Special Fund Facility for Banks and PDs revised

May 5, 2001

The Reserve Bank of India has modified the scheme of automatic invocation of special fund facility securities settlement with effect from today. The change has been necessitated consequent upon the split of the standing liquidity facilities available to banks and primary dealers from the Reserve Bank. The split of standing liquidity facility for banks and primary dealers was announced in Monetary and Credit Policy 2001-2002 in April 2001 and will become effective from May 5.

Under the modified scheme, the quantum of liquidity support available under Collateralised Lending Facility to banks and the quantum of liquidity support available for Primary Dealers have been split into two components, i.e., normal and back stop. Accordingly, the Reserve Bank will extend liquidity support to banks and PDs through automatic invocation of intra day funds facility for securities settlement against their undrawn balance available to them under normal facility and back stop facility.

Intra day funds for securities settlement against undrawn normal facility will be provided at the Bank Rate and intra day funds against undrawn back stop facility, in case the normal facility is fully/partly drawn, will be provided at the variable rate as applicable to back stop facility for the day.

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Press Release : 2000-2001/1512