

RBI/ 115 /2004

IDMD.OMO No. 04 /03.75.00/2003-04

March 25, 2004

All Scheduled Commercial Banks (excluding RRBs) and Primary Dealers

Dear Sirs,

Liquidity Adjustment Facility – Revised Scheme

Please refer to our circular IDMC No. 4376/03.75/00/2000-01 dated May 3, 2001 on the Scheme of Liquidity Adjustment Facility (LAF).

2. As announced in the Mid-term Review of Monetary and Credit Policy for the year 2003-04, the existing Liquidity Adjustment Facility (LAF) has been reviewed taking into account the recommendations of the Internal Group on Liquidity Adjustment Facility and suggestions from the market participants and experts. Accordingly, it has been decided to revise the existing LAF Scheme. The revised Scheme will come into effect from March 29, 2004.

3. The revised Scheme will be operationalised through (i) 7-day fixed rate repo conducted daily and (ii) overnight fixed rate reverse repo conducted daily, on weekdays. However, in order to achieve smooth transition to the revised Scheme, the existing overnight variable rate repo auction facility with the existing features would also be available to eligible market participants upto April 2, 2004. Subsequently, the overnight repo auction will be discontinued and only the 7-day repo auction will be available. Further, in order to enable market participants to meet their prior commitments based on their existing operations, the 14-day repo, conducted on a fortnightly interval, would also continue with the existing features. The 14-day repo will, however, be phased out in due course.

4. The repo rate will be fixed by the Reserve Bank from time to time. Considering the present situation, the rate for the 7-day repo has been retained at 4.50 per cent per annum. The reverse repo rate will continue to be linked to the repo rate. However, the spread between the repo rate and the reverse repo rate will be reduced by 50 basis points from 200 basis points to 150 basis points with effect from March 29, 2004. Accordingly, the reverse repo rate from that date will be 6.00 per cent per annum. In future, as and when Reserve Bank changes the repo rate, the reverse repo rate will normally change to 150 basis points over the repo rate.

5. Under the revised Scheme, Reserve Bank will continue to have the discretion to conduct overnight repo or longer term repo auctions at fixed rate or at variable rates depending on market

conditions and other relevant factors. Reserve Bank will also have the discretion to change the spread between the repo rate and the reverse repo rate as and when appropriate.

6. The Bank Rate, currently at 6.0 per cent, would continue to be announced independently.

7. It has also been decided to rationalise the Standing Liquidity Facilities by merging the normal facility and back-stop facility into a single facility which will be made available at a single rate, viz., at the reverse repo rate. Separate instructions are being issued to banks and Primary Dealers (PDs) in this regard.

8. Internationally, the term "Repo" is used for central bank operations that inject liquidity into the system, whereas the term "Reverse Repo" is used for absorption of liquidity. It has been decided that such international usage of "Repo" and "Reverse Repo" terms should be adopted but from a future date to be notified later in consultation with the market participants after giving adequate time for system changes.

9. A copy of the revised Scheme is enclosed.

Yours faithfully,

(H.R. Khan)
Chief General Manager-in-Charge
Encl : As above

Revised Scheme of Liquidity Adjustment Facility
(Enclosure to Circular RBI –115/2004 dated March 25, 2004)

Following the announcement in the Mid-Term Review of Monetary and Credit Policy for the year 2003-04 on November 3, 2003, the Report of the "Internal Group on Liquidity Adjustment Facility" was placed on the Reserve Bank website on December 2, 2003 for wider dissemination and comments. Taking into account the recommendations of the Internal Group and the suggestions from the market participants and experts, it has been decided to revise the earlier Liquidity Adjustment Facility (LAF) Scheme, notified vide our letter No. 4376/03.75.00/2000-1 dated May 3, 2001 (as amended from time to time).

