

April 28, 2005

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

Dear Sir,

**Liquidity Adjustment Facility – Increase in Reverse Repo Rate to 5.00
percent**

Please refer to paragraphs 60 and 61 of the Annual Policy Statement for the year 2005-06 dated April 28, 2005 and our circular IDMD.OMO.No.07/03.75.00/2004-05 dated October 26, 2004.

2. In view of the current macroeconomic and overall monetary conditions, it has been decided, to increase the fixed reverse repo rate by 25 basis points under the Liquidity Adjustment Facility (LAF) effective from April 29, 2005 to 5.00 per cent from 4.75 per cent.

3. The repo rate will continue to be linked to the reverse repo rate, as at present. However, the spread between the reverse repo rate and the repo rate is reduced by 25 basis points, from 125 basis points to 100 basis points with effect from April 29, 2005. Accordingly, the fixed repo rate under LAF will continue to remain at 6.00 per cent.

4. All other terms and conditions of the current LAF Scheme will remain unchanged.

Yours faithfully

(Jasbir Singh)
Chief General Manager