

## RBI announces USD/INR Sell/Buy Swaps to provide liquidity to the foreign exchange market

On a review of current financial market conditions and taking into consideration the requirement of US Dollars in the market, the Reserve Bank of India (RBI) has decided to undertake 6-month US Dollar sell/buy swaps to provide liquidity to the foreign exchange market.

Financial markets worldwide are facing intense selling pressures on extreme risk aversion due to the spread of COVID-19 infections, compounded by the slump in international crude prices and a decline in bond yields in advanced economies. Flight to safety has led to spike in volatility across all asset classes, with several emerging market currencies experiencing downside pressures. Mismatches in US dollar liquidity have become accentuated across the world. At this background, RBI has decided to undertake 6-month US Dollar sell/buy swaps.

The swaps will be conducted through the auction route in multiple tranches. The auctions will be multiple price based, i.e., successful bids will be accepted at their respective quoted premiums. To begin with, an amount of USD 2 billion would be offered on March 16, 2020. The details of the auction are as under:

Swap Amount (USD Billion)	Auction date	Auction Time	Near Leg/Spot Date	Far Leg Date
2	March 16, 2020	9.30 AM-11.00 AM	March 18, 2020	September 18, 2020

The Reserve Bank of India is closely and continuously monitoring the rapidly evolving global situation and spillovers. It stands ready to take all necessary measures to ensure that the effects of the COVID-19 pandemic on the Indian economy are mitigated, and financial markets and institutions in India continue to function normally. According to RBI, the level of forex reserves at USD 487 billion as on March 6, 2020 remains comfortable to meet any exigency.

Please find enclosed the RBI's document including operational guidelines, eligibility criteria and other details, for your kind reference.

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