The revised Scheme will be operationalised through (i) 7-day fixed rate repo conducted daily and (ii) overnight fixed rate reverse repo conducted daily, on weekdays. However, in order to achieve smooth transition to the revised Scheme, the existing overnight variable rate repo auction facility with the existing features would also be available to eligible market participants upto April 2, 2004. Subsequently, the overnight repo auction will be discontinued and only the 7-day repo auction will be available. Further, in order to enable market participants to meet their prior commitments based on their existing operations, the 14-day repo, conducted on a fortnightly interval, will also continue with the existing features. The 14-day repo will, however, be phased out in due course.

It has also been decided to rationalise the current Standing Liquidity Facilities by merging the normal and backstop facilities into a single facility.

The main features of the revised Liquidity Adjustment Facility (LAF) Scheme and Standing Liquidity Facilities are as under:

I. The Scheme of Liquidity Adjustment Facility

1. Effective Date

This revised Scheme will be made effective from March 29, 2004.

2. Tenor

Under the scheme, (i) Repo auctions (for absorption of liquidity) and (ii) Reverse Repo auctions (for injection of liquidity) will be conducted on a daily basis (Monday to Friday, excepting holidays). The Repo tenor will be seven days. In case the seventh day after the repo date falls on a holiday, the reversal date will be the immediate preceding working day. In order to provide for any requirement arising out of unexpected temporary shortages of funds, the tenor of reverse repos under LAF will continue to be overnight.

3. Rate of Interest

Both the repo and reverse repo operations will be conducted at a fixed rate. The repo rate will be fixed by the Reserve Bank from time to time. The reverse repo rate will continue to be linked to the repo rate through a spread as mark up over the repo rate. The spread will be determined based on market conditions and other relevant factors and changes therein as when effected will be announced by Reserve Bank.

4. Discretion to Reserve Bank

Under the revised Scheme, Reserve Bank will continue to have the discretion to conduct overnight repo or longer term repo auctions at fixed rate or at variable rates depending on market conditions and other relevant factors.

5. Mechanics of operations

i) The time limit for submission of bids under LAF will continue to be **10.30 a.m.** as now. The auction results will be announced by **12.00 noon** as at present. After the full-fledged operationalisation of the Real Time Gross Settlement (RTGS) system, these timings will be reviewed.

ii) The bids will be submitted electronically in the Negotiated Dealing System (NDS). Members of NDS facing genuine systems problem on any specific day may submit physical bids in sealed cover in the box provided in Mumbai Office, Reserve Bank of India, by 10.30 A.M. In case of inability to submit physical bid by 10.30 A.M. in the bid box, intention to submit physical bid indicating the bid amount must be communicated to the **Manager, Securities Section, Public Accounts Department (PAD), Mumbai Office by fax (fax No. 022-22620802)** before 10.30 A.M. and the bid in a sealed cover delivered to the Securities Section, PAD by 11.00 A.M. If such physical bids are not received by 11.00 A.M. the Fax request received intimating repo amount will be ignored. It may be noted that the facility of fax communication on intention to submit the physical bid should not be used to circumvent the time discipline.

iii) The NDS provides for submission of single or multiple bids by the member. However, as far as possible only one bid should be submitted by a member.

iv) The Repo will be conducted as "Hold- in- Custody" type, wherein the Reserve Bank will act as a custodian for the participants and hold the securities on their behalf in the Repo/Reverse Repo Constituents' Accounts. Pursuant to this, the participants will have to give an undertaking as given in the respective tender forms authorising Reserve Bank to act on their behalf. Reserve Bank shall not, however be responsible for any loss, damage or liability on account of acting as the Custodian on behalf of the participants. A Repo Constituents' SGL Account (RC SGL Account) and Reverse Repo Constituents' SGL Account (RRC SGL Account) will be opened and held in the Public Accounts Department in Mumbai Office of the Reserve Bank of India for this purpose. These accounts will have institution-wise subsidiary records of the securities delivered by the Reserve Bank under Repo and securities held for delivery to the Reserve Bank under Reverse Repo. Reserve Bank will also have its own subsidiary accounts in the case of both of these accounts.

v) On acceptance of bid in respect of Repos, the tenderer's RC SGL Account will be credited with the required quantum of securities debiting Reserve Bank's Subsidiary Account/Investment Account. Likewise, the tenderer's Current Account will be debited for the resultant cash flows and credited to the Reserve Bank's account. The transaction will be reversed in the second leg.

