



RBI to inject liquidity via forex swaps

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Bid by central bank to lower dependence on open market operation

- The Reserve Bank of India (RBI) has decided to inject rupee liquidity into the system through long-term foreign exchange buy/sell swap — a first-of-its-kind instrument used for liquidity management.
- The RBI would conduct dollar-rupee buy/sell swap auction of \$5 billion for a three-year tenor on March 26, 2019.
- “The U.S. dollar amount mobilised 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,” it added.
- According to bankers, the move is seen to lower the dependence on open market operations which have been a significant amount of the overall borrowing.
- Market participants would be required to place their bids in terms of the premium that they were willing to pay to the RBI for the tenor of the swap.
- RBI said the auction cut-off would be based on the premium and the auction would be a multiple-price based auction.

Trade credit limit up

- RBI also has raised the trade credit limit under the automatic route to \$150 million for oil/gas refining and marketing, airline and shipping firms.
- For others, the limit is set at \$50 million or equivalent per import transaction.

The Hindu