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Revised Liquidity Management Framework

The [report \(/en/web/rbi/-/publications/reports/report-of-the-internal-working-group-to-review-the-liquidity-management-framework\)](/en/web/rbi/-/publications/reports/report-of-the-internal-working-group-to-review-the-liquidity-management-framework) of the Internal Working Group (IWG) to review the Liquidity Management Framework was placed on the RBI website on August 6, 2025, and comments on the same were invited from stakeholders and members of the public by August 29, 2025. The Reserve Bank has received comments from various stakeholders.

2. Based on the recommendations of the IWG and after considering the feedback received, the liquidity management framework has been finalised as under:

- i. The overnight weighted average call rate (WACR) will continue to be the operating target of the monetary policy. The Reserve Bank will, however, continue to keep track of rates in other overnight money market segments to ensure orderly evolution of money market rates and smoothen transmission.
- ii. The existing symmetric corridor system is retained, with policy repo rate at the middle of the corridor and standing deposit facility (SDF) and marginal standing facility (MSF), which are 25 bps on either side of the policy repo rate, acting as the lower bound (floor) and upper bound (ceiling) of the corridor, respectively.
- iii. The Reserve Bank will endeavour to align the WACR to the policy repo rate by ensuring optimum level of system liquidity using the instruments defined under this framework.
- iv. The 14-day variable rate repo (VRR)/ variable rate reverse repo (VRRR) operation will be discontinued as the main operation for managing short-term/transient liquidity. Instead, the same will be managed primarily through 7-day VRR/ VRRR and other VRR/VRRR operations of tenors from overnight up to 14 days, at the discretion of the Reserve Bank based on its assessment of the system liquidity requirement.
- v. To reduce uncertainty in the market about the tenor, quantum and timing of the repo/reverse repo operations, the Reserve Bank will provide sufficient advance notice to market participants, at least by one day, while conducting any such liquidity operation. However, when circumstances warrant, the Reserve Bank would conduct operations by announcing on the same day.
- vi. Instruments under the extant liquidity management framework for managing durable liquidity viz. open market operations (OMOs), long-term variable rate repo/reverse repo operations and forex swap auctions will continue to be part of the revised liquidity management framework.
- vii. The current requirement of maintaining a minimum of 90 per cent of the prescribed CRR on a daily basis will continue.
- viii. Standalone Primary Dealers (SPDs) will have access to SDF, overnight reverse repo operations, and all repo operations, irrespective of their tenor.

3. The details of liquidity facilities under the revised Liquidity Management Framework is given in [Annex](#).

(Puneet Pancholy)
Chief General Manager

Press Release: 2025-2026/1201

Annex: Liquidity Facilities under Revised Liquidity Management Framework

Sr. No.	Instrument	Quantum	Periodicity
A. Instruments to manage short-term/transient liquidity			
1.	Variable Rate Repo (VRR)/Variable Rate Reverse Repo (VRRR) auction Tenor: overnight to a fortnight	The auction amount will be decided by the Reserve Bank, based on an assessment of the system liquidity conditions.	Discretionary. Tenor of operations will primarily be 7-days. Other tenors as deemed necessary.
2.	Standing Deposit Facility (SDF)	No restriction on amount.	Daily: 7:00 PM – 11:59 PM

3.	Marginal Standing Facility (MSF)	Individual banks can draw funds against their excess SLR holdings + up to 2 per cent of their respective NDTL outstanding as at the end of the second preceding fortnight, below the stipulated SLR.	Daily: 7:00 PM – 11:59 PM
4.	FX Swaps	The amount will be decided by the Reserve Bank, based on an assessment of the system liquidity conditions.	Discretionary
B. Instruments to manage durable liquidity			
5.	Long Term Variable Rate Repo Tenor: beyond a fortnight	The auction amount will be decided by the Reserve Bank, based on an assessment of the liquidity conditions.	Discretionary
6.	Long Term Variable Rate Reverse Repo Tenor: beyond a fortnight		
7.	FX Swap Auctions	The auction amount will be decided by the Reserve Bank, based on an assessment of the system liquidity conditions.	Discretionary
8.	Open Market Operations (OMOs)		

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