

Variable Repo Rate (VRR)

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The Reserve Bank of India (RBI) will conduct 14-day variable rate repo auction for a notified amount of Rs 50,000 crore.



[Ref: Money Control]

About VRR:

- The Variable Repo Rate (VRR) is a monetary policy tool used by the Reserve Bank of India (RBI) to manage liquidity in the banking system.
- It allows banks to **borrow funds from the RBI at a variable interest rate** through repo auctions.

Purpose:

- VRR aims to infuse **liquidity into the financial system**, especially during tight liquidity conditions.
- It helps in managing the **short-term liquidity** needs of banks more effectively.

Mechanism:

- **Rate Determination:** Banks borrow at a rate decided by the market during VRR auctions.
- **Repo Rate Comparison:** Unlike the fixed Repo Rate set by RBI, VRR rates are market-driven.
- **Borrowing Duration:** Typically ranges from more than one day to up to 14 days.
- **Auction Platform:** Conducted on the RBI's CBS (e-Kuber) platform.
- **Minimum Bid:** Usually set at ₹1 crore and multiples thereof.