RBI/2016-2017/156 FMOD.MAOG No. 117/01.01.001/2016-17

November 25, 2016

All Scheduled Commercial Banks (excluding RRBs) Scheduled Urban Co-operative Banks and Standalone Primary Dealers

Dear Sir/Madam,

Liquidity Adjustment Facility – Oil Marketing Companies' Government of India Special Bonds (Oil Bonds) as eligible collateral under LAF/MSF and Removal of Margin Requirement for Reverse Repos

Please refer to our <u>circular IDMD.OMO No. 04/03.75.00/2003-04 dated March 25, 2004</u> on Liquidity Adjustment Facility Scheme.

- 2. It has been decided that the Oil Bonds issued by Government of India will qualify as eligible securities for Repos, Reverse Repos and Marginal Standing Facility (MSF). The E-Kuber system will now accept Oil Bonds as eligible collateral for the above transactions.
- 2.1 There will be no change in the prevailing Non-SLR status of the Oil Bonds.
- 3. Further, it has been decided to do away with the margin requirement for the securities provided by Reserve Bank of India as collateral to the successful participants in Reverse Repo operations (including Term Reverse Repos).
- 3.1 However, margin requirements shall continue as hitherto in respect of all Repo/MSF transactions. A margin of 4 per cent will be applied in respect of Oil Bonds, i.e. a Repo bid of ₹ 100 will have to be backed by ₹ 104 of Oil Bonds.
- 4. The above stated changes will come into effect from November 28, 2016 and remain applicable till further notice.
- 5. All other terms and conditions for LAF/MSF remain as notified by our earlier circulars.

Yours sincerely,

(Radha Shyam Ratho) Chief General Manger