

	Market Stabilization Scheme (MSS)	MSS was introduced in 2004. Under the scheme Surplus liquidity of a more enduring nature arising from large capital inflows is absorbed through sale of short-dated government securities and treasury bills. The cash so mobilised is held in a separate government account with the Reserve Bank. Thus RBI sterilizes the economy against adverse external shocks. This operation of RBI is known as sterilization.		
<b>IF</b>	<b>Increase/Decrease</b>	<b>Liquidity in Market</b>	<b>Inflation</b>	<b>Monetary policy</b>
CRR/SLR/Repo/Reverse Repo/Bank Rate	Increases	Decreases	Decreases	Dearer/Tight Monetary Policy
CRR/SLR/Repo/Reverse Repo/Bank Rate	Decreases	Increases	Increases	Accommodative/Easy/Expansionary monetary policy

**RBI Monetary Policy Stance\***

**Calibrated Tightening-** Calibrated tightening means that in the current rate cycle, a cut in the policy repo rate is off the table, and we are not obliged to increase the rate at every policy meeting. In that case policy repo rate is kept unchanged. Later, RBI decreased the repo rate and changed the policy stance from Calibrated tightening to Neutral.

**Neutral Stance** - means policy repo rate may be unchanged/increased/decreased.

**Accommodative Stance** - means policy repo rate will be further decreased.

**RBI Policy Rates (12-07-2020)**

<b>Policy Repo Rate</b>	4.00%
Reverse Repo Rate	3.35%
Marginal Standing Facility Rate	4.25%
Bank Rate	4.25%

**Reserve Ratios (12-07-2020)**

CRR	3.00%
SLR	18.00%

**Note:**

The RBI has decided to **reduce SLR** from existing 19.5% to 18.0% in six quarterly instalments, by 0.25 per cent every quarter beginning January 2019. (05-12-2018)

**Monetary Policy Statement, 2020-21: Resolution of the Monetary Policy Committee (MPC) (22-05-2020)\***

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting decided to reduce the policy repo rate under the liquidity adjustment facility (LAF) by 40 bps to 4.0 per cent from 4.40 per cent with immediate effect.

Accordingly, the marginal standing facility (MSF) rate and the Bank Rate stand reduced to 4.25 per cent from 4.65 per cent; and the reverse repo rate under the LAF stands reduced to 3.35 per cent from 3.75 per cent.

The MPC also decided to continue with the **accommodative stance** as long as it is necessary to revive growth and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target.

These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.