

RBI to inject Rupee liquidity through long term USD/INR Buy/Sell Swap auction

In order to meet the durable liquidity needs of the system, the Reserve Bank has decided to augment its liquidity management toolkit and inject Rupee liquidity for longer duration through long-term foreign exchange Buy/Sell swap in terms of its extant Liquidity Management Framework. The US Dollar amount mobilized through this auction would also reflect in RBI's foreign exchange reserves for the tenor of the swap while also reflecting in RBI's forward liabilities. Accordingly, it has been decided by RBI to conduct a USD/INR Buy/Sell swap auction of USD 5 billion for tenor of 3 years on March 26, 2019. The details of the auction are as under:

Swap Amount (USD Billion)	Auction date	Auction Time	Near Leg/Spot Date	Far Leg Date
5	March 26, 2019	9.30AM-11.00AM	March 28, 2019	March 28, 2022

The market participants would be required to place their bids in terms of the premium that they are willing to pay to the Reserve Bank for the tenor of the swap, expressed in paisa terms up to two decimal places. The auction cut-off would be based on the premium. The auction would be a multiple-price based auction, i.e., successful bids will get accepted at their respective quoted premium.

Operational guidelines, eligibility criteria and other details are as follows:

- (i) Authorised Dealers (ADs) – category-1 banks will be the eligible entities to participate in the

auction.

- (ii) The swap is in the nature of a simple buy/sell foreign exchange swap from the Reserve Bank side. A bank shall sell US Dollars to the Reserve Bank and simultaneously agree to buy the same amount of US Dollars at the end of the swap period.
- (iii) The auction cut-off would be based on the premium amount in paisa terms up to two decimal points. The market participants would be required to place their bids with the premium that they are willing to pay to the Reserve Bank for the tenor of the swap expressed in paisa terms up to two decimal places. Successful bids will get accepted at their respective quoted premium.
- (iv) Once the auction window is closed, all the bids would be arranged in descending order of the swap premium quoted and the cut-off premium would be arrived at the premium corresponding to the notified US Dollar amount of the auction. Successful bidders would be those who have placed their bids at or above the cut-off premium. All bids lower than the cut-off premium would be rejected.
- (v) There will be provision of pro-rata allotment should there be more than one successful bid at the cut-off premium.
- (vi) Under the swap auction, minimum bid size would be USD 25 million and in multiples of USD 1 million thereafter. The eligible participants are allowed to submit multiple bids. However, the aggregate amount of bids submitted by single eligible entity should not exceed the notified amount of auction.
- (vii) In the first leg of the transaction, the bank will sell US Dollars to the Reserve Bank at FBIL Reference Rate of the auction date. The settlement of the first leg of the swap will take place on spot basis from the date of transaction and the Reserve Bank will credit the Rupee funds to the current account of the successful bidder and the bidder needs to deliver US Dollars into the RBI's nostro account. In the reverse leg of the swap transaction, Rupee funds will have to be returned

to the Reserve Bank along with the swap premium to get the US Dollars back.

- (viii) The banks desirous of participating in the proposed auction should furnish their settlement details to RBI back office (Ph:022-22611069) latest by preceding day of the auction.
- (ix) The banks would be exempted from the ISDA requirements for the purpose of these swaps.
- (x) Swaps under the auction, once undertaken with the Reserve Bank cannot be cancelled and no request for any modification or revision to the same would be entertained.
- (xi) The auction window will remain open between 9.30 AM to 11.00 AM. The result of the auction will be announced on the same day.
- (xii) The eligible participants should submit their bids through email only on their letterhead (signed and scanned) in the prescribed form along with the excel sheet provided therein within the auction window to Financial Markets Operations Department. The prescribed form can be obtained from RBI website (https://rbi.org.in/Scripts/BS_ViewForms.aspx).
- (xiii) RBI reserves the right to:
 - Decide on the quantum of US Dollar amount to be accepted in the swap auction.
 - Accept offers for less than the aggregate notified US Dollar amount.
 - Accept marginally higher than the notified US Dollar amount due to rounding-off effects.
 - Accept or reject any or all the offers either wholly or partially without assigning any reason.

Please contact for any query related to this mail to Ms. Surbhi Sharma, Associate Economist at surbhi@phdcci.in with a cc to Dr. S P Sharma, Chief Economist at spsharma@phdcci.in of PHD Chamber of Commerce & Industry.

Warm Regards,
Dr S P Sharma



NATIONAL APEX CHAMBER

Chief Economist
PHD Chamber of Commerce and Industry
PHD House, 4/2 Siri Institutional Area
August Kranti Marg, New Delhi-110016, India

Tel: +91 49545454

Fax: +91 11 26855450

Email: spsharma@phdcci.in

Website: www.phdcci.in

Follow us on



"Towards an Inclusive & Prosperous India"



PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400
Fax : +91-11-2685 5450 • E-mail : phdcci@phdcci.in • Website : www.phdcci.in, CIN: U74899DL1951GAP001947

Connect with us:



COPYRIGHT: All rights reserved. No part of this publication/Release may be reproduced, distributed, or transmitted in any form or by any means, without the prior written permission of the publisher. For permission requests, write to the publisher.

DISCLAIMER: This message and its attachments contain confidential information. If you are not the intended recipient, you are strictly prohibited to disclose, copy, distribute or take any action in reliance on the contents of this information. E-mail transmission cannot be guaranteed to be secure or error-free, as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this message, which arise as a result of e-mail transmission. If verification is required please request a hard-copy version.