

October 27, 2004

All Scheduled Commercial Banks (excluding RRBs) and Primary Dealers

Dear Sirs,

Liquidity Adjustment Facility – Revised Scheme

Please refer to paragraphs 68, 69 and 70 of the Mid-Term Review of the Annual Policy Statement for the year 2004-05 dated October 26, 2004 and our circular IDMD.OMO No.7/03.75.00/2004-05 of the same date, announcing the following changes in the Scheme of Liquidity Adjustment Facility (LAF):

- (i) It has been decided, effective October 29, 2004 to switchover to the international usage of the terms "repo" and "reverse repo".
- (ii) With effect from November 1, 2004, the auctions of 7-day and 14-day repo (reverse repo by international parlance) would stand discontinued. Therefore, with effect from November 1, 2004, the LAF Scheme would be operated through overnight fixed rate repo and reverse repo.

2. Accordingly, the nomenclature changes under LAF will be as follows:

| S No | Prior to October 29,2004 | With effect from October 29, 2004 |
|------|--------------------------|-----------------------------------|
| 1 | 1-day Repo | 1-day Reverse Repo |
| 2 | 1-day Reverse Repo | 1-day Repo |
| 3 | Repo Rate | Reverse Repo Rate |
| 4 | Reverse Repo Rate | Repo Rate |

Note: The 7-day repo to be conducted on October 29, 2004 will be termed 7-day reverse repo.

3. With a view to making the LAF sub-module in PDO-NDS user-friendlier, the following modifications have also been carried out, to come into effect on October 29, 2004.

4. The Repo Constituent (RC) SGL Account and the Reverse Repo Constituent (RRC) SGL Account have been integrated into the PDO-NDS system. Therefore, transfer of securities from the SGL Account to the RC SGL account can now be made by the member (by Transfer Order Booking by means of RC Transfer functionality in the LAF module). Transfer would require the approval of PAD, Securities Section, RBI. To facilitate approval at PAD, members will be required to tender physical SGL Form duly completed. Therefore while the members requiring to replenish their RC SGL account may fax the physical SGL Form to PAD, Securities Section to avoid any loss of time, they must deliver physical SGL Form by 2.30 p.m. positively. Similarly the movement of securities from RC SGL to SGL Account has to be initiated (by RC Withdrawal functionality in the LAF module) by the member, followed by SGL Form submission and confirmation by PAD, Securities Section. Balance available in the RC SGL Account cannot be utilized for any transaction other than LAF, as hitherto.

5. Since the RC/RRC SGL Accounts are available on-line, PAD, Securities Section will discontinue the practice of furnishing Daily Balance Certificate to members, except for exceptional reasons e.g. when required by statutory auditors.

6. Consequent to the change in nomenclature, the rate at which Standing Liquidity Facilities would henceforth be made available would be known as the **Repo Rate**.

7. The LAF scheme notified on March 25, 2004, as adjusted for the above changes, is given in **Annex A**.

Yours faithfully,

(Jasbir Singh)
Chief General Manager

Scheme of Liquidity Adjustment Facility – Modified as on October 29, 2004

The revised Liquidity Adjustment Facility (LAF) Scheme (as given in RBI Circular RBI –115/2004 dated March 25, 2004) stands modified in line with the recent changes as under:

I. The Scheme of Liquidity Adjustment Facility

1. Effective Date

The change in nomenclature of operations and rates under the LAF Scheme will be made effective from October 29, 2004 while the 7-day and 14-day repo operations will be discontinued with effect from November 1, 2004.

2. Tenor

Under the scheme, (i) Overnight Reverse Repo auctions (for absorption of liquidity) and (ii) Overnight Repo auctions (for injection of liquidity) will be conducted on a daily basis (Monday to Friday, excepting holidays).

3. Rate of Interest

Both the reverse repo and repo operations will be conducted at a fixed rate. The reverse repo rate will be fixed by the Reserve Bank from time to time. The repo rate will continue to be linked to the reverse repo rate through a spread as mark up over the reverse repo rate. The spread will be determined based on market conditions and other relevant factors and changes therein as when effected will be announced by Reserve Bank.

4. Discretion to Reserve Bank

Under the revised Scheme, Reserve Bank will continue to have the discretion to conduct overnight/ longer term reverse repo/ repo auctions at fixed rate or at variable rates depending on market conditions and other relevant factors.

