

## **RBI PRESS RELEASES**

### **RBI Reduces Export Credit Refinance Rate to 7 Per Cent (August 6, 1998)**

The Reserve Bank of India has today reduced its export credit refinance rate by two percentage points. The refinance rate will now be 7 per cent (two percentage points below the Bank Rate) as against the previous 9 per cent. The revised rate will be effective today and valid up to March 31, 1999.

A circular detailing the revised rate of interest on export credit has also been issued separately.

The new rates of interest will be applicable up to March 31, 1999 after which *status quo ante* will be restored automatically, unless otherwise notified.

### **FII Investments in Government Dated Securities and Treasury Bills through Depositories Permitted (August 21, 1998)**

In order to facilitate the custodial and depository services provided to Foreign Institutional Investors (FIIs) in Government securities (Government dated securities and treasury bills), the Reserve Bank of India has announced that, in addition to the Subsidiary General Ledger (SGL) account of the designated banks, FII investments in Government securities will now be permitted through SGL accounts of depositories, such as Stock Holding Corporation of India Ltd. (SHCIL) and National Securities Depository Ltd. (NSDL), having both SGL account no. II (Constituents' Account) and current account with the Reserve Bank of India, subject to the following conditions :

(i) The settlement of payments due from the FIIs to SGL and current account holders is done through bank accounts maintained by them with their designated banks;

(ii) SGL and current account holders with the Reserve Bank do not make their own funds available to FIIs for the purpose;

(iii) All transactions put through SGL and current account holders with the Reserve Bank should be governed by the Delivery Versus Payment System of the Reserve Bank.

It may be recalled that earlier, the Reserve Bank of India issued guidelines for transactions in Government securities by FIIs with a ceiling of 30 per cent investment in debt instruments and also 100 per cent debt funds in terms of which investments by FIIs were allowed only in the form of SGL account through a bank having both SGL account no. II (Constituents' Account) and current account with the Reserve Bank of India.