



Policy Measures Issued by RBI

Following the relief measures announced by the Finance Minister, the Reserve Bank of India (RBI), with a view to counter the financial impact of COVID-19 and to ensure sufficient liquidity, has issued a host of measures, which include:

a) **Targeted Long Term Repos Operations (TLTROs)** - the RBI will conduct auctions of targeted term repos of up to 3 years tenor of appropriate sizes for a total amount of up to INR 1 trillion (INR 1 lakh crore) at a floating rate linked to the policy repo rate. The first TLTRO auction will be held today (March 27, 2020). Following a review of the outcome of this auction, the subsequent TLTRO auctions will be announced.

b) **Cash Reserve Ratio (CRR)** - The CRR of all banks has been reduced by 100 basis points to 3.0 per cent of net demand and time liabilities (NDTL) with effect from the reporting fortnight beginning March 28, 2020. This dispensation will be available for a period of 1 year ending on March 26, 2021.

Furthermore, the RBI has been decided to reduce the requirement of minimum daily CRR balance maintenance from 90% to 80% effective from the first day of the reporting fortnight beginning March 28, 2020. This is a one-time dispensation available up to June 26, 2020.

c) **Marginal Standing Facility (MSF)** - Under the MSF, banks can borrow from the RBI an amount of up to 2% of their statutory liquidity ratio. This limit has now been increased to 3% with immediate effect. This measure will be applicable up to June 30, 2020.

The above measures are expected to inject a total liquidity of INR 3.7 trillion (INR 3.74 lakh crore).

d) All commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies and micro-finance institutions) (collectively "**lending institutions**") have been permitted to allow a moratorium of 3 months on payment of instalments in respect of all term loans outstanding as on March 1, 2020.

e) All lending institutions have been permitted to defer, for a period of 3 months, payment of interest on all working capital facilities sanctioned in the form of cash credit/overdraft. This will not result in asset classification downgrade.

f) In respect of working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions have been permitted to recalculate drawing power by reducing margins and/or by reassessing the working capital cycle for the borrowers.

g) Indian banks were required to maintain Net Stable Funding Ratio (NSFR) of 100% from April 1, 2020. It has now been decided to defer the implementation of NSFR by 6 months from April 1, 2020 to October 1, 2020.

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