

RBI extends regulatory benefits under SLF-MF scheme to all banks

By: PTI

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Earlier in the week, the Reserve Bank had announced Rs 50,000-crore SLF-MF scheme to bailout the mutual funds facing redemption pressure.



The scheme was announced in the backdrop of Franklin Templeton Mutual Fund deciding to shut several schemes.

The Reserve Bank of India on Thursday extended regulatory benefits to all banks including those deploying their own resources to extend liquidity support to the mutual funds under the Special Liquidity Facility for Mutual Funds (SLF-MF) scheme.

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“Based on requests received from banks, it has now been decided that the regulatory benefits announced under the SLF-MF scheme will be extended to all banks, irrespective of whether they avail funding from the Reserve Bank or deploy their own resources under the ...scheme,” Reserve Bank of India said in a release.

The **RBI** further said banks meeting the liquidity requirements of MFs by extending loans and undertaking outright purchase of and/or repos against the collateral of investment grade corporate bonds, commercial paper (CPs), debentures and certificates of deposit (CDs) held by MFs, will be eligible to claim all the regulatory benefits available under the scheme.

The banks claiming the regulatory benefits would be required to submit a weekly statement containing consolidated information on entity-wise and instrument-wise loans and advances extended or investment made to eligible entities to Financial Markets Operations Department and to Department of Supervision on every Monday till the closure of the scheme, the RBI said.

The Rs 50,000 crore liquidity window came days after, the Franklin Templeton Mutual Fund, which has been operating in India for 25 years, decided to shut down Franklin India Low Duration Fund, Franklin India Dynamic Accrual Fund, Franklin India Credit Risk Fund, Franklin India Short Term Income Plan, Franklin India Ultra Short Bond Fund and Franklin India Income Opportunities Fund.

Last time, RBI had opened a special borrowing window of Rs 25,000 crore for banks to help meet the cash requirements of mutual funds in July 2013.

Post the collapse of Lehman Brothers, RBI, in October, 2008, had provided a similar additional liquidity support exclusively for mutual fund industry.

The central bank also stressed it remains vigilant and will take whatever steps are necessary to mitigate the economic impact of COVID-19 and preserve financial stability.

Under the Special Liquidity Facility for Mutual Funds (SLF-MF), the RBI will conduct repo operations of 90 days tenor at the fixed repo rate.



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