



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

ई-मेल/email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

Department of Communication, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 022- 22660502

February 13, 2020

Clarifications / Frequently Asked Questions (FAQs) on LTROs

The Reserve Bank had announced Long Term Repo Operations (LTROs) for one-year and three-year tenors and operational guidelines for the same, vide [Press release dated February 07, 2020](#). In this regard, the following clarifications are being issued:

Sl. No.	Query	Clarification
1.	What is the maximum amount that a single market participant can bid in LTROs?	A market participant can place bids of amount less than or equal to the notified amount. RBI may reject all the bids of the participant if the total bid amount submitted by the participant exceeds the notified amount.
2.	When will the interest payment required to be made for LTROs?	The interest payment will have to be made upon maturity of LTRO, i.e. on the reversal date.
3.	How will the interest be calculated in case of LTROs?	<p>The LTROs will be conducted on a fixed-rate basis and the rate will remain fixed for the tenor of the operation. The interest will be compounded on an annual basis.</p> <p>An Illustration of the Interest calculation for LTROs of 1-year and 3-year tenor is given below.</p> <p>Maturity Amount = $P \times [1 + (r/100/n)]^{n \times (t/365)}$</p> <p>1-year tenor: Principal (P)= ₹1,00,00,000 Tenor (t) = 365 days (1 year), Rate (r) =5.15% Maturity Amt = 1,00,00,000 $[1 + (5.15/100/1)]^{1 \times (365/365)}$ = 1,05,15,000 Interest = Maturity Amount – Principal = 1,05,15,000 – 1,00,00,000 = 5,15,000</p> <p>3-year tenor: Principal (P)= ₹1,00,00,000, Tenor (t) = 1095 days (3 year), Rate (r) =5.15%, Frequency (n) = 1 (yearly) Maturity Amt = 1,00,00,000 $[1 + (5.15/100/1)]^{1 \times (1095/365)}$ = 116,25,933.41 Interest = Maturity Amount – Principal = 1,16,25,933.41 – 1,00,00,000 = 16,25,933.41</p>
4.	Should the securities offered as collateral cover the complete tenor of LTRO?	Yes. The residual maturity of the securities offered as collateral under LTRO should be equal or more than the tenor of the LTRO at inception.

5.	Whether the securities offered as collateral under LTRO can be substituted at a later date?	Yes. The market participants can substitute securities offered as collateral in LTROs as many times as they wish to in terms of extant guidelines dated April 12, 2017 (Cir. Ref.: FMOD.MAOG.No.120/01.01.001/2016-17). However, at any point of time, the residual maturity of replacement securities should not be less than the remaining tenor of the LTRO.
6.	What are the margin requirements for securities to be offered as collateral for LTRO?	The current margin requirements under LAF as per extant guidelines FMOD.MAOG No.125/01.01.001/2017-18 dated June 6, 2018 will also be applicable for LTROs.
7.	Whether the collateral offered under LTROs will be subjected to variation margin?	Yes. The securities offered as a collateral for LTROs will be marked to market on a quarterly basis, on the basis of latest prices published by Financial Benchmarks India Pvt. Ltd. (FBIL). The detailed guidelines in this regard will be issued separately.

Press Release: 2019-2020/1945

Yogesh Dayal
Chief General Manager