

Revised LAF Scheme to be effective May 8

May 3, 2001

The revised Liquidity Adjustment Facility : 2001-2002 scheme will come into effect from May 8, 2001. The Reserve Bank of India has stated this today while announcing the details of the scheme for 2001-2002. The Reserve Bank has also advanced the LAF auction timing by 30 minutes. It will now receive bids before 10.30 a.m. as against earlier 11 a.m. and announce the results by 12 noon as against 12.30 p.m. as at present. The decision to revise the scheme in the light of feedback received was announced in the Monetary and Credit policy 2001-2002 announced last month.

Under the scheme, repo auctions and reverse repo auctions will be conducted on daily basis except on Saturdays. The repos will be of one day tenor except when there are intervening holidays and Fridays when the repo will be done for three days to cover the following Saturday and Sunday. RBI would also sparingly use option of fixed rate repo on overnight basis. Rates for such fixed rate repos will be announced in advance. In addition to overnight repos, the RBI will also have the discretion to introduce longer-term repos up to 14 day period as and when required. The RBI has also announced its decision to introduce "multiple price" auction in place of existing uniform price auction on an experimental basis for one month period during May 2001.

The detailed circular issued by the RBI on the revised scheme has been placed on the RBI website www.rbi.org.in

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