

# Liquidity Management measures by RBI – January 2025

## 3 measures to manage liquidity in banking system

1

**Open Market Operations:** RBI to purchase Government securities worth ₹60,000 crore in three tranches of ₹20,000 crore each.

2

56-day **Variable Rate Repo (VRR)** auction for a notified amount of ₹50,000 crore.

3

**USD/INR Buy/Sell Swap** auction of USD 5 billion for a tenor of six months.

## Why

- To improve liquidity in the banking system.
- Rising interest rates in US may weaken the rupee further.
- Rupee is depreciating as FPIs selling Indian stocks.
- Heavy GST outflows & advance tax flows.
- To improve Forex stability.
- To ensure the availability of funds for credit.

**Open Market Operations** is the sale and purchase of Government securities by RBI to regulate the money supply in the economy. RBI carries out the OMO through commercial banks and does not directly deal with the public. The different types are:

- Outright Purchase (PEMO) is permanent and involves outright selling or buying Government securities.
- Repurchase Agreement (REPO) is short-term and subject to repurchase.

**VRR auctions** enable the RBI to inject liquidity into the system. The auction amounts will be decided by the regulator, based on the assessment of liquidity conditions.

In a **Dollar–Rupee buy/sell swap**, RBI buys dollars (USD) from banks in exchange for Indian Rupees (INR) & immediately gets into an opposite deal with banks promising to sell dollars later. A dollar–rupee buy/sell swap injects INR into the banking system while sucking out the dollars and the reverse happens in a sell/buy swap. It helps in liquidity management.