

October 15, 2008

All Scheduled Commercial Banks (excluding RRBs)
and Primary Dealers

Dear Sir,

**SPECIAL FIXED RATE REPO UNDER
LIQUIDITY ADJUSTMENT FACILITY**

The Reserve Bank announced and conducted a special fixed rate term repo at 9 per cent per annum against eligible securities for a notified amount of Rs.20,000 crore on October 14, 2008, with a view to enabling banks to meet the liquidity requirements of mutual funds. Banks utilized Rs 3500 crore of this facility on October 14, 2008.

2. The special fixed rate term repo under liquidity adjustment facility will now be conducted every day until further notice up to a *cumulative* amount of Rs 20,000 crore for the same purpose. Accordingly, the *residual* amount will be notified every day till further notice.

3. The eligible banks and PDs may submit their applications electronically through NDS between 2.30 PM to 3.15 PM. today. Allocations would normally be made on a *pro-rata* basis in case the tenders exceed the notified amount.

4. The Reserve Bank will issue a press release each day mentioning the *cumulative* utilisation by banks and PDs under this facility, the notified amount and the tenor for the next day's auction.

5. This repo will be in *addition* to the repo/reverse repo auctions conducted under Liquidity Adjustment Facility (LAF) and Second Liquidity Adjustment Facility (SLAF) which will be held as usual.

6. The settlement for the special repo would be conducted separately and on gross basis.

7. The other terms and conditions for the special repo would remain as notified by our earlier circulars on the Liquidity Adjustment Facility.

Yours faithfully,

(Chandan Sinha)
Chief General Manager