



भारतीय रिज़र्व बैंक  
**RESERVE BANK OF INDIA**  
www.rbi.org.in

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RBI/2010-11/515

FMD. No.59/01.18.001/2010-11

May 9, 2011

**All Scheduled Commercial Banks**

Dear Sir,

**Marginal Standing Facility – Scheme**

As announced in the [Monetary Policy for the year 2011-12](#), a new Marginal Standing Facility (MSF) is being introduced with effect from May 9, 2011.

The Scheme will be operationalized on the lines of the existing Liquidity Adjustment Facility – Repo Scheme (LAF – Repo). The salient features of the Scheme are as under:

**1. Effective Date**

This facility will be effective from May 9, 2011.

**2. Eligibility**

All Scheduled Commercial Banks having Current Account and SGL Account with Reserve Bank, Mumbai will be eligible to participate in the MSF Scheme.

**3. Tenor and Amount**

Under the facility, the eligible entities can avail overnight, up to one per cent of their respective Net Demand and Time Liabilities (NDTL) outstanding at the end of the second preceding fortnight. But for the intervening holidays, the MSF facility will be for one day except on Fridays when the facility will be for three days or more, maturing on the following working day. In the event, the banks' SLR holdings fall below the statutory requirement up to one per cent of their NDTL, banks will not have the obligation to seek a specific waiver for default in SLR compliance arising out of use of this facility in terms of notification issued under sub section (2A) of Section 24 of the Banking Regulation Act, 1949.

#### **4. Timing**

The Facility will be available on all working days in Mumbai, excluding Saturdays between **3.30 P.M. and 4.30 P.M.**

#### **5. Rate of Interest**

The rate of interest on amount availed under this facility will be 100 basis points above the LAF repo rate, or as decided by the Reserve Bank from time to time.

#### **6. Discretion to Reserve Bank**

The Reserve Bank will reserve the right to accept or reject partially or fully, the request for funds under this facility.

#### **7. Mechanics of operations**

- i) The requests will be submitted electronically in the Negotiated Dealing System (NDS). Eligible members facing genuine system problem on any specific day, may submit physical requests in sealed cover in the box provided in the Mumbai Office, Reserve Bank of India, to the Manager, Reserve Bank of India, Securities Section, Public Accounts Department (PAD), Mumbai Office by 4.30 P.M.
- ii) The NDS provides for submission of single or multiple applications by the member. However, as far as possible only one request should be submitted by an applicant.
- iii) The MSF will be conducted as "Hold-in-Custody" repo, similar to LAF - Repo.
- iv) On acceptance of MSF requests, the applicant's RC SGL Account will be debited by the required quantum of securities and credited to Bank's RC SGL Account. Accordingly, the applicant's current account will be credited with the MSF application amount. The transactions will be reversed in the second leg. In case the second leg falls on a holiday, the reversal date will be the next working day.
- v) The MSF transactions between Reserve Bank and counter parties which would involve operation of the RC SGL Account would not require separate SGL forms.
- vi) Pricing of all securities including Treasury Bills will be at face value for MSF operations by Reserve Bank. Accrued interest as on the date of transaction will be ignored for the purpose of pricing of securities.

#### **7. Minimum request size**

Requests will be received for a minimum amount of **Rs. One crore** and in multiples of Rs. One crore thereafter.

## **8. Eligible Securities**

MSF will be undertaken in all SLR-eligible transferable Government of India (GoI) dated Securities/Treasury Bills and State Development Loans (SDL).

## **9. Margin Requirement**

A margin of five per cent will be applied in respect of GoI dated securities and Treasury Bills. In respect of SDLs, a margin of 10 per cent will be applied. Thus, the amount of securities offered on acceptance of a request for Rs.100 will be Rs.105 (face value) of GoI dated securities and Treasury Bills or Rs.110 (face value) of SDLs.

## **10. Settlement of Transactions**

The settlement of all applications received under the MSF Scheme will take place on the same day after the closure of the window for acceptance of applications.

## **11. SLR and Securities held in Repo SGL Account**

The extant instructions issued by the Department of Banking Operations and Development (DBOD) of the Reserve Bank will apply on the securities offered by scheduled commercial banks for MSF operations.

## **12. Terms and Conditions**

Application forms for request for "MSF Facility" along with terms and conditions are enclosed at **ANNEX**.

Yours sincerely,

(G Mahalingam)  
Chief General Manager  
Encl : As above

## **ANNEX**

### **APPLICATION FORM FOR MSF FACILITY**

The Regional Director  
Public Accounts Department  
Reserve Bank of India  
Mumbai Office  
Mumbai

Applicant's RC S.G.L. A/c.No. with Securities Section, PAD. \_\_\_\_\_

Applicant's Current A/c. No. with DAD. \_\_\_\_\_

Dear Sir,

#### **Application for Marginal Standing Facility (MSF)**

I/We\* the undersigned, hereby, submit the application as set out below for the sale of Government of India dated securities/eligible Treasury Bills/State Development Loan to you on \_\_\_\_\_ with the undertaking that the same securities will be purchased back from you on \_\_\_\_\_.