5. Mechanics of operations

i) The time limit for submission of bids under LAF will continue to be **10.30 a.m.** as now. The auction results will be announced by **12.00 noon** as at present. After the full-fledged operationalisation of the Real Time Gross Settlement (RTGS) system, these timings will be reviewed.

ii) The bids will be submitted electronically in the Negotiated Dealing System (NDS). Members of NDS facing genuine systems problem on any specific day may submit physical bids in sealed cover in the box provided in Mumbai Office, Reserve Bank of India, by 10.30 A.M. In case of inability to submit physical bid by 10.30 A.M. in the bid box, intention to submit physical bid indicating the bid amount must be communicated to the **Manager, Securities Section, Public Accounts Department (PAD), Mumbai Office by fax (fax No. 022-22620802)** before 10.30 A.M. and the bid in a sealed cover delivered to the Securities Section, PAD by 11.00 A.M. If such physical bids are not received by 11.00 A.M. the Fax request received intimating repo amount will be ignored.

It may be noted that the facility of fax communication on intention to submit the physical bid should not be used to circumvent the time discipline.

iii) The NDS provides for submission of single or multiple bids by the member. However, as far as possible only one bid should be submitted by a member.

iv) The Reverse Repo/Repo will be conducted as "Hold- in- Custody" type, wherein the Reserve Bank will act as a custodian for the participants and hold the securities on their behalf in the Reverse Repo/ Repo Constituents SGL Accounts. Pursuant to this, the participants will have to give an undertaking as given in the respective tender forms authorising Reserve Bank to act on their behalf. Reserve Bank shall not, however be responsible for any loss, damage or liability on account of acting as the Custodian on behalf of the participants. A Reverse Repo Constituents' SGL Account (RRC SGL Account) and Repo Constituents' SGL Account (RC SGL Account) will be opened and held in the Public Accounts Department in Mumbai Office of the Reserve Bank of India for this purpose. These accounts will have institution-wise subsidiary records of the securities delivered by the Reserve Bank under Reverse Repo and securities held for delivery to the Reserve Bank under Repo. Reserve Bank will also have its own subsidiary accounts in the case of both of these accounts.

v) On acceptance of bid in respect of Reverse Repos, the tenderer's RRC SGL Account will be credited with the required quantum of securities and Current Account will be debited for the reverse repo amount. The transaction will be reversed in the second leg.

vi) In the case of Repos, on acceptance of bid, the tenderer's RC SGL Account will be debited with the required quantum of securities and Current Account will be credited with the Repo amount. The transactions will be reversed in the second leg.

vii) The LAF transactions between Reserve Bank and counter parties which would involve operation of the RRC SGL Account and RC SGL Account would not require separate SGL forms as provision for the purpose has been made in the bid application. However, transfer from tenderer's SGL Account to the RC SGL Account (RC Transfer), or *vice versa* (RC Withdrawal), will require completion of SGL Form.

viii) Pricing of all securities including Treasury Bills will be at face value for Reverse Repo/ Repo operations by Reserve Bank. Accrued interest as on the date of transaction will be ignored for the purpose of pricing of securities. Coupon, if any, will be transferred to RBI in the case of Reverse Repos, and Reserve Bank will collect the coupon, if any, on the due date and credit the same to the party's Current Account in the case of Repos.

ix) Since the securities available in RC SGL Account are meant only for availing liquidity from Reserve Bank, the system will automatically transfer the securities once the allotment is complete. Securities falling under shut period either on the date of transaction or on the date of reversal will not be eligible for collateral.

6. Eligibility

All Scheduled Commercial Banks (excluding Regional Rural Banks) and Primary Dealers (PDs) having Current Account and SGL Account with Reserve Bank, Mumbai will be eligible to participate in the Reverse Repo and Repo auctions.

7. Minimum bid size

Bids will be received for a minimum amount of Rs.5 **crore** and in multiples of Rs. 5 crore thereafter.

8. Eligible Securities

Reverse Repos and Repos will be undertaken in all SLR-eligible transferable Government of India dated Securities/Treasury Bills.

9. Margin Requirement

A margin will be uniformly applied in respect of the above eligible securities. The amount of securities offered or tendered on acceptance of a bid for Rs.100 will be Rs.105 in terms of face value.

10. Settlement of Transactions

The settlement of transactions in the auction will take place on the same day. As the second leg of all LAF transactions are automatically generated at the 'begin of day', participants must ensure sufficient balance in their current account in case of reversal of Repo.

