[Glossary]
[Design of Monetary Policy]

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Glossary

- **Monetary Policy:** It is the macroeconomic policy laid down by the central bank that determines the size and rate of growth of the money supply, which in turn affects interest rates.
- **Bank Rate (BR):** It is the rate at which RBI lends money to commercial bank or meeting shortfall for a long period without selling or buying any securities.
- **Repo Rate (RR):** bank sells the security to RBI to raise money. When banks sell security, banks promise to buy back the same security from RBI at a predetermined date with an interest at the rate of REPO. It is actually a repurchase agreement.
- **Statutory Liquidity Ratio (SLR):** it is the Indian government term for reserve requirement that the commercial banks in India require to maintain in the form of gold, government approved.
- **Open Market Operations (OMO):** This refers to buying and selling of government securities by RBI to regulate short-term money supply.
- **Marginal standing facility:** it is a window for the bank to borrow from RBI in an emergency situation when inter-bank liquidity dries up completely.
- **Liquidity adjustment facility:** it is a tool used in monetary policy that allows banks to borrow money through repurchase agreements.