

**RBI/ 2005-06/284**  
**FMD.No. 311/01.01.01/2005-06**

January 24, 2006

All Scheduled Commercial Banks (excluding RRBs)  
and Primary Dealers

Dear Sir,

**LIQUIDITY ADJUSTMENT FACILITY – REPO AND REVERSE REPO RATES**

Please refer to paragraphs 70 and 71 of the Third Quarter Review of the Annual Statement on Monetary Policy for the year 2005-06 dated 24<sup>th</sup> January 2006 and our circular FMD.No.1/01.01.01/2005-06 dated October 25, 2005.

2. In view of the current macroeconomic and overall monetary conditions, it has been decided, to increase the fixed reverse repo rate under the liquidity adjustment facility (LAF) of the Reserve Bank by 25 basis points to 5.50 percent from 5.25 percent with immediate effect.

3. The repo rate will continue to be linked to the reverse repo rate. The spread between the reverse repo rate and the repo rate has been retained at 100 basis points, as at present. Accordingly, the fixed repo rate under LAF will be 6.50 percent, with immediate effect.

4. The revised rates are effective from the second LAF on January 24, 2006. All other terms and conditions of the current LAF scheme will remain unchanged.

Yours faithfully

(Chandan Sinha)  
Chief General Manager