

February 10, 2006

All Scheduled Commercial Bank (excluding RRBs)  
and Primary Dealers

Dear Sir,

**Liquidity Adjustment Facility – Modifications**

Please refer to our circular IDMD. OMO No.08/03.75.00/2004-05 dated 27th October 2004 on the captioned subject. To save on time, members have the facility of replenishing their RC SGL account by indicating their clear intent (faxing the physical SGL form to PAD, Securities Section) prior to the actual delivery of the physical SGL form (by 2.30/5.30 p.m. positively). It is, however, often observed that many participants bidding in the LAF/SLAF- Repos do not hold sufficient securities in their RC SGL account, or do not intimate their intention to transfer securities and/or unduly delay the transfer of securities to their RC SGL account as a result of which the entire settlement system comes to a halt.

2. With a view to streamlining the system, participants are now required to replenish their RC SGL account based on their LAF/SLAF-Repo bids by mandating their clear intent (by faxing the physical SGL form to PAD, Securities Section) positively by 11.30 a.m./4.30 p.m. for LAF/SLAF. If the fax is not received by the stipulated time, the Repo bids will be liable for rejection on account of insufficient balance in the participant's RC SGL account.

3. It may also be ensured that only clear and unencumbered securities are transferred to the RC SGL account. In case of partial acceptance or rejection of the bid in the LAF/SLAF auctions, a reverse transfer can be initiated by the participant.

4. It has also been noticed in a number of instances that the participants do not fax the physical bids in the proper format, or do not quote correct SGL number, or do not quote their names in full. In future, such incomplete faxes will not be considered for physical input at our end. Participants are also requested to ensure that multiple faxes for the same bid are avoided.

5. The revised procedure will come into effect from February 27, 2006.

Yours faithfully,

(Chandan Sinha)  
Chief General Manager