The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi has given ex-post facto approval for amendment to the ‘Framework on Currency Swap Arrangement for SAARC Member Countries’ to incorporate a ‘Standby Swap’ amounting to USD 400 million operated within the overall size of the Facility of USD 2 billion and build in flexibility with respect to modalities of its operation, such as period of swap, roll over, etc. after due consideration of conditions of requesting SAARC member countries and domestic requirements of India.

Salient features:

Due to heightened financial risk and volatility in global economy, short term swap requirements of SAARC countries could be higher than the agreed lines. The incorporation of ‘Standby Swap’ within the approved SAARC Swap Framework would provide necessary
provide a prompt response to the current request from SAARC member countries for availing the swap amount exceeding the present limit prescribed under the SAARC Swap Framework.

Background:

Cabinet approved the Framework on Currency Swap Arrangement for SAARC Member Countries on March 1, 2012 with the intention to provide a line of funding for short term foreign exchange requirements or to meet balance of payments crises till longer term arrangements are made or the issue is resolved in the short-term itself. Under the Facility, RBI offers swaps of varying sizes in USD, Euro or INR to each SAARC member country depending on their two months import requirement and not exceeding US$ 2 billion in total. The swap amount for each country has been defined in the above Facility, subject to a floor of USD 100 Million and a maximum of USD 400 Million. Each Drawal will be for three months tenor and upto maximum of two rollovers.

RBI will negotiate the operational details bilaterally with the Central Banks of the SAARC countries availing the Standby Swap.