

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

SWITCH OVER TO BASE RATE FROM PLR SYSTEM

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Following the announcement in the Annual Policy Statement for the year 2009-10, Reserve Bank of India (RBI) constituted a Working Group on Benchmark Prime Lending Rate (BPLR) to review the present BPLR system and suggest changes to make credit pricing more transparent. Based on the recommendations of the Group and the suggestions from various stakeholders, it has been decided that banks switch over to the system of Base Rate. The Base Rate system has replaced the BPLR system with effect from July 1, 2010. In terms of the new guidelines, banks determine their actual lending rate on loans and advances with reference to the Base Rate.

As per the RBI guidelines, the Base Rate system would be applicable for all new loans and for those old loans that come up for renewal. Existing loans based on the BPLR system may run till their maturity. In case existing borrowers want to switch to the new system, before expiry of the existing contracts, an option may be given to them, on mutually agreed terms. Banks, however, should not charge any fee for such switch-over.

This information was given by the Minister of State for Finance, Shri Namo Narain Meena in written reply to a Question in Rajya Sabha today.

DSM/PM