

RBI revised the Liquidity Management Framework

An effective Liquidity Management Framework facilitates the maintenance of appropriate liquidity in the banking system and fosters money market development.



The overnight Weighted Average Call Rate (WACR) will continue to be the operating target of the monetary policy.

01



The existing symmetric corridor system is retained, with policy repo rate at the middle of the corridor & Standing Deposit Facility (SDF) and Marginal Standing Facility (MSF), which are 25 bps on either side of policy repo rate, acting as the lower bound (floor) and upper bound (ceiling) of the corridor, respectively.

02



The 14-day Variable Rate Repo (VRR)/Variable Rate Reverse Repo (VRRR) operation will be discontinued as the main operation for managing short-term/transient liquidity. The same will be managed primarily through 7-day VRR/VRRR and other VRR/VRRR operations of tenors from overnight up to 14 days, at the discretion of RBI.

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To reduce market uncertainty about the tenor, quantum and timing of the repo/reverse repo operations, the RBI will provide sufficient advance notice to market participants, at least by one day, while conducting any such liquidity operation.

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Instruments under the extant liquidity management framework for managing durable liquidity viz. Open Market Operations (OMOs), long-term variable rate repo/reverse repo operations & forex swap auctions will continue to be part of the revised liquidity management framework.

05



The current requirement of maintaining a minimum of 90% of the prescribed Cash Reserve Ratio (CRR) on a daily basis will continue.

06



Standalone Primary Dealers (SPDs) will have access to SDF, overnight reverse repo operations and all repo operations, irrespective of their tenor.

07