

कार्पोरेशन बैंक (सार्वजनिक क्षेत्र का अग्रणी बैंक) प्रधान कार्यालय, डा.पे.सं. 88, मंगलूर - 575 001	 ई-सर्कुलर e-CIRCULAR	Corporation Bank (A Premier Public Sector Bank) Head Office, PB No.88, Mangalore – 575 001
Credit Division [Credit Policy & Planning Section] Email : CPMS@corpbank.co.in		
प्र.का. परिपत्र सं. HO Circular No. 224/2016	सूचकांक Index No. 11.01/1/2016	दिनांक Date: 02-April-2016

समस्त शाखाओं/कार्यालयों हेतु TO ALL THE BRANCHES/ OFFICE

Subject : IMPLEMENTATION OF MARGINAL COST OF FUND BASED LENDING RATE [MCLR] WITH EFFECT FROM 01.04.2016 AND CONSEQUENT CHANGE IN INTEREST RATE STRUCTURE

HIGHLIGHTS

MCLR replaces Base Rate System. All new loan accounts sanctioned and released after 01.04.2016 shall be priced with reference to MCLR only. Existing borrowers shall have the option to migrate to MCLR at mutually accepted terms.

1. Attention of all the branches/other offices is invited to HO Cir No 218/2016 dated 01.04.2016 interalia communicating the implementation of New Bench Mark Rate Based on Marginal Cost of Funds Based Lending Rate [MCLR].
2. In this regard, the salient features the new benchmark rate based on Marginal Cost of funds based lending rate [MCLR] are as under:
 - MCLR system shall replace the existing Base Rate with effect from 01.04.2016.
 - MCLR shall be the bench mark for a particular maturity
 - The actual lending rates shall be determined by adding spread to the MCLR.
 - Broad components of spread shall be Business Strategy and Credit Risk Premium.
 - There shall be no lending below the MCLR of a particular maturity for all loans linked to that bench mark.
 - MCLR shall form part of the loan contract.
 - MCLR shall be applicable to all categories of loans, except the following categories of loans which can be priced without being linked to MCLR:
 - ❖ Loans under Government Sponsored Schemes wherein the rate of interest is defined as per scheme guidelines;
 - ❖ Working Capital Term Loan [WCTL]/Funded Interest Term Loan [FITL] granted as part of rectification/restructuring package;
 - ❖ Loans granted under Refinance scheme formulated by the Government of India to the extent of refinance available;
 - ❖ Loans to Banks' depositors against their own deposits;
 - ❖ Loans to Banks' Own Employees including retired employees;
 - ❖ Loans to Chief Executive Officer [CEO]/Whole-time Directors;
 - ❖ Loans linked to Market determined external benchmark; AND
 - ❖ Fixed rate loans of tenor above three years which could be priced without reference to the MCLR.

Therefore all other categories of loans, except those mentioned above shall be linked to MCLR.

- In case of fresh loans sanctioned after 01.04.2016, the applicable MCLR shall be based on the rate prevailing on the date of first disbursement either fully or partially.
- The MCLR applicable for a loan shall continue till the next reset date, irrespective of the changes in the benchmark during the interim.
- The periodicity of reset shall be one year.
- Existing borrowers shall have the option to move to MCLR linked loans at mutually acceptable terms or to continue till repayment or renewal.

3. Review of MCLR:

MCLR shall be reviewed as on 1st of Every Month and shall be applicable to all the loans where first disbursement takes place on or after such review date. Further, the revised MCLR shall also be applicable to all loan accounts where the reset date falls due during the month.

4. Applicability:

All new rupee loans sanctioned/renewed on or after 01.04.2016 shall be priced with reference to the MCLR of appropriate tenor prevailing as on the date of first disbursement either fully or partially.

5. Spread:

The spread over MCLR shall consist of Credit Risk Premium and Business Strategy Component which shall be revised/re-fixed as and when there is change in the risk profile of the borrower.

6. Card Rate:

The card rate for any category of facility/type of loan shall be the aggregate of relevant tenor MCLR as applicable on the date of disbursement and Spread consisting of Credit Risk Premium/ Business Strategy Component.

7. Tenor:

Tenor indicates the period from the date of disbursement/reset to the maturity date of the loan/next reset date whichever is earlier.

8. Inland Cheques/DDs/Bills purchased/discounted:

The rate of interest on such facility shall be priced with reference to the appropriate MCLR plus applicable Spread for a category of borrower.

