

RBI/2004-05/245

REF: No. MPD. BC.259/07.01.279/ 2004-05

October 26, 2004  
Kartika 04, 1926(S)

To  
All-India Financial Institutions, Insurance Companies  
and select Mutual Funds

Dear Sirs

### **Moving Towards Pure Inter-Bank Call/Notice Money Market**

Please refer to Master Circular No. MPD. BC.253/07.01.279/ 2004-05 dated July 03, 2004. At present, non-bank participants are allowed to lend, on average in a reporting fortnight, up to 45 per cent of their average daily lending in call/notice money market during 2000-01.

2. In this connection, a reference is invited to paragraphs 98 and 99 of the Governor's Mid-term Review of annual policy Statement for the year 2004-05 announced on October 26, 2004 (copy of the paragraphs enclosed).

3. In view of further market developments as also to move towards a pure inter-bank call/notice money market, it has been decided that effective from the fortnight beginning January 08, 2005, non-bank participants would be allowed to lend, on average in a reporting fortnight, up to 30 per cent of their average daily lending in call/notice money market during 2000-01.

4. However, in case a particular non-bank institution has genuine difficulty in developing proper alternative avenues for investment of excess liquidity because of its size, RBI may consider providing temporary permission to lend a higher amount in call/notice money market for a specific period on a case by case basis.

5. To facilitate monitoring of your operations in call/notice money market on a daily basis, you are requested to continue to report on the Negotiated Dealing System (NDS) within 15 minutes of concluding the transaction as per the extant practice.

6. Kindly acknowledge receipt.

Yours faithfully

**(Deepak Mohanty)**  
**Adviser-in-Charge**

Encl.: as above

### **Extract from Governor's Statement on Mid-term Review of Annual Policy Statement for the year 2004-05**

#### ***(a) Moving towards Pure Inter-bank Call/Notice Money Market.***

98. At present, non-bank entities could lend, on average in a reporting fortnight, up to 45 per cent of their average daily lending in call/notice money market during 2000-01. In view of further market developments as also to move towards a pure inter-bank call/notice money market, it is proposed that:

- With effect from the fortnight beginning January 8, 2005, non-bank participants would be allowed to lend, on average in a reporting fortnight, up to 30 per cent of their average daily lending in call/notice money market during 2000-01.

99. However, as indicated in the earlier policy Statements, in case a particular non-bank institution has genuine difficulty in developing proper alternative avenues for investment of excess liquidity because of its size, RBI may consider providing temporary permission to lend a higher amount in call/notice money market for a specific period on a case by case basis.