

RBI/2006-07/163
FMD.No.10/01.01.01/2006-07

October 31, 2006

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

Dear Sir,

Liquidity Adjustment Facility – Repo and Reverse Repo Rates

Please refer to paragraphs 73 and 74 of the 'Mid-Term Review of Annual Policy Statement for the Year 2006-07' dated October 31, 2006 and our circular FMD.No.9/01.01.01/2006-07 dated July 25, 2006.

2. In view of the current macroeconomic and overall monetary conditions, it has been decided, to increase the fixed repo rate under the liquidity adjustment facility (LAF) of the Reserve Bank by 25 basis points with effect from Second LAF of October 31, 2006 to 7.25 per cent from 7.00 per cent. The reverse repo rate under the LAF remains unchanged at 6.00 per cent. All other terms and conditions of the current LAF Scheme will remain unchanged.

3. Your attention is also drawn to para 75 where it is reiterated that the Reserve Bank retains the option to conduct overnight repo or longer term repo under the LAF depending on market conditions and other relevant factors. The Reserve Bank will continue to use this flexibility including the right to accept or reject tender(s) under the LAF, wholly or partially, if deemed fit, so as to make efficient use of the LAF in daily liquidity management.

Yours faithfully

(Chandan Sinha)
Chief General Manager