

RBI notifies banks to link medium enterprise loans to external benchmark

This is reference to the Reserve Bank of India (RBI) circular DBR.DIR.BC.No.14/13.03.00/2019-20 dated September 04, 2019, in terms of which all new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to Micro and Small Enterprises (MSEs) extended by banks with effect from October 01, 2019 were linked to external benchmarks.

Subsequent to the introduction of an external benchmark system, the monetary policy transmission has improved in respect of the sectors where new floating rate loans have been linked to the external benchmarks.

With a view to further strengthening monetary policy transmission, it has now been decided that all new floating rate loans to the Medium Enterprises extended by banks from April 01, 2020 shall be linked to the external benchmarks as indicated in the aforesaid circular. All the other instructions as contained in the aforesaid circular remain unchanged.

Accordingly, Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016 dated March 03, 2016 has also been modified.

Please find enclosed Updated Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016 for your kind reference.

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