RBI/2011-2012/503 FMD.MOAG. No. 68 /01.01.01/2011-12

April 17, 2012

All Scheduled Commercial Banks (excluding RRBs) and Primary Dealers

Dear Sir,

<u>Liquidity Adjustment Facility – Repo and Reverse Repo</u> <u>and Marginal Standing Facility Rates</u>

As announced today by the Governor in the <u>Annual Monetary Policy 2012-13</u>, it has been decided to reduce the Repo rate under the Liquidity Adjustment Facility (LAF) by 50 basis points from 8.50 per cent to **8.00 per cent** with immediate effect.

- 2. Consequent to the change in the Repo rate, the Reverse Repo rate under the LAF and the Marginal Standing Facility (MSF) rate will stand automatically adjusted to **7.00 per cent** and **9.00 per cent** respectively with immediate effect.
- 3. Further, in order to provide greater liquidity cushion, it has also been decided to raise the borrowing limit of Scheduled Commercial Banks under the MSF from one per cent to two per cent of their Net Demand and Time Liabilities (NDTL) with immediate effect.
- 4. All other terms and conditions of the current LAF and MSF Schemes will remain unchanged.
- 5. Please acknowledge receipt.

Yours sincerely

(G. Mahalingam) Chief General Manager