



**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**

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

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

इ-मेल email: [helpdoc@rbi.org.in](mailto:helpdoc@rbi.org.in)

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 22660358

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## **RBI seeks comments/feedback on Draft Guidelines on Computation of Base Rate based on Marginal Cost of Funds methodology**

The Reserve Bank of India has today placed on its website for comments/feedback, the [draft guidelines](#) on interest rates on advances-Base Rate methodology. Comments/feedback may be [e-mailed](#) or sent by post to the Chief General Manager, Directives Division, Department of Banking Regulation, Reserve Bank of India, Central Office, 13<sup>th</sup> Floor, Shahid Bhagat Singh Marg, Mumbai-400 001 within two weeks of the date of this press release i.e. on or before September 15, 2015.

### **Background**

The Reserve Bank of India had stated in its [First Bi-monthly Monetary Policy Statement 2015-16 announced on April 7, 2015](#) that '*for monetary transmission to occur, lending rates have to be sensitive to the policy rate. With the introduction of the Base Rate on July 1, 2010 banks could set their actual lending rates on loans and advances with reference to the Base Rate. At present, banks are following different methodologies in computing their Base Rate – on the basis of average cost of funds, marginal cost of funds or blended cost of funds (liabilities). Base Rates based on marginal cost of funds should be more sensitive to changes in the policy rates. In order to improve the efficiency of monetary policy transmission, the Reserve Bank will encourage banks to move in a time-bound manner to marginal-cost-of-funds-based determination of their Base Rate*'.

Accordingly, the Reserve Bank of India has now brought out draft guidelines for banks adopting marginal cost of funds methodology for calculating Base Rates. These draft guidelines have been placed on the Bank's website for wider comments. Based on the feedback, the final guidelines will be framed.

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**Sangeeta Das**  
Director