**REF : No.MPD.918/03.02.01/99-2000**

**October 6 , 1999**
**Ashwina 14, 1921(S)**

**To :**

**All Scheduled Commercial Banks**

**Dear Sirs,**

***<u>Collateralised Lending Facility</u>***

Please refer to item No.(ii) of our letter No.MPD.2767/03.02.01/98-99 dated April 20, 1999. At present, Collateralised Lending Facility (CLF) and Additional Collateralised Lending Facility (ACLF) are provided to scheduled commercial banks for two blocks of two weeks each. At the end of four weeks period, there is a cooling period of two weeks during which banks are not permitted to draw any refinance. Thereafter, a fresh cycle of two blocks of two weeks each begins.

**2.** With a view to making the scheme of Collateralised Lending Facility more flexible and effective in meeting the liquidity requirements of banks and the system, it has been decided to remove the stipulation of cooling period altogether. Accordingly, banks will henceforth be provided CLF and ACLF for the first block of two weeks at the Bank Rate and Bank Rate plus 2 percentage points, respectively. An additional interest rate of 2 percentage points over the rates applicable for the first block will be charged thereafter as indicated below :

| **Facility** | **Rate of Interest (per cent per annum)** | |
|---|---|---|
| | **Block I (First 2 weeks)** | **Block II (From 3rd week onwards)** |
| **1. CLF** | **Bank Rate (8.0)** | **Bank Rate plus two percentage points (10.0)** |
| **2. ACLF** | **Bank Rate plus two percentage points (10.0)** | **Bank Rate plus four percentage points (12.0)** |

**3.** The amount drawn under CLF/ACLF shall be fully paid off within a period not exceeding 90 days from the date of drawal.

**4.** All other terms and conditions prescribed in this regard vide our letter dated April 20, 1999 remain unchanged.

**5.** Kindly acknowledge receipt.

**Yours faithfully,**

**(K. Kanagasabapathy)**
**Adviser-in-Charge**