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RESERVE BANK OF INDIA

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RBI announces revised Liquidity Management Framework

In line with the [Third Bi-Monthly Monetary Policy Statement, 2014-15 issued on August 5, 2014](#), the Reserve Bank has decided to review the existing liquidity arrangements. Under the existing arrangements, day-to-day liquidity requirements are met through variable rate 14-day/7-day repo auctions equivalent to 0.75 per cent of net demand and time liabilities (NDTL) of the banking system, supplemented by daily overnight fixed rate (at the repo rate) repos equivalent to 0.25 per cent of bank-wise NDTL and export credit refinance (at the repo rate) of 32 per cent of bank-wise outstanding eligible export credit bills (about 0.4 per cent of NDTL). In addition, the Reserve Bank conducts special repos of varying maturities in order to manage transient liquidity pressures emanating from unanticipated frictional factors. With a view to ensuring flexibility and transparency in liquidity management operations, a revised framework for liquidity management is being put in place with effect from September 5, 2014 (Friday) as detailed below:

Revised Liquidity Management Framework

Sl. No.	Instrument	Quantum	Periodicity/Timings
1	Overnight Fixed Rate Repos (at repo rate)	0.25 per cent of NDTL, bank-wise	Daily (Monday-Friday): 9.30-10.30 AM
2	Variable Rate 14 Day Term Repo Auctions	0.75 per cent of system-wide NDTL.	<p>Starting from Sept 5, 2014, auctions to be conducted 4 times during a reporting fortnight, i.e., on every Tuesday and Friday, between 11.00-11.30 AM for an amount equivalent to one-fourth of 0.75 per cent of NDTL in each auction.</p> <p>In the transition period, to ensure that the access to liquidity under these term repos remains equivalent to 0.75 per cent of NDTL at all times, 3-day/4-day variable rate term repo auctions of varying amounts will also be conducted between September 5 and September 12, 2014 as set out below.</p> <p>September 5, 2014: 14-day term repo auction for an amount equivalent to one-fourth of 0.75 per cent of NDTL; 4-day term repo auction for an amount equivalent to three-fourth of</p>

			<p>0.75 per cent of NDTL</p> <p>September 9, 2014: 14-day term repo auction for an amount equivalent to one-fourth of 0.75 per cent of NDTL; 3-day term repo auction for an amount equivalent to one-half of 0.75 per cent of NDTL</p> <p>September 12, 2014: 14-day term repo auction for an amount equivalent to one-fourth of 0.75 per cent of NDTL; 4-day term repo auction for an amount equivalent to one-fourth of 0.75 per cent of NDTL</p> <p>September 16, 2014: 14-day term repo auction for an amount equivalent to one-fourth of 0.75 per cent of NDTL.</p> <p>From September 16 onwards, the amount auctioned under each 14-day term repo will remain equivalent to one-fourth of 0.75 per cent of NDTL.</p> <p>There will be regular rollovers of maturing 14-day term repos on every Tuesday and Friday.</p>
3	Overnight Variable Rate Repo Auction	The auction amount, if any, will be decided by the Reserve Bank, based on an assessment of the liquidity conditions as well as Government cash balances available for auction for the day, and will be announced around 2.30 PM.	Daily (Monday-Friday): 3.00-3.30 PM. The Reserve Bank may decide to exercise a greenshoe option above the notified amount based on the evolving liquidity conditions during the day.
4	Overnight Fixed Rate Reverse Repo.	No restriction on quantity.	Daily (Monday-Friday): 7.00-7.30 PM
5	Overnight Variable Rate Reverse Repo Auctions	The auction amount, if any, will be decided by the Reserve Bank, based on an assessment of the liquidity conditions and will be conducted on days when it is considered necessary.	Reserve Bank will announce the notified amount during the day and conduct the auction between 3.00-3.30 PM

6	Overnight Marginal Standing Facility	Individual banks can draw funds equivalent up to Excess SLR+2 per cent below SLR.	Daily (Monday-Friday): 7.00-7.30 PM
7	Export Credit Refinance	As per the existing limits	Will remain available at fixed repo rate between 10 AM and 5 PM from Monday to Friday and between 10 AM and 1 PM on Saturday.

In addition to the framework as set out in the table, the Reserve Bank may announce special variable rate short term repo/reverse repo auctions at short notice to take care of fast-changing liquidity conditions at any time during the day. Further, apart from addressing day-to-day liquidity requirements arising out of frictional factors, the Reserve Bank will also manage liquidity movements of a more durable nature through open market operations (including those conducted on the NDS-OM platform) and forex operations.

The Reserve Bank will review the operation of the Revised Liquidity Management Framework on an ongoing basis and bring about further refinements as considered necessary.

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