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SBI raises bulk deposit rates by 100 bps

BY GAYATRI NAYAK, ET BUREAU | UPDATED: NOV 29, 2017, 09.48 PM IST

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MUMBAI: Sensing an arbitrage opportunity in the repo market, the country's largest lender State Bank of India raised interest rate on bulk deposits of over Rs 1 crore by one per cent, effective November 30.

Significantly, the move to revise rates comes soon after the government announced the repurchase of its securities worth Rs 30,000 crore through reverse repo auction.

SBI raised interest rates across all tenors uniformly by 100 bps for deposits over Rs one crore. The revised rates which come into effect from November 30 have been changed after more than a year. Interest rate on the shortest tenor deposit – seven day to 45 days was raised from 3.75% to 4.75% and for the longest tenor- 5 to 10 years, rates are up from 4.25% to 5.25%. Senior citizens earn an additional 50 bps on all tenors.

SBI officials say that the decision to revise rates was purely guided by arbitrage considerations. "There is no liquidity issue. The decision was purely driven by arbitrage opportunities" said C Venkat Nageswar, deputy managing director, global markets at SBI. The revised rates are still lower than the benchmark repo rate the key policy rate at which RBI lends to banks is 6%. While the reverse repo rate, the rate at which banks lend to RBI is 5.75%. This gives the bank to deploy the funds in the reverse repo auction and earn an arbitrage. According to market analysts, bulk deposits do not form a significant portion of SBI's deposit liabilities and hence any move to revise this rate does not impact the banks' cost of funds and hence lending rates.

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