11. SLR and Securities held in Repo SGL Account

Securities held by the Reserve Bank on behalf of participants in RRC SGL account and credit balance in the RC SGL Account will be counted for SLR purpose, participants can take the balance printout of their accounts at their end from the system. Securities Section, PAD will not provide daily certificate for LAF settlement in the new system. It may be noted that the unused balance available in RC Account cannot be used in other transactions unless transferred to SGL account by RC Withdrawal. As far as valuation, etc. for SLR purpose is concerned, the extant instructions issued by the Department of Banking Operations and Development (DBOD) of the Reserve Bank will apply.

12. Terms and Conditions

Tender forms for bid submission for "Reverse Repo Auction" and "Repo Auction" along with terms and conditions are enclosed at **Annexes I and II** respectively.

Encl: as above

TENDER FORM FOR FIXED-RATE OVERNIGHT REVERSE REPO AUCTION

The Regional Director
Public Accounts Department
Reserve Bank of India
Mumbai Office
Mumbai

Tenderer's RRC S.G.L. A/c.
No. with Securities. SG14_ _ _ _
Section, PAD

Tenderer's Current
A/c. No. with D.A.D. _____

Dear Sir,

**Tender for Fixed-Rate Overnight Reverse Repurchase Agreements
(Reverse Repos) Auction to be held on _____
by Reserve Bank of India**

I/We* the undersigned hereby submit tender as set out below for the **purchase** of Government of India dated securities/eligible Treasury Bills from you on _____ with the undertaking that the same securities will be sold back to you on _____.

| | | |
|----|---|---------------------------------------|
| 1. | Name of the tenderer & Address | |
| 2. | Amount bid @ (in figures) (in words) | Rs. _____ crore Rupees _____ crore |
| 3. | Reverse Repo Rate (per cent per annum) fixed by RBI | |
| 4. | Telephone No. | |
| 5. | Fax No. | |

@Indicates the nominal amount offered in Repo against securities.

Undertakings

On your acceptance of my/our* tender,

1. I/We* agree and undertake to immediately accept the electronic confirmation advice from your office and to deposit the requisite amount at Reserve Bank of India, Mumbai in the manner and on the day/time indicated therein.
2. I/We* also authorise the Reserve Bank of India to be our custodian, to hold the securities purchased by us from Reserve Bank of India under the Reverse Repos, and to transfer them by debiting/crediting my/our Current Account and Reverse Repo Constituents' Accounts based on our application/bid form.

3. I/We* agree the beneficial interest, viz., Coupon, if any, in respect of securities transferred by Reserve Bank of India to us and held in the Reverse Repo Constituents' SGL Account will rest with Reserve Bank of India.
4. I/We* agree that the Reserve Bank of India shall not be held responsible for any loss, damage or liability on account of acting as the Custodian of our securities. I/We* also agree that I/We* shall indemnify and keep indemnified the Reserve Bank of India at all times against any loss, damage or liability whatsoever arising out of acting as Custodian of our securities as above.
5. I/We* have also submitted another bid(s)/not submitted any other bids* for the auction.

Terms and conditions

I/We* have read the terms and conditions for the auction and undertake to abide by them.

Yours faithfully,

- | | | |
|------|---|-------|
| i) | Signature of official (s) authorised to operate on SGL/Current Account | _____ |
| ii) | Name | _____ |
| iii) | Designation | _____ |
| iv) | Office stamp of the tenderer | _____ |

*: Strike out whichever is not applicable.

