



June 11, 2009

Proposed Terms of Reference of the Working Group on BPLR - Comments by June 19, 2009.

The concept of Benchmark Prime Lending Rate (BPLR) was introduced in November 2003 for pricing of loans by commercial banks with the objective of enhancing transparency in the pricing of their loan products.

The [Annual Policy Statement 2009-10 \(Para 87\)](#) released in April 2009 noted that, over time, the system of BPLR has evolved in such a manner that it has lost its relevance as a meaningful reference rate as bulk of loans are advanced below BPLR. Furthermore, this impedes the smooth transmission of monetary signals and makes the loan pricing system non-transparent. Accordingly, in order to review the present BPLR system and suggest changes to make credit pricing more transparent, the policy proposed constitution of a Working Group on Benchmark Prime Lending Rate.

Accordingly, the Working Group is now constituted. It will be chaired by Shri Deepak Mohanty, Executive Director, Reserve Bank of India and will have representations from the concerned departments of the Reserve Bank, Indian Banks' Association, Banking Codes and Standards Board of India, and public, private and foreign banks. The Group would also comprise external experts.

The proposed Terms of Reference of the Working Group are as follows:

- a) to review the concept of BPLR and the manner of its computation;
- b) to examine the extent of sub-BPLR lending ;
- c) to examine the wide divergence in BPLRs of major banks;
- d) to suggest an appropriate loan pricing system based on international best practices;
- e) to review the administered lending rates for small loans up to Rs 2 lakh and for exporters.
- f) to suggest suitable benchmark for floating rate loans in the retail segment; and
- g) consider any other issue relating to lending rates.

Comments and suggestions on the terms of reference may please be addressed to the Adviser-in-Charge, Monetary Policy Department, Reserve Bank of India, Central Office, Mumbai 400 001 or may be [sent by email](#) to him by June 19, 2009.

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Manager

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Related Press Release : [Working Group on Benchmark Prime Lending Rate](#)