



RBI/2015-2016/403
FMRD.DIRD. 10 /14.03.002/2015-16

May 19, 2016

All RBI regulated eligible entities

Dear Sir,

Repo / Reverse Repo Transactions with RBI

Please refer to our [circular IDMD/4135/11.08.43/2009-10 dated March 23, 2010](#) on accounting of repo/reverse repo transactions under market repo. As mentioned therein, these accounting norms were not applicable to repo / reverse repo transactions conducted under the Liquidity Adjustment Facility (LAF) with RBI.

2. It has now been decided to: (a) align the accounting norms to be followed by market participants for repo/reverse repo transactions under LAF and the Marginal Standing Facility (MSF) of RBI with the accounting guidelines prescribed for market repo transactions. Accordingly, the accounting norms prescribed in terms of the above circular will apply, *mutatis mutandis*, to repo/reverse repo transactions undertaken under LAF/MSF. In order to distinguish repo/reverse repo transactions with RBI from market repo transactions, a parallel set of accounts similar to those maintained for market repo transactions but prefixed with 'RBI' may be maintained (Annex);

(b) reckon the market value of collateral securities for calculating the haircut instead of face value while initiating the LAF/MSF transactions;

(c) bestow SLR status to the securities acquired by banks under reverse repo with RBI; and

(d) allow re-repo of securities received under LAF reverse repo with market participants subject to the conditions prescribed in RBI [circular FMRD.DIRD.5/14.03.002/2014-15 dated February 5, 2015](#).

3. The above guidelines shall be applicable to all types of repo/reverse repo transactions with RBI including LAF, variable rate term operations and MSF. These guidelines shall come into effect from October 3, 2016.

Yours faithfully,

(R. Subramanian)

Chief General Manager

Annex

The following accounts may be maintained for RBI-LAF/MSF transactions, viz. i) RBI Repo Account, ii) RBI Reverse Repo Account, iii) RBI Reverse Repo Interest Income Account, iv) RBI Repo Interest Expenditure Account, v) RBI Reverse Repo Interest Receivable Account, and vi) RBI Repo Interest Payable Account.

2. In addition to the above mentioned accounts, the following 'contra' accounts may also be maintained, viz. i) Securities Sold under RBI Repo Account, (ii) Securities Purchased under RBI Reverse Repo Account, (iii) Securities Receivable under RBI Repo Account and (iv) Securities Deliverable under RBI Reverse Repo Account.