प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI re-introduces Liquidity Easing Measures

In the Second Quarter Review of Monetary Policy, 2010-11 announced last week, the Reserve Bank of India had stated that "even though a liquidity deficit is consistent with an anti-inflation stance, excessive deficit in liquidity can be disruptive both to financial markets and to credit growth in the banking system. To ensure that economic activity is not disrupted by liquidity constraints, the liquidity deficit needs to be contained within a reasonable limit."

In the recent period, the Reserve Bank has taken a number of steps, including open market operations (OMO) to alleviate liquidity pressure. Even then liquidity pressure continues reflecting Government's cash balances and other frictional liquidity demand. For example, liquidity injected by the Reserve Bank through its liquidity adjustment facility (LAF) window on an average was about ₹ 1,13,000 crore during November 8-9, 2010. Accordingly, in line with the stance of monetary policy set out in the Second Quarter Review of November 2, 2010 and in order to provide liquidity comfort arising out of frictional liquidity pressure, it has been decided to re-introduce the following temporary measures with immediate effect :

- A special second LAF (SLAF) will be conducted on a daily basis at 4.15 p.m. up to December 16, 2010.

- Scheduled commercial banks may avail of additional liquidity support under the LAF to the extent of up to 1.0 per cent of their net demand and time liabilities (NDTL) as on the reporting Friday of the second preceding fortnight. For any shortfall in maintenance of statutory liquidity ratio (SLR) during November 9 – December 16, 2010 arising out of availment of this facility, banks may seek waiver of penal interest purely as an *ad hoc,* temporary measure.

The above measures are purely *ad hoc*, temporary and will be in force till December 16, 2010.

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