

## **RBI cancels T-bill auctions due to liquidity crunch**

The Reserve Bank of India (RBI) on Wednesday cancelled auctions for the Rs 7,000-crore 91-day treasury bills (T-bills) and for the Rs 5,000-crore 182-day T-bills. Liquidity tightness led to the cancellation, said sources.

"RBI was not comfortable with the bids they had received, due to which they did not accept any for the treasury bills," said Yadnesh Chavan, head of fixed income, Mirae Asset Global Investments (India). "This shows the market discomfort about the overall liquidity situation." On Tuesday, the auctions for the state government 10-year bonds (10 states) to raise Rs 8,600 crore failed to sail through amid highly volatile sentiment in the bond markets. Five states, including West Bengal, Himachal Pradesh and Haryana, raised about Rs 2,210 crore. The cut-off yield for West Bengal was 9.48 per cent on the Rs 1,000-crore bond.

RBI on Wednesday accepted bids worth Rs 75,000 crore under the repo auction of the liquidity adjustment facility (LAF), against bids received for Rs 1,41,970 crore. After-market hours on Monday, RBI had announced measures to dramatically tighten the inter-bank liquidity. These steps were announced to arrest the volatility in the rupee against the dollar. The overall allocation of funds under the LAF would be limited to one per cent of the net demand and time liabilities of the banking system, reckoned as Rs 75,000 crore for this purpose. The allocation to individual banks would be made in proportion to the bids, subject to the overall ceiling. This change in the LAF will come into effect from Wednesday, said RBI.

Besides that, the marginal standing facility (MSF) rate was recalibrated to be 300 basis points above the policy repo rate under the LAF. Consequently, the MSF rate is 10.25 per cent.

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