

September 16, 2008

All Scheduled Commercial Banks

Dear Sir,

**Section 24 of the Banking Regulation Act, 1949 –
Shortfall in Maintenance of Statutory Liquidity Ratio (SLR) –
Additional Liquidity support under Liquidity Adjustment Facility (LAF)**

At present, banks obtain liquidity from the Reserve Bank under the liquidity adjustment facility (LAF) against the collateral of eligible securities that are in excess of their prescribed statutory liquidity ratio (SLR). It has been decided that, in addition, purely as a temporary measure, scheduled banks may avail additional liquidity support under the LAF to the extent of up to one per cent of their net demand and time liabilities.

It is advised that for any shortfall in maintenance of SLR arising out of availment of this additional liquidity support under LAF, bank may apply to the Reserve Bank in writing under sub-section (8) of Section 24 of the Banking Regulation Act, 1949 with a request not to demand payment of the penal interest thereon.

The additional liquidity support will be available with effect from the LAF/SLAF auctions of September 17, 2008. In this context, a reference may also be made to paragraph 4 of circular FMD.MAOG.No.25/01.01.01/2008-09 dated September 16, 2008.

This measure is ad hoc, temporary in nature and will be reviewed on a continuous basis in the light of the evolving liquidity conditions.

Yours faithfully

(Vinay Bajjal)
Chief General Manager