

## **Interest Rates on Deposits**

**Dir.BC. 36/13.01.04/99**

April 23, 1999

Vaishakha 3, 1921(Saka)

### Interest Rates on Deposits

In exercise of the powers conferred by Section 21 and 35A of the Banking Regulation Act, 1949 and in partial modification of the 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 clause (a) of paragraph 11 of the said Directive shall be substituted by the following:

"When an advance is granted against a term deposit and the deposit stands 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,
- (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 interest rates chargeable shall be equal to bank's Prime Lending Rate or less. However, in cases where deposit rates are equal to or more than Prime Lending Rate or less than one percentage point below Prime Lending Rate, banks will have freedom to charge suitable rates of interest on advances against such deposits without reference to the ceiling of Prime Lending Rate."

2. The other provisions contained in paragraph 11 shall remain unchanged.

**(S. Gurumurthy)**  
**Executive Director**