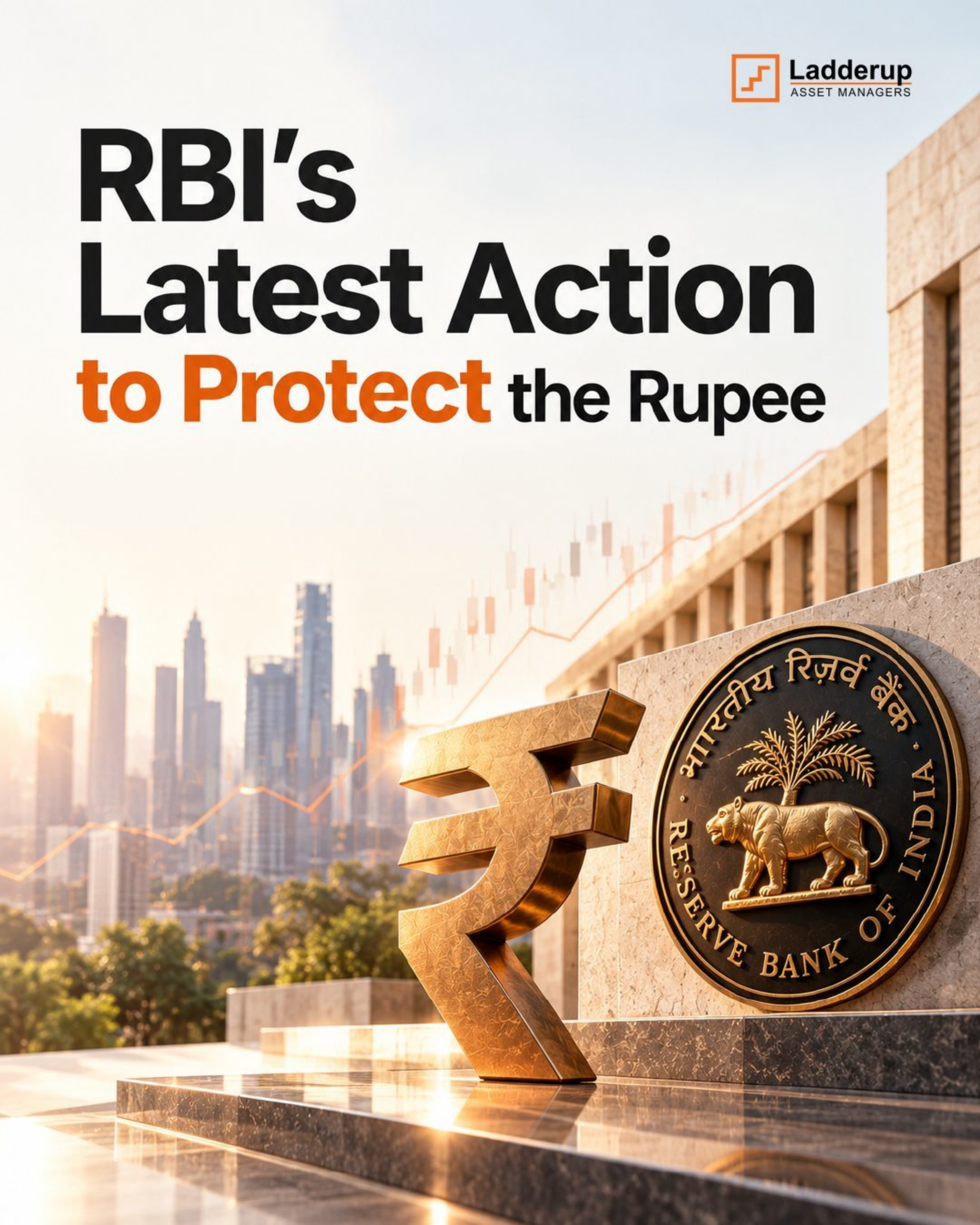
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RBI's Latest Action to Protect the Rupee



01

Why RBI had to act

Rupee at record low levels: The rupee has been under pressure for much of 2026, especially since the West Asia conflict began in late February. On 7th October it moved close to its all time low against the dollar.

Rate hike did not help: The rupee slumped to a four-month low after RBI's first interest rate hike since February 2023, quoting at 96.75 per dollar.

Oil is the main pressure point: Brent crude rose 2.60% to $102.80 per barrel on 8th October. India imports most of its crude oil, so higher oil prices widen the current account deficit and raise dollar demand from oil companies.

02

Rate hike and the Governor's message on the rupee

Rate action: The MPC voted unanimously to raise the repo rate by 25 bps to 5.50% and changed its stance to calibrated tightening.

Rupee view: Governor Sanjay Malhotra said that, by several estimates including REER, the rupee is not overvalued and may be undervalued.

Commitment: He said RBI will ensure the rupee stabilises and finds its correct value, supporting orderly movement while avoiding excessive volatility.

03

Special dollar window for oil companies

What it is: RBI will meet the entire daily dollar requirements of IOC, HPCL and BPCL by selling dollars to them through designated banks, from 12 October 2026 until further notice.

Why it matters: Oil companies make large daily dollar purchases to pay for crude imports, which makes them a key driver of currency volatility. In April, Finrex Treasury Advisors estimated their average daily dollar demand at around $500 to 550 million.

A proven tool: RBI has used this approach before, during the 2013 taper tantrum, the Russia-Ukraine war, and other times when oil company demand added to rupee pressure.

04

Tighter rupee liquidity

CRR change: From the fortnight starting 16 October 2026, banks must keep at least 99% of their required CRR every day, up from 90%.

Why it helps the rupee: Squeezing rupee liquidity raises short-term rates and makes betting against the rupee costly.

05

Lower limit for certain forex transactions without underlying exposure

Rule change: The threshold for specified forex derivative transactions without underlying exposure has been reduced from US$100 million to US$5 million.

Why it helps the rupee: Restricting large unhedged currency positions can curb speculative activity and reduce excess demand for US dollars, easing pressure on the rupee.

06

Introduction of Foreign Exchange Risk Reserve (FERR)

Foreign Exchange Risk Reserve (FERR): Banks must set aside a 20% cash reserve with the RBI on specified forex derivative contracts exceeding US$2 million.

Objective: Increase the cost of certain forex hedging transactions, discouraging excessive demand for dollars. This could, however, also raise legitimate hedging costs for businesses.

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