

**RBI/2008-09/229**

**Ref. DBOD.No.Ret.BC. 62 / 12.02.001/2008-09**

**October 15, 2008**

**All Scheduled Commercial Banks**

Dear Sir,

**Section 24 of the Banking Regulation Act, 1949 –  
Shortfall in Maintenance of Statutory Liquidity Ratio (SLR) –  
Additional Liquidity Support under Liquidity Adjustment Facility (LAF)**

Please refer to our circular DBOD. No. Ret. BC. 43/12.02.001/2008-09 dated September 16, 2008 on the captioned subject. It has been decided, purely as a temporary measure, that banks may avail of additional liquidity support exclusively for the purpose of meeting the liquidity requirements of mutual funds to the extent of up to 0.5 per cent of their net demand and time liabilities (NDTL). This additional liquidity support will terminate 14 days from the closure of the special term repo facility for mutual funds announced on October 14, 2008 vide our circular FMD.MOAG.No.26/01.01.01/2008-09. This accommodation will be in addition to the temporary measure contained in the above-mentioned circular permitting banks to avail of additional liquidity support to the extent of up to 1 per cent of their NDTL.

It is advised that for any shortfall in maintenance of SLR arising out of availment of this additional liquidity support under LAF, bank may apply to the Reserve Bank in writing under sub-section (8) of Section 24 of the Banking Regulation Act, 1949 with a request not to demand payment of the penal interest thereon.

This measure is ad hoc, temporary in nature and will be reviewed on a continuous basis in the light of the evolving liquidity conditions.

Yours faithfully,

**(P. Vijaya Bhaskar)**  
Chief General Manager