प्रेस प्रकाशनी PRESS RELEASE

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RBI Announces Measures to Manage Liquidity Conditions

With the withdrawal of the legal tender status of ₹ 500 and ₹ 1,000 denomination bank notes (hereafter referred to as Specified Bank Notes - SBNs) beginning November 9, 2016, there has been a surge in deposits relative to the expansion in bank credit, leading to large excess liquidity in the system. The magnitude of surplus liquidity available with the banking system is expected to increase further in the fortnights ahead. In view of this, it has been decided to absorb a part of this surplus liquidity by applying an incremental cash reserve ratio (CRR) as a purely temporary measure, as under:

(a) The CRR remains unchanged at 4 per cent of outstanding net demand and time liabilities (NDTL);

(b) On the increase in NDTL between September 16, 2016 and November 11, 2016, scheduled banks shall maintain an incremental CRR of 100 per cent, effective the fortnight beginning November 26, 2016. This is intended to absorb a part of the surplus liquidity arising from the return of SBNs to the banking system, while leaving adequate liquidity with banks to meet the credit needs of the productive sectors of the economy. As the incremental CRR is intended to be a temporary measure within the Reserve Bank's liquidity management framework to drain excess liquidity in the system, it shall be reviewed on December 9, 2016 or even earlier.

(c) The Reserve Bank has separately revived the Guarantee Scheme to enable deposit of SBN balances at the Reserve Bank or at currency chests and get immediate value. This measure should also facilitate banks' compliance with the incremental CRR.

Operational details are set out in a circular issued separately.

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