1. Name of the applicant &

Address

2. Amount requested @ (in figures)

(in words) Rs. \_\_\_\_\_ crore

Rupees \_\_\_\_\_ crore

3. MSF Rate (per cent per annum) fixed by RBI

4. Telephone No.

5. Fax No.

@Indicates the nominal amount requested, against offer of securities.

#### **Undertakings**

On your acceptance of my/our\* application,

1. I/We\* agree and undertake to avail the liquidity support in the form of MSF.
2. I/We\* also authorize the Reserve Bank of India to be our custodian, to hold the securities in their Repo Constituents' (RC)SGL Account, and to credit/debit my/our\* current account and RC SGL Account (on repurchase by us) based on our application form.
3. I/We\* agree that the Reserve Bank of India shall not be held responsible for any loss, damage or liability on account of acting as the Custodian of our securities. I/We\* also agree that I/We\* shall indemnify and keep indemnified the Reserve Bank of India at all times against any loss, damage or liability whatsoever arising out of acting as Custodian of our securities as above.
4. I/We\* have also submitted another request(s)/not submitted any other applications\* for MSF.

### Terms and conditions

I/We\* have read the terms and conditions for the Marginal Standing Facility and undertake to abide by them.

Yours faithfully,

- i. Signature of official (s) authorised to operate on SGL/Current Account
- ii. Name \_\_\_\_\_
- iii. Designation \_\_\_\_\_
- iv. Office stamp of the applicant \_\_\_\_\_

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\* Strike out whichever is not applicable

### TERMS AND CONDITIONS FOR MSF

1. Applications for liquidity support under the Marginal Standing Facility in the form of overnight fixed-rate Repo will be accepted by the Reserve Bank of India at Mumbai on all working days in Mumbai except Saturdays.
2. All transferable Government of India dated securities and Treasury Bills and State Development Loans that are eligible for SLR will be the eligible securities for MSF facility.
3. Requests will be submitted for a minimum amount of Rs. **One crore** and in multiples of Rs. One crore thereafter.
4. All Scheduled Commercial Banks (excluding Regional Rural Banks) having SGL and Current Accounts with RBI, Mumbai will be eligible to participate in the MSF facility.
5. The applications will be submitted electronically in the Negotiated Dealing System (NDS). Eligible banks facing genuine systems problem on any specific day may submit

physical application in sealed cover superscribed "**Marginal Standing Facility**" in the box provided in Mumbai Office, RBI, by 4.30 P.M.

6. NDS provides for submission of single or multiple applications. However, members are advised that as far as possible they should submit only one application. In case of physical submission of multiple applications, separate application forms should be submitted for each request.

7. The MSF rate will be fixed by Reserve Bank of India from time to time.

8. The MSF will be conducted on the lines of LAF Repo.

9. The applicant should hold sufficient quantum of securities for the purpose of collateral in his RC SGL account (inclusive of applicable margin), which will be automatically debited by RBI to the extent required.

10. For the purpose of Hold-in-Custody Repos, the applicants will have to authorise RBI to transfer securities from/to RC SGL accounts based on their applications.

11. The amount of securities to be transferred from the RC SGL a/c of applicants will be Rs.105 in respect of Government of India dated securities and Treasury Bills, and Rs.110 in respect of State Development Loans, in terms of face value, per Rs.100 of MSF amount.

12. The applicant's current account with RBI will be credited as per the current procedure under LAF Repo facility. Securities will be debited from the applicant's RC SGL account simultaneously. On the date of reversal, the applicant's RC SGL account will be credited and current account will be debited with the repo amount and interest payable. It may be noted that the second leg of MSF Scheme will be automatic and would take place at the 'begin of day'. Accordingly, participants must ensure sufficient balance in their current account for completion of settlement.

13. The settlement of the first leg of MSF will take place on the same day. But for the intervening holidays, the MSF amount will be for one day except on Fridays when the facility will be for three days or more, maturing on the following working day.

14. The acceptance of applications will be communicated to the individual banks through NDS. The applicant should check for the status of its application and must ensure sufficient balance of securities in the RC Account.

15. It will be binding on the applicants to accept the sanctioned amount in full. If the applicant does not accept the sanctioned amount, it will be subject to penal action, to the extent of being debarred from the facility.

16. The Reserve Bank will reserve the right to accept or reject partially or fully, the request for funds.

17. The Reserve Bank shall not be held responsible for any loss, damage or liability on account of acting as the Custodian on behalf of the applicant.

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Related Notification	
May 09, 2011	<a href="#">Maintenance of Statutory Liquidity Ratio</a>