vi) In the case of Reverse Repos, on acceptance of bid, the tenderer's SGL account/ RRC SGL Account will be debited with the required quantum of securities and credited to Bank's Investment Account/Subsidiary RRC SGL Account. Accordingly, the tenderer's Current Account will be credited with the Reverse Repo amount, debiting the Reserve Bank's Account. The transactions will be reversed in the second leg.

vii) The LAF transactions between Reserve Bank and counter parties which would involve operation of the RC SGL Account and RRC SGL Account would not require separate SGL forms as provision for the purpose has been made in the bid application. Likewise, transfer of securities from/to Reserve Bank's Investment Account and Subsidiary Accounts in the Repo and Reverse Repo SGL account will not require signing of SGL

transfer forms. However, transfer from tenderer's SGL Account to the RRC SGL Account, or *vice versa*, will require completion of SGL form.

viii) Pricing of all securities including Treasury Bills will be at face value for Repo/Reverse Repo operations by Reserve Bank. Accrued interest as on the date of transaction will be ignored for the purpose of pricing of securities. Coupon, if any, will be transferred to RBI in the case of Repos, and Reserve Bank will collect the coupon, if any, on the due date and credit the same to the party's Current Account in the case of Reverse Repos.

6. Eligibility

All Scheduled Commercial Banks (excluding Regional Rural Banks) and Primary Dealers (PDs) having Current Account and SGL Account with Reserve Bank, Mumbai will be eligible to participate in the Repo and Reverse Repo auctions.

7. Minimum bid size

Bids will be received for a minimum amount of **Rs.5 crore** and in multiples of Rs. 5 crore thereafter.

8. Eligible Securities

Repos and Reverse Repos will be undertaken in all SLR-eligible transferable Government of India dated Securities/Treasury Bills.

9. Margin Requirement

A margin will be uniformly applied in respect of the above eligible securities. The amount of securities offered or tendered on acceptance of a bid for Rs.100 will be Rs.105 in terms of face value.

10. Settlement of Transactions

The settlement of transactions in the auction will take place on the same day.

11. SLR and Securities held in Repo SGL Account

Securities held by the Reserve Bank on behalf of participants in RC SGL account and credit balance in the RRC SGL Account will be counted for SLR purpose and a certificate will be issued to banks by the Reserve Bank on a daily basis. As far as valuation, etc. for SLR purpose is concerned, the extant instructions issued by the Department of Banking Operations and Development (DBOD) of the Reserve Bank will apply.

12. Terms and Conditions

Tender forms for bid submission for "Repo Auction" and "Reverse Repo Auction" along with terms and conditions are enclosed at **Annexes I and II** respectively.

II. The Scheme of Standing Liquidity Facilities

At present, the Standing Liquidity Facilities comprising export credit refinance (ECR) to scheduled banks and liquidity support to PDs are apportioned into normal facility constituting one-third of the total entitlement available at the Bank Rate and back-stop facility constituting the remaining two-thirds available at the reverse repo rate. In order to rationalise the existing structure of provision of liquidity facility from Reserve Bank, it has been decided that, as recommended by the Internal Group on Liquidity Adjustment Facility and suggested by market participants, the entire amount

under the Standing Liquidity Facilities would be made available at a single rate. Accordingly, it has been decided to merge the normal facility and back-stop facility into a single facility to be made available at a single rate, viz., the reverse repo rate

Encl: as above

TENDER FORM FOR FIXED-RATE 7-DAY REPO AUCTION

The Regional Director
Public Accounts Department
Reserve Bank of India
Mumbai Office
Mumbai

Tenderer's RC S.G.L. A/c.
No. with Securities. _____
Section, PAD

Tenderer's Current
A/c. No. with D.A.D. _____

Dear Sir,

**Tender for Fixed-Rate 7-Day Repurchase Agreements
(Repos) Auction to be held on _____
by Reserve Bank of India**

I/We* the undersigned hereby submit tender as set out below for the purchase of Government of India dated securities/eligible Treasury Bills from you on _____ with the undertaking that the same securities will be sold back to you on _____.

