



भारतीय रिज़र्व बैंक  
**RESERVE BANK OF INDIA**  
www.rbi.org.in

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RBI/2012-13/234

RPCD.No. RRB.BC. 33 /03.05.033/2012-13

October 08, 2012

All Regional Rural Banks

Dear Sir/Madam

**Interest Rate on Deposits**

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 Rs. 15 lakh and above and those offered on other deposits (i.e. deposits less than Rs.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. Regional Rural 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 Rs. 15 lakh and above and other term deposits (i.e. deposits less than Rs.15 lakh) is minimal for corresponding maturities.

Yours faithfully

(C.D. Srinivasan)  
Chief General Manager  
Encl: As above

## **Extract of Monetary Policy Statement 2012-13**

### **Variation in Interest Rates on Deposits to be Minimal**

84. The Reserve Bank has stipulated, inter alia, that banks should not discriminate in the matter of interest rate paid on deposits, except in respect of fixed deposit schemes specifically meant for resident Indian senior citizens and single term deposits of Rs.1.5 million and above. However, it is observed that there are wide variations in banks' retail and bulk deposits rates, making it unfair to retail depositors. 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. It is, therefore, advised that:

- banks should have a board approved transparent policy on pricing of liabilities and they should also ensure that variation in interest rates on single term deposits of Rs.1.5 million and above and other term deposits is minimal.

85. Detailed guidelines in this regard will be issued separately.