

RBI/2004/118
REF: No. MPD. BC.246/07.01.279/ 2003-04

March 25, 2004
Chaitra 5, 1926(S)

All Scheduled Banks (excluding Regional Rural Banks (RRBs))
and Primary Dealers

Dear Sirs

**Standing Liquidity Facilities for Banks for
Export Credit and Primary Dealers (PDs): Rationalisation**

Please refer to our circular MPD.BC.243/07.01.279/2003-04 dated November 5, 2003 on the captioned subject.

2. At present, banks are eligible for standing liquidity facility (export credit eligible for refinance), and Primary Dealers (PDs) are eligible for collateralised liquidity support from RBI subject to certain limits. These limits are apportioned into normal facility constituting one-third of the total entitlement available at the Bank Rate and back-stop facility constituting the remaining two-thirds available at the back-stop rate/reverse repo rate.

3. In order to rationalise the existing structure of liquidity support from the Reserve Bank, it has been decided that, as recommended by the Internal Group on Liquidity Adjustment Facility (LAF) and suggested by market participants, the entire amount of support under the Standing Liquidity Facilities would be made available at a single rate. Accordingly, it has been decided to merge the normal facility and back-stop facility into a single facility to be made available at a single rate, viz., at the reverse repo rate with effect from March 29, 2004.

4. Currently, the Bank Rate is at 6.0 per cent and the reverse repo rate is at 6.5 per cent. In the light of the revised LAF Scheme, the reverse repo rate stands reduced to 6.0 per cent with effect from March 29, 2004. This would result in a reduction of part of cost of funds for banks and PDs.

5. Kindly acknowledge receipt.

Yours faithfully,

(Deepak Mohanty)
Adviser