

RBI/2004-05/197

IDMD.OMO.No. 04 /03.75.00/2004-05

September 30, 2004

**All Scheduled Commercial Banks (excluding RRBs)
and Primary Dealers**

Dear Sir,

**Liquidity Adjustment Facility - International
Usage of terms 'Repo' and 'Reverse Repo'**

Please refer to paragraph 8 of our circular IDMD.OMO.No. 04/03.75.00/2003-04 dated March 25, 2004 on the revised scheme of Liquidity Adjustment Facility (LAF), wherein it was indicated that international usage of "Repo" and "Reverse Repo" terms should be adopted from a future date, in consultation with the market participants, after giving adequate time for system changes. It may be reiterated that internationally, Central Banks use the term "Repo" for injecting liquidity into the system and "Reverse Repo" for absorption of liquidity.

2. It has been decided to adopt the international usage of the term "Repo" and "Reverse Repo" under LAF operations. Accordingly, the current "Repo" operation where Reserve Bank of India absorbs liquidity will be termed "Reverse Repo" and the current "Reverse Repo" operation where RBI injects liquidity will be termed "Repo". Consequently, the Repo Rate (**now at 4.50 per cent**) will be referred to as the Reverse Repo Rate, and the Reverse Repo Rate (**now at 6.00 per cent**) will be referred, as Repo Rate from the date the change in nomenclature is made operational.

3. The software changes for the Negotiated Dealing System (NDS) have been finalized and are currently under testing. We propose to switchover to the international usage of the terms "Repo" and "Reverse Repo" with effect from **October 29, 2004**. We shall be glad if the LAF participants carry out the necessary system changes, if any, at their end. In the mean while, Reserve Bank will arrange for familiarisation of eligible participants with the new software. The details of familiarisation programme will be communicated shortly.

Yours faithfully

(Jasbir Singh)
Chief General Manager