9. Bills purchased under Prime Bank LC:

The rate of interest on Bills Discounted under Prime Bank LC shall be priced with reference to the appropriate MCLR as applicable to the maturity of the bill with spread as mentioned hereunder:

Tenor	Spread Over the tenor MCLR
Up to & including 90 days	0.15%
91 days to 180 days	0.35%
181 days and above	0.55%

10. Reset of Interest Rates:

- 10.01 Reset of interest rate means, mapping the MCLR applied to the loan account with the new MCLR for the relevant tenor of the loan as on the date of reset.
- 10.02 In respect of loans sanctioned and opened on or after 01/04/2016, the reset date shall be on the anniversary date of first disbursement.
- 10.03 In respect of loans sanctioned prior to 31.03.2016 and where the accounts are opened/first disbursement take place on or after 1st April 2016, the ROI shall be linked to Base Rate and the account shall migrate to MCLR on renewal or at the request of the borrower whichever is earlier. In other cases, the account shall continue to be linked to Base Rate till maturity or till the date the borrower exercises the option to migrate to MCLR at mutually accepted terms.
- 10.04 In respect of existing loans linked to COBAR/Base Rate, where the borrowers have opted for migration to MCLR linked interest rate, such accounts shall be linked to the applicable MCLR interest rate structure prevailing as on the date of receipt of request at the branch for migration. The reset in such cases shall be the anniversary date of receipt of request for such migration.
- 10.05 The MCLR prevailing on the day of disbursement/migration of loan shall be applicable till the next reset date, irrespective of the changes in the benchmark during the interim. In any case, the periodicity of reset shall not exceed one year.
- 10.06 The spread over MCLR for a particular facility/type shall be revised/re-fixed as and when there is change in the risk profile of the borrower. The revision in spread may or may not coincide with the resetting of the MCLR.
- 10.07 An illustrative list of some of the instances which necessitate reset/migration of rate of interest from Base Rate to MCLR is furnished in Annexure-1.

11. Migration from existing COBAR/Base Rate to MCLR:

- 11.01 Existing borrowers shall have the option either to move to MCLR linked loans at mutually acceptable terms or to continue under the existing COBAR/Base Rate interest rate structure till maturity.
- 11.02 In case the borrower opts for migration to MCLR based interest rate structure, the effective rate of interest shall be maintained. Branches shall delink the account in the system from 'C' for COBAR and 'B' for Base Rate and link to the appropriate tenor MCLR and specify the spread over MCLR without altering the effective rate of interest. The reset date shall be the anniversary date of approval for migration to MCLR interest rate structure.
- 11.03 Branches shall obtain a letter from the borrower as per the prescribed format which will be communicated separately.
- 11.04 Wherever Concessions, if any, over the card rate are extended in individual accounts, it shall be maintained at the same level, subject to the condition that the resultant rate is not falling below the MCLR of the relevant tenor and the provisions contained in para

11.02 is complied with. In such case, no prior permission from the competent authority is required for extending the same while migrating from existing COBAR/Base Rate to MCLR.

12. Delegated Powers for approving loan pricing:

12.01 The card rate for any category of facility/type of loan shall be the aggregate of relevant tenor MCLR as applicable on the date of disbursement, Credit Risk Premium and Business Strategy Component. Sanctioning Authority vested with the powers to sanction a particular facility/type of loan shall stipulate the card rate as MCLR as applicable on the date of disbursement Plus the applicable spread i.e., Rate of Interest = MCLR as applicable on the date of disbursement + _____% [applicable spread]. Further, the sanction terms shall also stipulate the exact periodicity of reset i.e., one year from the date of first disbursement.

12.02 A functionary shall exercise powers to extend concession/relaxation in card rate by reducing the spread considering the customer relationship, collaterals, ancillary business support etc. Such powers shall be governed by the Scheme of delegation of Lending powers. However, it shall be ensured that the effective rate of interest after extending concession/relaxations do not fall below the MCLR as applicable to the relevant tenor of the facility/type of loan.

13. Immediate Action Points at Branches:

The branches are advised to comply with the following instructions unfailingly.

