



IIA Members

Dear All,

As per the UPERC Electricity Supply Code-2005 (3rd Amendment) notified on 14th September 2006, electricity consumers are entitled for interest on security deposit equivalent to the Bank Rate as on 1st April of applicable financial year by way of credit in the bill of the consumer in the months of April, or May or June as per the applicable billing cycle. However, no interest shall be payable if the deposit is not made by way of cash, cheque or bank draft.

Accordingly IIA Members are informed that the bank rate applicable since April 2003 are as under:-

1. 6% from April 30, 2003 to February 13, 2012.
2. 9.50% from February 14, 2012 to April 16, 2012.
3. 9% from April 17, 2012 onwards.

The relevant circulars of RBI are attached herewith.

It is further informed that IIA have represented to UPERC for allowing interest on security at Bank Rate with effect from 2nd June 2003 when Electricity Act-2003 was notified wherein there is a provision for payment of interest on security at bank rates. It may also be noted that UPERC for the first time allowed 3% interest on security deposit w.e.f 18th Feb 2005 which was amended to bank rate on 14th Sep. 2006.

Manish Goel

General Secretary

Indian Industries Association

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RESERVE BANK OF INDIA  
www.rbi.org.in

RBI/2011-2012/503  
FMD.MOAG. No. 68 /01.01.01/2011-12

April 17, 2012

All Scheduled Commercial Banks (excluding RRBs) and Primary Dealers

Dear Sir,

**Liquidity Adjustment Facility – Repo and Reverse Repo  
and Marginal Standing Facility Rates**

As announced today by the Governor in the [Annual Monetary Policy 2012-13](#), it has been decided to reduce the Repo rate under the Liquidity Adjustment Facility (LAF) by 50 basis points from 8.50 per cent to **8.00 per cent** with immediate effect.

2. Consequent to the change in the Repo rate, the Reverse Repo rate under the LAF and the Marginal Standing Facility (MSF) rate will stand automatically adjusted to **7.00 per cent** and **9.00 per cent** respectively with immediate effect.

3. Further, in order to provide greater liquidity cushion, it has also been decided to raise the borrowing limit of Scheduled Commercial Banks under the MSF from one per cent to two per cent of their Net Demand and Time Liabilities (NDTL) with immediate effect.

4. All other terms and conditions of the current LAF and MSF Schemes will remain unchanged.

5. Please acknowledge receipt.

Yours sincerely

(G. Mahalingam)  
Chief General Manager



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RBI/2011-2012/396

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February 13, 2012  
Magha 24, 1933 (Saka)

**To**

**All Scheduled Commercial Banks**

### **Bank Rate**

Section 49 of the Reserve Bank of India Act, 1934 requires the Reserve Bank to make public (from time to time) the standard rate at which it is prepared to buy or re-discount bills of exchange or other commercial paper eligible for purchase under that Act.

2. Being the discount rate, the Bank Rate should technically be higher than the policy repo rate. The Bank Rate has, however, been kept unchanged at 6 per cent since April 2003. This was mainly for the reason that monetary policy signalling was done through modulations in the reverse repo rate and the repo rate under the Liquidity Adjustment Facility (LAF) (till May 3, 2011) and the policy repo rate under the revised operating procedure of monetary policy (from May 3, 2011 onwards). Moreover, under the revised operating procedure, marginal standing facility (MSF), instituted at 100 basis points above the policy repo rate, has been in operation, which in many ways serves the purpose of the Bank Rate.

3. While the policy repo rate and the MSF rate have become operational, the Bank Rate continues to remain at 6 per cent. Currently, the Bank Rate acts as the penal rate charged on banks for shortfalls in meeting their reserve requirements (cash reserve ratio and statutory liquidity ratio). The Bank Rate is also used by several other organisations as a reference rate for indexation purposes.

4. The Reserve Bank has consulted various organizations/stakeholders relying on the Bank Rate as a reference rate. Based on the feedback received, it is determined that the Bank Rate should normally stay aligned to the MSF rate. Accordingly, it has been decided that with effect from the close of business today (February 13, 2012), the Bank Rate will stand increased by 350 basis points, i.e., from 6.00 per cent per annum to 9.50 per cent per annum. This should be viewed and understood as one-time technical adjustment to align the Bank Rate with the MSF rate rather than a change in the monetary policy stance.

5. All penal interest rates on shortfall in reserve requirements, which are specifically linked to the Bank Rate, will also stand revised as indicated in the Annex.

6. Kindly acknowledge receipt of this letter to the Adviser-in-Charge, Monetary Policy Department, Reserve Bank of India, Central Office, Shahid Bhagat Singh Road, Mumbai 400 001.

D. Subbarao  
Governor