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October 04, 2017

**Report of the Internal Study Group to Review the Working of the Marginal Cost
of Funds based Lending Rate (MCLR) System**

As indicated in Para 2 of today's [Statement on Developmental and Regulatory Policies](#), the Reserve Bank of India placed on its website today the [Report of the Internal Study Group to Review the Working of the Marginal Cost of Funds based Lending Rate \(MCLR\) System](#)

The Reserve Bank has stated that the comments on the report may be sent to the Principal Adviser, Monetary Policy Department, Reserve Bank of India, Central Office, 24th Floor, Central Office Building, Shahid Bhagat Singh Marg, Fort, Mumbai 400 001 by post or by [email](#) by October 25, 2017.

After taking into account the feedback received, the Reserve Bank will take a final view on the recommendations of the Study Group.

It may be recalled that in the [Statement on Developmental and Regulatory Policies of August 2, 2017](#), it was indicated that an internal Study Group (Chairman: Dr. Janak Raj) was constituted by the Reserve Bank of India to study the various aspects of the MCLR system from the perspective of improving the monetary transmission and exploring linking of the bank lending rates directly to market determined benchmarks.

The Group submitted its report on September 25, 2017.

The terms of reference for the Study Group were: (i) to study whether the MCLR has achieved the objective for which it was introduced; (ii) to look into the practices followed by banks for fixing the spread over the MCLR; (iii) to suggest appropriate modification in the MCLR system with a view to strengthening the monetary transmission; and (iv) to make any other recommendation with regard to setting of interest rates by banks for improving the monetary transmission.

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