapter 9 Manual of Instructions,  
DBOD,DBS,IECD  
Dir.BC. 151 of 2000

9.VI.I.(ii)

(b) When an advance is granted against a term deposit, which is not in the nature of those at (i) to (iv) in sub-clause (a) above-

- i) the banks shall be free to charge interest rates without reference to the Prime Lending Rate, provided the advance is upto Rs.2 lakhs, and
- ii) if the advance exceeds Rs.2 lakhs, the interest chargeable shall be at the rate prescribed in terms of Reserve Bank of India's directive relating to interest rate on advances issued from time to time.

Slip 11

9.VI.2(ii)(b)

(Chapter 9 Manual of Instructions,  
DBOD,DBS,IECD  
Dir.BC. 151 of 2000

(b) When an advance is granted against a term deposit, which is not in the nature of those at (i) to (iv) in sub-clause (a) above-

- i) the banks shall be free to charge interest rates without reference to the Prime Lending Rate, provided the advance is upto Rs.2 lakhs, and
- ii) if the advance exceeds Rs.2 lakhs, the interest chargeable shall be at the rate prescribed in terms of Reserve Bank of India's directive relating to interest rate on advances issued from time to time.

Slip 12

(Chapter 9 Manual of Instructions,  
DBOD,DBS,IECD  
Dir.BC. 152 of 2000

9. VI. 2 (iii) (b)

(b) When an advance is granted against a term deposit, which is not in the nature of those at (i) to (iv) in sub-clause (a) above-

- i) the banks shall be free to charge interest rates without reference to the Prime Lending Rate, provided the advance is upto Rs.2 lakhs, and
- ii) if the advance exceeds Rs.2 lakhs, the interest chargeable shall be at the rate prescribed in terms of Reserve Bank of India's directive relating to interest rate on advances issued from time to time.