

# SBI plans to link SB deposits and CC/OD accounts to RBI repo rate

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In a significant move, State Bank of India (SBI), on Friday, said it will link savings bank (SB) deposits with balances over ₹1 lakh and all cash credit (CC) accounts and overdrafts (OD) with limits above ₹1 lakh to the repo rate with effect from May 1.

This move comes in the backdrop of the RBI directing banks to link all new floating rate personal or retail loans (housing, auto) and floating rate loans to micro and small enterprises to one of the four external benchmarks – policy repo rate/ 91 days treasury bill / 182 days treasury bill/a benchmark market rate produced by Financial Benchmarks India Pvt Ltd – from April 1.

India's largest bank will link SB deposits, with balances above ₹1 lakh to repo rate with current effective rate being 3.50 per cent per annum (2.75 per cent below current repo rate of 6.25 per cent). Repo rate is the interest rate at which the central bank provides liquidity to banks to help them overcome short-term liquidity mismatches.

All CC accounts and ODs, with limits above ₹1 lakh, will also to be linked to the repo rate (current repo rate 6.25 per cent plus a spread of 2.25 per cent). The risk premiums over and above this floor rate of 8.50 per cent would be based on the risk profile of the borrower, as is the current practice.

“In order to address the concern of rigidities in the balance sheet structure and address the issue of quick transmission of changes in RBI's policy rates, effective from May 1, SBI has taken the lead in linking its key pricing decision for SB deposits and short-term loans to the repo rate of the RBI,” SBI said in a statement.

The bank has decided to exempt SB account holders with balances up to ₹1 lakh, and borrowers, with CC/OD limits up to ₹1 lakh, from linkage to the repo rate.



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