

04:05 PM   28 NOV <b>MARKET STATS</b> ▾	SENSEX <b>26,350</b> ▲ 33.83	NIFTY 50 <b>8,127</b> ▲ 12.60	GOLD (MCX) (Rs/10g.) <b>28,755</b> ▲ 157.00	USD/INR <b>68.73</b> ▲ 0.26	<b>CREATE PORTFOLIO</b>	<b>Download ET MARKETS APP</b>	CHOOSE LANGUAGE ENG
--	---------------------------------	----------------------------------	--	--------------------------------	-------------------------	--------------------------------	------------------------

# RBI allows oil bonds as collateral for liquidity operations

By [Saikat Das](#), ET Bureau | Nov 25, 2016, 11.20 PM IST

[Post a Comment](#)

MUMBAI: The Reserve Bank of India has relaxed norms for its [liquidity](#) operations extending the set of securities that are used as collateral.

It can now suck out excess cash in the banking system using pledges like oil bonds — a move that will allow banks to lend more funds to the central bank amid swelling liquidity, triggered by the government's demonetisation scheme.

"It has been decided that the oil bonds issued by government of India will qualify as eligible securities for repos, reverse repos and [marginal standing facility](#) (MSF)," RBI said in a notification on Friday. "The E-Kuber system will now accept oil bonds as eligible collateral..."

The central bank takes out surplus cash through a mechanism called reverse repo auction, where banks park funds against pledges, provided by RBI.

The central bank has already exhausted its existing stock of collateral (government bonds). The daily liquidity glut has grown as high as about Rs 5.20 crore on Friday while RBI would be holding Rs 7.5 lakh crore worth of sovereign securities.

Banks borrow money from RBI via repo window.

"Inclusion of Oil bond and removing hair cut in reverse repo will create additional room for RBI to continue sterilisation in the current situation through Reverse Repo window," said Soumyajit Niyogi, Associate Director, Credit & Market Research Group, India Ratings.

The government issues oil bonds to public sector oil marketing companies including [Bharat Petroleum](#), [Indian Oil Corporation](#), who can sell them in the [secondary market](#). They are also used as collateral for raising funds.

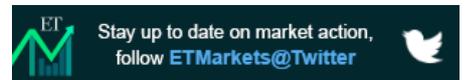
There are about Rs 45,000 crore of such bonds outstanding in the market, show an estimate from India Ratings.

"RBI needs more such securities to suck out excess liquidity in the banking system," said Ashutosh Khajuria, ED of [Federal Bank](#). "This will enable them to conduct reverse repo auctions with the liquidity rising every day."

It has been decided to do away with the margin requirement for the securities provided by Reserve Bank of India as collateral to the successful participants in Reverse Repo operations (including Term Reverse Repos), RBI said.

Stay on top of business news with The Economic Times App. [Download it Now!](#)

- RELATED COMPANIES** EXPAND
- [Indian Oil ...](#)
  - [Federal bank](#)
  - [Bharat Petr...](#)



Stay up to date on market action, follow [ETMarkets@Twitter](#)

<a href="#">Live Market</a>	<a href="#">News</a>	<a href="#">Portfolio</a>	<a href="#">Mobile</a>	<a href="#">Live TV</a>	<a href="#">Newsletter</a>	<a href="#">Commodities</a>	<a href="#">Speed</a>	<a href="#">QnA</a>	<a href="#">Blogs</a>	<a href="#">Alerts</a>	<a href="#">RSS</a>
-----------------------------	----------------------	---------------------------	------------------------	-------------------------	----------------------------	-----------------------------	-----------------------	---------------------	-----------------------	------------------------	---------------------

**Other Times Group news sites**

Times of India | इकोनॉमिक टाइम्स  
 छद्दिनीमिड टाइम्स | Mumbai Mirror  
 Times Now | Indiatimes  
 नकभारत टाइम्स | महाराष्ट्र टाइम्स  
 ವಿಜಯ ಕರ್ನಾಟಕ | Lifehacker  
 Gizmodo | Eisamay | IGN India  
 NavGujarat Samay

**Living and entertainment**

Timescity | iDiva | Zoom |  
 Luxpresso | Gaana | Happytrips |  
 Cricbuzz | Get Smartapp

**Networking**

itimes | MensXP.com

**Hot on the Web**

Budget 2017 | Sensex, Nifty Live  
 Blog  
 Gold Rate | US Presidential  
 Elections Live Updates  
 Festival Guide 2016 | Google  
 expected to unveil Pixel  
 smartphones  
 Live: India's surgical strikes on  
 PoK

**Services**

ads2book | Gadgetsnow | Free Business Listings  
 Simplymarry | Astrospeak | Timesjobs | Magicbricks | Zigwheels | Timesdeal |  
 dineout | Filmipop | RemitIndia | Gaana | Greetzap | Techradar | Alivear |  
 Google Play