

RBI/2008-2009/112

FMD.No. 24 /01.01.01/2008-09

July 31, 2008

All Scheduled Commercial Banks (excluding RRBs) and Primary Dealers

Dear Sir,

SECOND Liquidity Adjustment Facility on Reporting Fridays

At present, Reserve Bank of India operates a Liquidity Adjustment Facility (LAF) to inject/absorb liquidity through daily repos/reverse repos auctions. These operations are conducted in the forenoon between 9.30 A.M. and 10.30 A.M.

2. In response to suggestions from the market participants for fine-tuning the management of bank reserves on the last day of the maintenance period, it has been decided to introduce a second LAF (SLAF) on reporting Fridays, with effect from August 1, 2008. SLAF will be conducted between 4.00 P.M. and 4.30 P.M. The auction results will be announced by 5.00 P.M.

3. In case the reporting Friday is a Bank holiday in Mumbai, then the SLAF would be conducted on the immediate preceding working day.

4. The salient features of the SLAF are same as those of LAF. However, the settlement for LAF and SLAF will be conducted separately and on a gross basis.

5. The other terms and conditions for LAF remain as notified by our earlier circulars: IDMD.OMO.No.8/03.75.00/2004-05 dated October 27, 2004, FMD.MOAG.No.4 /01.01.01/2005-06 dated February 10, 2006, and FMD.MOAG. No.13/01.01.01/2006-07 dated March 30, 2007.

6. SLAF will be subject to review and modifications as necessary, based on experience.

7. Please acknowledge receipt by e-mail.

Yours faithfully

(Chandan Sinha)
Chief General Manager