TERMS AND CONDITIONS FOR REVERSE REPO AUCTIONS

1. Auctions for fixed-rate Overnight Reverse Repo will be conducted by RBI at Mumbai on all working days except Saturdays.
2. All transferable Government of India dated securities and Treasury Bills that are eligible for SLR will be the eligible securities for Reverse Repo auctions.
3. Bids will be submitted for a minimum amount of Rs.5 crore and in multiples of Rs.5 crore thereafter.
4. All Scheduled Commercial Banks (excluding RRBs) and Primary Dealers (PDs) maintaining SGL and Current accounts with RBI at Mumbai will be eligible to participate in the Reverse Repo auctions.
5. The bids will be submitted electronically in the Negotiated Dealing System (NDS). Members of NDS facing genuine systems problem on any specific day may submit physical bids in sealed cover superscribed "**Overnight Reverse Repo Auction**" in the box provided in Mumbai Office, Reserve Bank of India, by 10.30 A.M. In case of inability to submit physical bid by 10.30 A.M. in the bid box, intention to submit physical bid indicating the bid amount must be communicated to the **Manager, Securities Section, Public Accounts Department (PAD), Mumbai Office by fax before 10.30 A.M.** and the bid in a sealed cover must be delivered to the Securities Section, PAD by 11.00 A.M. If such physical bids are not received by 11.00 A.M. the Fax request received will be ignored. It may be noted that the facility of fax communication on intention to submit the physical bid should not be used to circumvent the time discipline.
6. NDS provides for submission of single or multiple bids. However, members are advised that as far as possible they should submit only one bid. In case of physical submission of multiple bids, separate tender form should be submitted for each bid.
7. The Reverse Repo rate will be fixed by RBI from time to time.
8. The Reverse Repo will be conducted as 'Hold-in-Custody' type. A constituents' SGL Account called "Reverse Repo Constituents' (RRC) SGL Account" will be opened with Reserve Bank of India as a custodial account. Securities will be held by RBI on behalf of the participants in this account in case of all Reverse Repo operations. RBI would hold Government Securities delivered by it under Reverse Repo in the RRC SGL Account on behalf of the counter parties during the reverse repo period.
9. For the purpose of Hold-in-Custody Reverse Repos, the tenderers will have to authorise RBI to transfer securities to/from RRC SGL accounts based on their application/bid form. They will also have to authorise RBI to debit/credit their current accounts and for transferring coupon payments during the reverse repo period, if any, to RBI. Accrued interest on the security will be ignored for the pricing of the security. Coupon, if any, will be transferred to the RBI in the case of Reverse Repos.
10. There will be margins for the Government of India dated securities and eligible Treasury Bills and the amount of securities transferred to RRC SGL A/C of successful tenderer will be Rs.105 in terms of face value, per Rs. 100 of reverse repo amount.
11. The successful tenderer's Current Account with RBI will be debited as per the current procedure under Reverse Repo facility. Securities will be credited into the tenderer's

RRC SGL Account simultaneously. On the date of reversal, the tenderer's RRC SGL Account will be debited and Current Account credited with the reverse repo amount and interest earned. For instance, in a Reverse Repo auction where bid amount accepted is Rs.420 crore at a rate of 4.75 per cent the calculations of amount of cash outflow in the first leg and amount of cash inflow in the second leg (with interest) will be as under.

Leg 1: Tenderer's Current Account Dr. Rs. 420 Cr.
Tenderer's RRC SGL Account Cr. Rs. 441 Cr = (Amt.of bid * 105) /100

Leg 2: Tenderer's RRC SGL Account Dr. Rs. 441 Cr
Tenderer's Current Account Cr. Rs 420,05,46,575 = (Amt. of bid +
Interest for 1 day at 4.75%)

12. Securities held by RBI on behalf of banks in the RRC SGL Account will be counted for SLR purposes.RRC SGL Accounts will be available on line for members. Since participants can take a printout of the balance in their accounts from the system, Securities Section, PAD will discontinue the practice of furnishing daily balance certificate to members.
13. The settlement of transactions in the auction will take place on the same day of the auction. But for intervening holidays, the Reverse Repo auctions will be for one day except on Fridays when the auction will be for three days or more, maturing on the following working day.
14. The results of the auction will be announced through the Press Relations Division by 12.00 noon and the same would also be available at Mumbai Office, RBI, Main Building, Fort, Mumbai 400 001.
15. The results will also be communicated to the individual tenderers in the auction through NDS. In case results are not available through NDS for any reason, tenderer should check for the result of the auction from Securities Section, PAD, RBI, Fort, Mumbai 400 001 and make available funds in the current account for settlement.
16. It will be binding on the successful bidders to deliver the amount allotted in the auction. If the successful bidders do not honour the allotment, they will be subject to penal action to the extent of debarring from participating in the auctions for a period of one year.
17. The Reserve Bank reserves the right to accept or reject any or all the tenders wholly or partially, if deemed fit, without assigning any reason.
18. The Reserve Bank shall not be held responsible for any loss, damage or liability on account of acting as the custodian on behalf of the participants.

TENDER FORM FOR OVERNIGHT REPO AUCTION

The Regional Director
Public Accounts Department
Reserve Bank of India
Mumbai Office
Mumbai

Tenderer's RC S.G.L. A/c.
No. with Securities. SG 13 _____
Section , P.A.D.