1.	Name of the tenderer & Address	
2.	Amount bid @ (in figures) (in words)	Rs. _____ crore Rupees _____ crore
3.	Repo Rate (per cent per annum) fixed by RBI	
4.	Telephone No.	
5.	Fax No.	

@Indicates the nominal amount offered in Repo against securities.

Undertakings

On your acceptance of my/our* tender,

1. I/We* agree and undertake to immediately collect the Acceptance-cum-Deal confirmation advice from your office and to deposit the requisite amount at Reserve Bank of India, Mumbai in the manner and on the day/time indicated therein.
2. I/We* also authorise the Reserve Bank of India to be our custodian, to hold the securities purchased by us from Reserve Bank of India under the Repos, and to transfer them by debiting/crediting my/our Current Account and Repo Constituents' Accounts based on our application/bid form.
3. I/We* agree the beneficial interest, viz., Coupon, if any, in respect of securities transferred by Reserve Bank of India to us and held in the Repo Constituents' SGL Account will rest with Reserve Bank of India.

4. I/We* agree that the Reserve Bank of India shall not be held responsible for any loss, damage or liability on account of acting as the Custodian of our securities. I/We* also agree that I/We* shall indemnify and keep indemnified the Reserve Bank of India at all times against any loss, damage or liability whatsoever arising out of acting as Custodian of our securities as above.
5. I/We* have also submitted another bid(s)/not submitted any other bids* for the auction.

Terms and conditions

I/We* have read the terms and conditions for the auction and undertake to abide by them.

Yours faithfully,

- | | | |
|------|--|-------|
| i) | Signature of official (s) authorised to operate on SGL/Current Account | _____ |
| ii) | Name | _____ |
| iii) | Designation | _____ |
| iv) | Office stamp of the tenderer | _____ |

 *: Strike out whichever is not applicable.

TERMS AND CONDITIONS FOR REPO AUCTIONS

1. Auctions for fixed-rate 7-day Repo will be conducted by RBI at Mumbai on all working days except Saturdays.
2. All transferable Government of India dated securities and Treasury Bills that are eligible for SLR will be the eligible securities for Repo auctions.
3. Bids will be submitted for a minimum amount of Rs.5 crore and in multiples of Rs.5 crore thereafter.
4. All Scheduled Commercial Banks (excluding RRBs) and Primary Dealers (PDs) maintaining SGL and Current accounts with RBI at Mumbai will be eligible to participate in the Repo auctions.
5. The bids will be submitted electronically in the Negotiated Dealing System (NDS) system. Members of NDS facing genuine systems problem on any specific day may submit physical bids in sealed cover superscribed "**7 Day Repo Auction**" in the box provided in Mumbai Office, Reserve Bank of India, by 10.30 A.M. In case of inability to submit physical bid by 10.30 A.M. in the bid box, intention to submit physical bid indicating the bid amount must be communicated to the **Manager, Securities Section, Public Accounts Department (PAD), Mumbai Office by fax** before 10.30 A.M. and the bid in a sealed cover to be delivered to the Securities Section, PAD by 11.00 A.M. If such physical bids are not received by 11.00 A.M. the Fax request received will be

ignored. It may be noted that the facility of fax communication on intention to submit the physical bid should not be used to circumvent the time discipline.

