

## RBI's maiden long-term repo operation receives Rs 1.94-trillion bids

The allotment was done for all bids on a pro-rata basis

Anup Roy | Mumbai February 17, 2020 Last Updated at 21:32 IST



The Reserve Bank of India (RBI) received bids worth nearly eight times of Rs 25,000 crore on offer for its first long-term repo operation (LTRO).

The RBI received 63 bids totaling Rs 1.94 trillion for the LTRO of three-year maturity. The RBI allotted Rs 25,035 crore to these banks on a pro-rata basis. Next week, there will be another LTRO of Rs 25,000 crore for one-year maturity.

The LTROs are done at a fixed rate — at the prevailing repo rate of 5.15 per cent now. The RBI for now plans to conduct LTROs of Rs 1 trillion through three-year and one-year maturity.

“The response to the LTRO has been highly encouraging,” the RBI said in a statement on its website. The bid-cover ratio was 7.8 times as the total amount of bids “exceeded the aggregate amount of Rs 1 trillion proposed to be offered under the LTRO scheme.”

The allotment was done for all bids on a pro-rata basis.

The idea behind the LTRO, and also relaxations on cash reserve ratio (CRR) for incremental lending to the retail and micro, small and medium enterprises,

announced as a policy measure on the same day, is to bring down the cost of funds for banks without necessarily lowering the deposit rate. The banks can then lower the lending rate, and extend credit at a cheaper rate.

Besides, the banks can price their loans for a longer period around the repo rate. Currently, the retail loan rates of the banks are benchmarked to repo rate, but the rate was largely overnight. By introducing longer tenure, the RBI is also helping create a benchmark that banks can use to price their products, said Ashok Gautam, executive director and head of treasury at IDBI Bank.

“Now we can price our loans on repo rate. You can price a little better now than what it used to be earlier, as the LTROs and CRR relief are a form of signal to the banks. The amount infused through these instruments is largely immaterial, but there would be some material benefits in cost of funds that the banks can pass on directly,” said Gautam.

## DAY 1 IN NUMBERS

**3-yr**  
tenor

**₹25,000 cr**  
Notified amount

**64**  
No. of bids  
received

**₹194,414 cr**  
Amount of  
bids received



**₹25,035 cr**  
Amount allotted

**12.86%**  
Pro-rata  
allotment

Source: RBI