Tenderer's Current
A/c. No. with D.A.D. _____

Dear Sir,

**Tender for fixed rate Overnight Repurchase Agreements (Repo)
Auction to be held on _____ by Reserve Bank of India**

I/We* the undersigned hereby submit tender as set out below for the **sale** of Government of India dated securities/eligible Treasury Bills to you on _____ with the undertaking that the same securities will be purchased back from you on _____.

| | | |
|----|---|---------------------------------------|
| 1. | Name of the tenderer & Address | |
| 2. | Amount bid@ (in figures) (in words) | Rs. _____ crore Rupees _____ crore |
| 3. | Repo Rate (per cent per annum) fixed by RBI | |
| 4. | Telephone No. | |
| 5. | Fax No. | |

@Indicates the nominal amount bid for, against tender of securities.

Undertakings

On your acceptance of my/our* tender,

1. I/We* agree and undertake to avail the liquidity support, if successful in the auction, in the form of Repo.
2. I/We* also authorize the Reserve Bank of India to be our custodian, to hold the securities in their Repo Constituents' (RC)SGL Account, and to credit/debit my/our* Current Account and RC SGL Account (on repurchase by us) based on our application form.
3. I/We* also authorise the Reserve Bank of India to collect the coupon if any on the due dates on my/our*behalf and credit the same to my/our current account.
4. I/We* also agree and undertake to confirm the electronic Confirmation Advice from Reserve Bank of India, Mumbai Office (PAD) as soon as the results are announced and lodge the SGL Account transfer form for the sale in the manner and on the day/time indicated therein.

- 5. I/We* agree that the Reserve Bank of India shall not be held responsible for any loss, damage or liability on account of acting as the Custodian of our securities. I/We* also agree that I/We* shall indemnify and keep indemnified the Reserve Bank of India at all times against any loss, damage or liability whatsoever arising out of acting as Custodian of our securities as above.
- 6. I/We* have also submitted another bid(s)/not submitted any other bids* for the auction.

Terms and conditions

I/We* have read the terms and conditions for the auction and undertake to abide by them.

Yours faithfully,

- v) Signature of official (s) authorised to operate on SGL/Current Account _____
- vi) Name _____
- vii) Designation _____
- viii) Office stamp of the tenderer _____

* Strike out whichever is not applicable.

TERMS AND CONDITIONS FOR REPO AUCTIONS

1. Auctions for liquidity support in the form of overnight fixed-rate Repo will be conducted by the Reserve Bank of India at Mumbai on all working days except Saturdays.
2. All transferable Government of India dated securities and Treasury Bills that are eligible for SLR will be the eligible securities for Repo auctions.
3. Bids will be submitted for a minimum amount of Rs.5 crore and in multiples of Rs.5 crore thereafter.
4. All Scheduled Commercial Banks (excluding Regional Rural Banks) and Primary Dealers having SGL and Current Accounts with RBI, Mumbai will be eligible to participate in the Repo auctions.
5. The bids will be submitted electronically in the Negotiated Dealing System (NDS). Members of NDS facing genuine systems problem on any specific day may submit physical bids in sealed cover superscribed "**Overnight Repo Auction**" in the box provided in Mumbai Office, RBI, by 10.30 A.M. In case of inability to submit physical bid by 10.30 A.M. in the bid box, intention to submit physical bid indicating the bid amount must be communicated to the **Manager, Securities Section, Public Accounts Department (PAD), Mumbai Office by fax** before 10.30 A.M. and the bid in a sealed cover must be delivered to the Securities Section, PAD by 11.00 A.M. If such physical bids are not received by 11.00 A.M. the Fax request received will be ignored. It may be noted that the facility of fax communication on intention to submit the physical bid should not be used to circumvent the time discipline.
6. NDS provides for submission of single or multiple bids. However, members are advised that as far as possible they should submit only one bid. In case of physical submission of multiple bids, separate tender form should be submitted for each bid.
7. The Repo rate will be fixed by Reserve Bank of India from time to time.
8. The Repo will be conducted as 'Hold-in-Custody' type. A constituents' SGL Account called "Repo Constituents' (RC) SGL Account" will be opened with RBI as a custodial account. Securities held in tenderer's RC SGL Account will be transferred to RBI's Subsidiary Account during the period of Repo.
9. The tenderer should hold sufficient quantum of securities for the purpose of collateral in his RC SGL account (inclusive of 5 per cent margin), which will be automatically debited by RBI to the extent required. In case of insufficient balance in this account, the tenderer should transfer the securities from his SGL account to RC SGL account by RC transfer functionality in the LAF module and submit the SGL Form by fax (for early completion of settlement) for approval and finally deliver completed SGL form before 2.30 p.m.
10. For the purpose of Hold-in-Custody Repos, the applicants will have to authorise RBI to transfer securities from/to RC SGL accounts based on their application/bid form. They will also have to authorise RBI to credit/debit their current accounts and for transferring coupon payments during the repo period, if any to the tenderer. Accrued interest on the securities will be ignored for the purpose of pricing of the security. RBI will collect the coupon payment, if any, on the due date and credit the same to the party's Current Account in the case of Repo.