6. NDS system provides for submission of single or multiple bids. However, members are advised that as far as possible they should submit only one bid. In case of physical submission of multiple bids, separate tender form should be submitted for each bid.
7. The Repo rate will be fixed by RBI from time to time.
8. The Repo will be conducted as 'Hold-in-Custody' type of Repo. A constituents' SGL Account called "Repo Constituents' SGL Account" will be opened with Reserve Bank of India as a custodial account. Securities will be held by RBI on behalf of the participants in this account in all Repo operations. RBI would hold Government Securities delivered by it under Repo in the constituents' account (Repo Constituents' SGL Account) on behalf of the counter parties during the repo period.
9. For the purpose of Hold-in-Custody Repos, the applicants will have to authorise RBI to transfer securities to/from custodial accounts by crediting /debiting their accounts based on their application/bid form. They will also have to authorise RBI to provide for cash flow adjustments and for transferring coupons to RBI. All banks/PDs will have to authorise the RBI to accordingly credit/debit their current accounts and Repo Constituents' SGL Accounts as the case may be. Accrued interest on the security will be ignored for the pricing of the security. Coupon, if any, will be transferred to the RBI in the case of Repos.
10. There will be margins for the Government of India dated securities and eligible Treasury Bills and the amount of securities to be offered or tendered on acceptance of a bid for Rs.100 will be Rs.105 in terms of face value.
11. The successful tenderer's Current Account with RBI will be debited as per the current procedure under Repo facility. The tenderer's Repo Constituents' SGL Account will be credited simultaneously. On the expiry of the Repo period, the tenderer's Constituent SGL Account will be debited and Current Account credited as per the date, amount and rate of interest indicated, as the case may be. For instance, in a Repo auction where bid amount accepted is Rs.420 crore at a cut off rate of 4.50 per cent the calculations of amount of cash outflow in the first leg and amount of cash inflow in the second leg (with interest) will be as under.

Leg 1: Tenderer's Current Account	Dr. Rs. 420 Cr.	
Tenderer's RC SGL Account	Cr. Rs. 441 Cr = (Amt.of bid * 105) /100	

Leg 2: Tenderer's RC SGL Account	Dr. Rs. 441 Cr	
Tenderer's Current Account	Cr. Rs 420,36,24,658 = (Amt. of bid + interest for 7 days at 4.50%)	

12. Securities held by RBI on behalf of banks in the Repo Constituents' SGL Account will be counted for SLR purposes. As a custodian of securities, the Securities Section, P.A.D. of RBI will issue SGL balance certificates, which would give details on total holdings of the bank and total loan-wise securities held in the Repo Constituents' SGL Account as on any date.
13. The settlement of transactions in the auction will take place on the same day of the auction. The Repo tenor will be seven days. In case the seventh day after the repo date falls on a holiday, the reversal date will be the immediate preceding working day.

14. The results of the auction will be announced through the Press Relations Division by 12.00 noon and the same would also be displayed at Mumbai Office, RBI, Main Building, Fort, Mumbai 400 001.
15. The results will also be communicated to the individual participants in the auction through NDS. In case results are not available through NDS for any reason, tenderer should check for himself/herself the result of the auction and if successful, collect the acceptance cum deal confirmation advice from Securities Section, PAD, RBI, Fort, Mumbai 400 001 before 2.30 p.m.
16. It will be binding on the successful bidders in the auction to accept the allotted amount of securities in full at the rate emerging in the auction. If the successful bidders do not honour the allotment, they will be subject to penal action to the extent of debarring from participating in the auctions for a period of one year.
17. The Reserve Bank reserves the right to accept or reject any or all the tenders wholly or partially, if deemed fit, without assigning any reason.
18. The Reserve Bank shall not be held responsible for any loss, damage or liability on account of acting as the Custodian on behalf of the participants.

TENDER FORM FOR REVERSE REPO AUCTION

The Regional Director
Public Accounts Department
Reserve Bank of India
Mumbai Office
Mumbai

Tenderer's RRC S.G.L. A/c.
No. with Securities. _____
Section, P.A.D.

Tenderer's Current
A/c. No. with D.A.D. _____

Dear Sir,

**Tender for fixed rate Reverse Repurchase Agreements (Reverse Repo)
Auction to be held on _____ by Reserve Bank of India**

I/We* the undersigned hereby submit tender as set out below for the sale of Government of India dated securities/eligible Treasury Bills to you on _____ with the undertaking that the same securities will be purchased back from you on _____.

1.	Name of the tenderer & Address	
2.	Amount bid@ (in figures) (in words)	Rs. _____ crore Rupees _____ crore
3.	Reverse Repo Rate (per cent per annum) fixed by RBI	
4.	Telephone No.	
5.	Fax No.	

