

## **Credit Control and other Measures**

### **DECEMBER 2000**

**Selected circular issued by the Reserve Bank of India during December 2000 is reproduced below.**

Ref. No. UBD. DS (PCB) CIR 20/13.01.00/2000-01 dated December 22, 2000

#### **All Primary Cooperative Banks**

#### **Rate of Interest on Advances against Term Deposits**

Please refer to our Circular UBD.No.DS CIR.PCB. 17/13.01.00/95-96 dated September 29, 1995 on the above subject.

2. In terms of the directive UBD.No.DS(PCB)DIR 10/13.01.00/95-96 dated September 29, 1995 enclosed with our aforesaid circular banks were required to charge interest on advances upto Rs. 2.00 lakh granted against term deposits (covered by paragraph 14(a)(i) to (iv) of our directive UBD.No.DC.102/ V.1/86-87 dated June 25, 1987) at 2 per cent above the interest rate payable on the term deposits. Banks were free to determine the interest rate on advances above Rs. 2.00 lakh. It has been decided to do away with these restrictions and banks will now be free to determine the rate of interest on all advances against term deposits covered by the directive irrespective of the amount of advance. An amending directive UBD.No.DS.DIR 5/ 13.01.00/2000-01 dated December 22, 2000 issued in this regard is enclosed for your information.

3. Further in terms of our Circular UBD.No.DS(PCB)CIR.16/13.01.00/96-97 dated August 9, 1996 we had advised all the PCBs that minimum lending rate of 13 per cent p.a. as advised in our circular UBD.No.DS(PCB)CIR.64/ 13.04.00/94-95 dated June 20, 1995 will also be applicable to advances against term deposits. This prescription is also being removed and banks are now free to decide rate of interest on such advances without reference to minimum lending rate.

4. It may be clarified that advances against term deposits not covered by paragraph 14(a)(i) to (iv) of our directive referred to above (i.e., advances against third party deposits) will continue to be covered by our directives on interest rate on advances (viz., Minimum lending rate of 13 per cent per annum).

Ref. No. UBD. DS. DIR 5/13.01.00/2000-01 dated December 22, 2000

#### **Rate of Interest on Advance against Term Deposits**

In exercise of powers conferred by Section 21 and 35A read with Section 56 of the Banking Regulation Act, 1949 and in modification of its directive No.UBD.DC.102/V-1-86/87 dated June 25, 1987, 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 Paragraph 14(a) of the aforesaid directive shall be amended as under, effective December 22, 2000.

- (a) when an advance is granted against a term deposit and the deposit stand in the name of
  - (i) the borrower either singly or jointly,
  - (ii) one of the partners of a partnership firm and the advance is made to the said firm,
  - (iii) the proprietor of a proprietary concern and the advance is made to such a concern and
  - (iv) a ward whose guardian is competent to borrow on behalf of the ward and where the advance is made to the guardian of the ward in such capacity, the banks will have the freedom to determine the interest rate chargeable on such advances irrespective of the amount of advance.

Interest as above on an advance against a term deposit shall be charged with quarterly or longer rests.

2. The other provisions contained in paragraph 14 of the aforesaid directive dated June 25, 1987 shall continue.