Phasing out of Non-Banks from Call/Notice Money Market : Technical Group Report

March 29, 2001

The Technical Group on phasing out of non-banks from all notice money market submitted its Report in March 2001 to the Reserve Bank. The Report is available on the RBI website www.rbi.org.in. The major recommendations of the Group are :

Corporates routing their call lendings through Primary Dealers may be withdrawn immediately after June 30, 2001.

Call money lendings by financial institutions (including mutual funds and insurance companies) may be reduced in three stages. In the first stage, they may be permitted to lend upto 70 per cent of their average daily lendings during 2000–01 for a period of three months which would be reduced to 40 per cent in the second stage. In the third stage, by which time Clearing Corporation is expected to be operationalised, their lendings may be reduced to 10 per cent for a period of three months in order to enable these participants to be familiar with the operations of the clearing corporation.

Comments and suggestions may be sent to Adviser-in-Charge, Monetary Policy Department, Reserve Bank of India, Central Office, Fort, Mumbai – 400 001 or by Fax (Fax No. 270 0850/ 270 0849/ 265 1685) or email: mpdrbi4@bom7.vsnl.net.in before April 10, 2001.

As indicated in the Mid-Term Review of Monetary and Credit Policy in October 2000, a Technical Group was constituted to suggest smooth phasing out of non-bank participants in their access to call / notice money market. The Group included representatives of both bank and non-bank participants.

Alpana Killawala
General Manager

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