



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

[www.rbi.org.in](http://www.rbi.org.in)

RBI/2012-13/177

RPCD.CO.RCB.BC.No.26/07.38.01/2012-13

August 28, 2012

The Chairmen / CEOs of  
All State and Central Co-operative Banks

Dear Sir,

**Interest Rate on Deposits**

Please refer to our circular RPCD.No.RF.BC.39/07.38.01/98-99 dated December 4, 1998 whereby State and Central Co-operative Banks were permitted to offer, at their discretion, differential rates of interest on single term deposits of ₹ 15 lakh and above, subject to the condition that the schedule of interest rates payable on deposits, including deposits on which differential interest is paid, is disclosed in advance and not subject to negotiation between the depositor and the bank.

2. In this connection, attention is invited to [paragraphs 84 and 85](#) of the Monetary Policy Statement 2012-13 announced on April 17, 2012 (extract enclosed) on Variation in Interest Rates on Deposits. It has been observed that there are wide variations in the interest rates offered by banks on single term deposits of ₹ 15 lakh and above and those offered on other deposits (i.e. deposits less than ₹ 15 lakh) of corresponding maturities. Further, banks are offering significantly different rates on deposits with very little difference in maturities. This suggests inadequate liquidity management system and inadequate pricing methodologies. Banks are, therefore, advised to put in place a Board approved transparent policy on pricing of liabilities. The Board/ALCO should ensure that the variation in interest rates on single term deposits of ₹ 15 lakh and above and other term deposits (i.e. deposits less than ₹ 15 lakh) is minimal for corresponding maturities.

Yours faithfully

(C.D.Srinivasan)  
Chief General Manager

Encl: As above