11. There will be margins for the Government of India dated securities and eligible Treasury Bills and the amount of securities transferred from the RC SGL a/c of successful tenderer will be Rs.105, in terms of face value, per Rs. 100 of repo amount..

12. The successful tenderer's Current Account with RBI will be credited as per the current procedure under Repo facility. Securities will be debited from the tenderer's RC SGL Account simultaneously. On the date of reversal the tenderer's RC SGL Account will be credited and Current Account will be debited with the repo amount and interest payable. It may be noted that the second leg of all LAF transactions is automatic and takes place at the 'begin of day'. Accordingly, participants must ensure sufficient balance in their current account for completion of settlement. For instance, in a Repo auction where bid amount accepted is Rs.500 crore at a cut off rate of 6.00 per cent the calculations of inflow of cash in the first leg and outflow of cash in the second leg will be as under:

| | |
|-----------------------------------|---|
| Leg 1: Tenderer's Current Account | Cr. Rs.500 Crore |
| Tenderer's RC SGL Account | Dr. Rs.525 Crore (Amt.of bid x 105/100) |
| Leg 2: Tenderer's RC SGL Account | Cr. Rs.525 Crore |
| Tenderer's Current Account | Dr. Rs.500, 08, 21,918 (Amt. of bid + 1 day's interest at 6.00 per cent) |

13. The repo facility will only be available against eligible securities held in excess of the securities required for maintaining the prescribed Statutory Liquidity Ratio (SLR). Therefore, while tendering bids with RBI for repo auction, banks must ensure that the collateral to be offered by them, on acceptance of their bid, represents their excess SLR holding. In case of default in maintenance of SLR requirement arising out of securities having been sold to RBI as collateral under repo, the defaulting bank may be debarred from participation in LAF auctions for a specified period as may be decided by RBI. Further the penal provisions for default in maintaining SLR requirements will also apply as prescribed under Section 24 of the Banking Regulation Act, 1949. Securities falling under shut period either on the date of transaction or on the date of reversal will not be eligible for collateral assignment.

14. Securities (unutilized) held in the RC SGL Account will be counted for SLR purpose. However, securities transferred to RBI under Repos will not be counted for SLR purposes. For making use of securities available in RC Account it has to be transferred back to principal SGL by RC Withdrawal functionality in the same manner as for RC Transfer functionality. As the RC SGL Account is available online in PDO-NDS, members may generate the Account Balance statement at their end. Securities Section, PAD will discontinue the practice of furnishing daily balance certificates to members.

15. The settlement of transactions in the auction will take place on the same day. But for the intervening holidays, the Repo auctions will be for one day except on Fridays when the auction will be for three days or more, maturing on the following working day.

16. The results of the auction will be announced through the Press Relations Division by 12.00 noon and the same would also be displayed at Mumbai Office, RBI, Main Building, Fort, Mumbai 400 001.

17. The results will also be communicated to the individual tenderers in the auction through NDS. In case results are not available through NDS for any reason, tenderer should check for the result of the auction and if successful must ensure sufficient balance in RC Account.

18. It will be binding on the successful bidders in the auction to accept the allotted amount in full. If the successful bidders do not honour the allotment, they will be subject to penal action, to the extent of being debarred from participating in the auctions for a period of one year.

19. Any irregular utilization of the facility would be subject to higher interest charge and the amount drawn down would be required to be repaid forthwith.

20. The Reserve Bank reserves the right to accept or reject any or all the tenders wholly or partially, if deemed fit, without assigning any reason.

21. The Reserve Bank shall not be held responsible for any loss, damage or liability on account of acting as the Custodian on behalf of the participants.