@Indicates the nominal amount bid for, against tender of securities.

Undertakings

On your acceptance of my/our* tender,

1. I/We* agree and undertake to avail the liquidity support, if successful in the auction, in the form of Reverse Repo.
2. I/We* also authorize the Reserve Bank of India to be our custodian, to hold the securities in their Reverse Repo Constituents' SGL Account, and to credit/debit my/our* Current Account and Reverse Repo Constituents' SGL Account (on repurchase by us) based on our application form.
3. I/We* also authorise the Reserve Bank of India to collect the coupon if any on the due dates on my/our*behalf and credit the same to my/our current account.
4. I/We* also agree and undertake to collect the Acceptance-cum-Offer Confirmation Advice from Reserve Bank of India, Mumbai Office (PAD) as soon as the results are announced and

lodge the SGL Account transfer form for the sale in the manner and on the day/time indicated therein.

5. I/We* agree that the Reserve Bank of India shall not be held responsible for any loss, damage or liability on account of acting as the Custodian of our securities. I/We* also agree that I/We* shall indemnify and keep indemnified the Reserve Bank of India at all times against any loss, damage or liability whatsoever arising out of acting as Custodian of our securities as above.
6. I/We* have also submitted another bid(s)/not submitted any other bids* for the auction.

Terms and conditions

I/We* have read the terms and conditions for the auction and undertake to abide by them.

Yours faithfully,

v) Signature of official (s) authorised to operate on SGL/Current Account _____

vi) Name _____

vii) Designation _____

viii) Office stamp of the tenderer _____

* Strike out whichever is not applicable.

TERMS AND CONDITIONS FOR REVERSE REPO AUCTIONS

1. Auctions for liquidity support in the form of overnight fixed-rate Reverse Repo will be conducted by the Reserve Bank of India at Mumbai on all working days except Saturdays.
2. All transferable Government of India dated securities and Treasury Bills that are eligible for SLR will be the eligible securities for Reverse Repo auctions.
3. Bids will be submitted for a minimum amount of Rs.5 crore and in multiples of Rs.5 crore thereafter.
4. All Scheduled Commercial Banks (excluding Regional Rural Banks) and Primary Dealers having SGL and Current Accounts with RBI, Mumbai will be eligible to participate in the Reverse Repo auctions.
5. The bids will be submitted electronically in the Negotiated Dealing System (NDS). Members of NDS facing genuine systems problem on any specific day may submit physical bids in sealed cover superscribed "**Reverse Repo Auction**" in the box provided in Mumbai Office, RBI, by 10.30 A.M. In case of inability to submit physical bid by 10.30 A.M. in the bid box, intention to submit physical bid indicating the bid amount must be communicated to the **Manager, Securities Section, Public Accounts Department (PAD), Mumbai Office by fax** before 10.30 A.M. and the bid in a sealed cover to be delivered to the Securities Section, PAD by 11.00 A.M. If such physical bids are not received by 11.00 A.M. the Fax request received will be ignored. It may be noted that the facility of fax communication on intention to submit the physical bid should not be used to circumvent the time discipline.
6. NDS system provides for submission of single or multiple bids. However, members are advised that as far as possible they should submit only one bid. In case of physical submission of multiple bids, separate tender form should be submitted for each bid.
7. The Reverse Repo rate will be fixed by Reserve Bank of India from time to time.
8. The Reverse Repo will be conducted as 'Hold-in-Custody' type. A constituents' SGL Account called "Reverse Repo Constituents' SGL Account" will be opened with RBI as a custodial account. Securities held in tenderer's Reverse Repo Constituents' SGL Account will be transferred to RBI's Subsidiary Account during the period of Reverse Repo.
9. The tenderer should hold sufficient quantum of securities for the purpose of collateral in his RRC SGL account (inclusive of 5 per cent margin), which will be automatically debited by RBI to the extent required. In case of insufficient balance in this account, the tenderer should transfer the securities from his SGL account to RRC SGL account by completion of SGL form before the settlement time (i.e. 2.30 p.m.).
10. For the purpose of Hold-in-Custody Repos, the applicants will have to authorise RBI to transfer securities from/to custodial accounts by debiting/crediting their accounts based on their application/bid form. They will also authorise RBI to provide for cash flow adjustments and for transferring coupons to the tenderer. All banks/PDs will have to authorise the RBI to accordingly credit/debit their current accounts and Repo Constituents' SGL Accounts as the case may be. Accrued interest on the securities will be ignored for the purpose of pricing of the security. RBI will collect the coupon, if any, on the due date and credit the same to the party's Current Account in the case of Reverse Repo.

