



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
www.rbi.org.in

RBI/2019-20/167

DOR.DIR.BC.No.39/13.03.00/2019-20

February 26, 2020

All Scheduled Commercial Banks (excluding RRBs)  
All Small Finance Banks  
All Local Area Banks

Madam / Dear Sir,

### **External Benchmark Based Lending – Medium Enterprises**

Please refer to the [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.

2. 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.

3. 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.

4. Accordingly, [Master Direction - Reserve Bank of India \(Interest Rate on Advances\) Directions, 2016 dated March 03, 2016](#) has been modified and is available on RBI's website.

Yours faithfully,

(Dr. S. K. Kar)  
Chief General Manager