- a. To ensure that interest is charged to different categories of borrowers / types of credit facilities strictly as per the spread mentioned in Annexure-II over the applicable tenor MCLR that are sanctioned and released after 01.04.2016.
- b. To display Bank's MCLR prominently on the Notice Board meant for public [as per Annexure-III].
- c. The compliance of the above instructions by the branches should be followed up by the Zonal Offices concerned.

14. All our Branches and other Offices are advised to note the above for guidance and strict compliance.



[N Vijaya Kumar]
GENERAL MANAGER

Note: Hindi version of the Circular follows.

Illustrative list

1. New loan account is sanctioned after 01.04.2016 and first disbursement takes place after 01.04.2016, the ROI will be the applicable tenor MCLR plus Spread as on the date of first disbursement. The reset date will be the anniversary date of first disbursement.

Date of Sanction	02.04.2016	
Limit	Rs. 5,00,000/-	
Tenor of the loan	2 years	
Date of disbursement	05.04.2016	06.05.2016
Applicable ROI	One Year tenor MCLR as on 01.04.2016 + Spread.	One Year tenor MCLR as on 01.05.2016 + Spread.
Date of first reset	05.04.2017	06.05.2017
ROI on reset date	One Year tenor MCLR as on 01.04.2017.	One Year tenor MCLR as on 01.05.2017.

2. A term loan sanctioned prior to 31.03.2016 and first disbursement takes place after 01.04.2016, the applicable rate of interest will be linked to Base rate and continue to be linked to Base Rate till its maturity. However, the borrower shall have the option to migrate to MCLR at mutually accepted terms.

Date of Sanction	25.03.2016
Limit	Rs. 5,00,000/-
Tenor	2 year
Date of disbursement	06.05.2016
Applicable ROI	Linked to base rate
Date of first reset	Not applicable

3. A working capital limit is sanctioned prior to 31.03.2016 and first disbursement takes place after 01.04.2016, the applicable ROI will be linked to base rate and continue to be linked to Base Rate till the date of next renewal. Thereafter, the account shall be reset on the anniversary date of renewal.

Date of Sanction	25.03.2016
Limit	Rs. 5,00,000/-
Date of disbursement	06.05.2016
Applicable ROI	Linked to base rate
Date of first reset	Not applicable
Actual Date of renewal of the limit	06.06.2017
ROI as on 06-06-2017	Linked to One year tenor MCLR as on 01.06.2017 plus spread.
Date of first reset	06-06-2018

4. In case of review/renewal of accounts that are linked to MCLR

Date of sanction	02.04.2016
Limit	Rs. 5,00,000/-
Gradation of borrower	CB3
Date of availment	06.05.2016
MCLR	One year MCLR as on 01.05.2016
Spread	2.75%
Applicable ROI	Applicable tenor MCLR as on 01.05.2016 plus Spread
Tenor	2 years
Due date for review	02.04.2017
ROI on the due date for renewal	Applicable tenor MCLR as on 01.05.2016 plus

i.e. 02-04-2017	Spread [2.75%]
Date of first reset	06.05.2017 i.e., anniversary date of first disbursement
Rate of Interest on reset	Applicable tenor MCLR as on 01.05.2017 + Spread [2.75%]
Date of actual review of limit	06.06.2017
Gradation of borrower at the time of review	CB4
Spread due to down gradation	3.00%
Rate of interest on review	Applicable tenor MCLR as on 01.05.2017 + Spread [3.00%]
Date of second reset	06.05.2018
ROI on reset date i.e. 06.05.2018	Applicable tenor MCLR as on 01.05.2018 + Spread [3.00%]

On 06.06.2017 branch shall modify the spread in the system from 2.75 to 3.00. However ROI will be linked to one year tenor MCLR as on 01.05.2017 and not one year tenor MCLR as on 01-06-2017. This practice will have to be followed even in case of accounts migrated to MCLR.

NOTICE

Corporation Bank announces the Marginal Cost of Lending Rate for different tenors with effect from 01.04.2016 which is as under:

SI No	Tenor	MCLR	Applicable Tenor
01	Overnight MCLR	9.05%	1 day
02	One Month MCLR	9.30%	2 day to 30 days
03	Three Month MCLR	9.50%	31 days to 90 days
04	Six Month MCLR	9.55%	91 days to 180 days
05	One Year MCLR	9.60%	181 days to One year
06	3 year MCLR	9.80%	Above One year

Tenor indicates the period from the date of disbursement/ reset to the maturity date of the loan/next reset date whichever is earlier.

Branch Manager