11. There will be margins for the Government of India dated securities and eligible Treasury Bills and the amount of securities to be offered or tendered on acceptance of a bid for Rs.100 will be Rs.105, in terms of face value.

12. The successful tenderer's Current Account with RBI will be credited as per the current procedure under Reverse Repo facility. The tenderer's Reverse Repo Constituents' SGL Account/ Main SGL Account will be debited simultaneously. On the expiry of the Repo period the tenderer's Reverse Repo Constituents' SGL Account/ Main SGL Account will be credited and Current Account will be debited as per the date, amount and rate of interest indicated as the case may be. For instance, in a Reverse Repo auction where bid amount accepted is Rs.500 crore at a cut off rate of 6.00 per cent the calculations of inflow of cash in the first leg and outflow of cash in the second leg will be as under:

Leg 1: Tenderer's Current Account	Cr. Rs.500 Crore
Tenderer's RRC SGL Account	Dr. Rs.525 Crore (Amt.of bid x 105/100)
Leg 2: Tenderer's RRC SGL Account	Cr. Rs.525 Crore
Tenderer's Current Account	Dr. Rs.500,08,21,918
	(Amt. of bid + 1 day's interest at 6.00 per cent)

13. The reverse repo facility will only be available against eligible securities held in excess over the securities required for maintaining the prescribed Statutory Liquidity Ratio (SLR). Therefore, while tendering the bid with RBI for reverse repo auction, banks must ensure that the collateral to be offered by them, on acceptance of their bid, represents their excess SLR holding. In case of default in maintenance of SLR requirement arising out of securities having been sold to RBI as collateral under reverse repo, the defaulting bank may be debarred from participation in LAF auctions for a specified period as may be decided by RBI. Further the penal provisions for default in maintaining SLR requirements will also apply as prescribed under Section 24 of the Banking Regulation Act, 1949.

14. Securities held by RBI on behalf of banks in the Repo Constituents' SGL Account will be counted for SLR purpose. However, securities transferred to RBI under Reverse Repos will not be counted for SLR purposes. As a custodian of securities, the Securities Section, Public Accounts Department of RBI will issue Constituents' SGL balance certificates, which would give details on total loan-wise securities held in the Repo Constituents' SGL Account as on any date.

15. The settlement of transactions in the auction will take place on the same day. But for the intervening holidays, the Reverse Repo auctions will be for one day except on Fridays when the auction will be for three days or more, maturing on the following working day.

16. The results of the auction will be announced through the Press Relations Division by 12.00 noon and the same would also be displayed at Mumbai Office, RBI, Main Building, Fort, Mumbai 400 001.

17. The results will also be communicated to the individual participants in the auction through NDS. In case results are not available through NDS for any reason, tenderer should check for himself/herself the result of the auction and if successful, collect the acceptance cum deal confirmation advice from Securities Section, Public Accounts Department, RBI, Fort, Mumbai 400 001 before 2.30 p.m.

18. It will be binding on the successful bidders in the auction to accept the allotted amount in full. If the successful bidders do not honour the allotment, they will be subject

to penal action, to the extent of debarring from participating in the auctions for a period of one year.

19. Any irregular utilization of the facility would be subject to higher interest charge and the amount drawn down would be required to be repaid forthwith.

20. The Reserve Bank reserves the right to accept or reject any or all the tenders wholly or partially, if deemed fit, without assigning any reason.

21. The Reserve Bank shall not be held responsible for any loss, damage or liability on account of acting as the Custodian on behalf of the participants.