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RESERVE BANK OF INDIA

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RBI Withdraws the Incremental CRR

On [November 26, 2016](#) the Reserve Bank had announced an incremental cash reserve ratio (CRR) of 100 per cent of the increase in net demand and time liabilities (NDTL) of scheduled banks between September 16, 2016 and November 11, 2016 effective the fortnight beginning November 26, 2016. It was intended to absorb a part of the large increase in liquidity in the system following the withdrawal of the legal tender status of ₹ 500 and ₹ 1,000 denomination bank notes. It was also indicated that the incremental CRR was purely a temporary measure and that it would be reviewed on December 9, 2016 or even earlier.

With the enhancement in the ceiling for issue of securities under the Market Stabilisation Scheme (MSS) to ₹ 6,000 billion, it has been decided to withdraw the incremental CRR effective the fortnight beginning December 10, 2016. The liquidity released by the discontinuation of the incremental CRR would be absorbed by a mix of MSS issuances and liquidity adjustment facility (LAF) operations.

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